


Informing the Audit Risk Assessment

GENERAL ENQUIRIES OF MANAGEMENT

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>The Council has continued to make Covid Business Grant payments throughout 2021/22 amounting to £9.6 million – with the final schemes (ARG4 & Omicron Grants) running to 31st March 2022.</p> <p>Covid 19 has continued to have an impact on Council income e.g. Business Rates / Council Tax receipts, and fees & charges. However, this has been a reduced impact compared to 2020/21.</p> <p>During 2021/22, the Council set up a wholly owned Leisure company “South Ribble Leisure Limited”. This will be included in the Statement of accounts (Group Accounts).</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by the Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>We have considered the accounting policies. There have not been any events or transactions that have caused us to change or adapt our accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>No</p>

4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	The council has paid out over £9.6m of business grants as part of the Government's Covid support scheme. This was done using processes / controls implemented in 2020/21.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	Due to Covid and general economic conditions we would expect temporary reductions in some of the fixed asset valuations.
6. Are you aware of any guarantee contracts? If so, please provide further details	None
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>In terms of accessing external legal support the details are as follows:</p> <ol style="list-style-type: none"> 1. DAC Beachcroft – Solicitors – instructed on an employment issue. Those issues lasted a couple of years but have now been resolved. 2. Weightmans – Solicitors – instructed mainly on some property matters but also a potential litigation matter 3. Kings Chambers – barristers – instructed on a number of planning matters.
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected	No

<p>misstatements which would affect the financial statements? If so, please provide further details</p>	
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>See attached;</p>  <p>GT Summary - Advisors - SRBC.xlsx</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>None identified</p>

FRAUD RISK ASSESSMENT

<p>1. Has Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes, and there is no indication that the financial statements have been materially misstated due to fraud</p> <p>Internal Audit undertake their own proactive fraud detection work and participate fully in the National Fraud Initiative.</p> <p>Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Governance Committee and to Senior Management Team, including fraud risks and governance issues.</p> <p>Internal Audit Section will undertake special investigations in cases of suspected fraud or irregularity. Financial Procedure Rules and the Council's Anti-Fraud and Corruption Policy</p>
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	<p>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>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>There is always a risk of error and fraud in relation to Benefits and supplier payments however we are confident this is mitigated through quality assurance processes, segregation of duties and internal checks within the systems / teams involved.</p> <p>An additional level of assurance is provided through the work of Internal Audit.</p> <p>There are risks of fraud relating to Covid grants payments made to businesses throughout 2021/22 however these have been mitigated through clearly defined processes and segregation of duties.</p> <p>Additional safeguards have been provided through the reconciliation / assurance work undertaken in conjunction with BEIS (to date no issues identified).</p>

<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>No</p>
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</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>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>Risk of applicant fraud in respect of Covid Business Grants; mitigated through robust application & validation processes</p> <p>As above</p> <p>No</p>
<p>6. What processes do the Council have in place to identify and respond to risks of fraud?</p>	<p>Internal Audit, in accordance with the Public Sector Internal Audit Standards considers the risk of fraud in every review.</p> <p>Fraud risks are included on the Council's dedicated risk management system GRACE and categorised as a fraud risk to allow for specific fraud risk monitoring.</p>
<p>7. How do you assess the overall control environment for the Council, including:</p>	<p>During 21/22, a comprehensive internal audit plan has been delivered for the Council focusing on the overall control environment to consider if it is effective. Where controls are deemed to be ineffective or need strengthening, a robust action plan is developed with the risk owner with agreed timescales for implementation of mitigating actions.</p>

- the existence of internal controls, including segregation of duties; and
- the process for reviewing the effectiveness the system of internal control?

If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?

What other controls are in place to help prevent, deter or detect fraud?

Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details

Counter Fraud policies are in place and available on both the intranet and the website. These include:

- Anti Fraud, Bribery and Corruption Strategy
- Whistleblowing policy
- Anti money laundering policy.
- The Fraud Response plan

No specific areas for the over ride of controls have been identified during 21/22.

8. Are there any areas where there is potential for misreporting? If so, please provide details

There is adequate separation of duties in place to prevent the potential for misreporting

<p>9. How does the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Code of Conduct including ethical standards and behaviours which officers are required to comply with. The code is referenced in employee appointment letters and a link is provided in the letter to a number of relevant documents including the Code of Conduct, adherence to which is a condition of their employment</p> <p>The Information Security Policy is also there which states what is acceptable and unacceptable in terms of information and using the Council's IT systems.</p> <p>Council values that provide an ethical framework are used at recruitment and during staff reviews.</p> <p>Awareness is raised of probity policies via Core Brief and items on the Intranet.</p> <p>Mandatory fraud awareness training has been rolled out to all officers during 2021/22.</p> <p>No significant issues have been reported</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>The recruitment process includes robust measures to ensure all relevant documents are obtained and reviewed prior to an offer of employment being made.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Major related party's risks are monitored and reported separately</p>

<p>12. What arrangements are in place to report fraud issues and risks to the Governance Committee?</p> <p>How does the Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Governance Committee approve the Internal Audit Plan and receive interim reports throughout the year. Reports contain a summary of work undertaken and would include fraud risk and issues and breaches of internal control if identified.</p> <p>There have been no instances of fraud reported to the Governance Committee during 21/22</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

IMPACT OF LAW & REGULATIONS

<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>It is a requirement for the Monitoring Officer to receive and comment on all council and executive decisions.</p>
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<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council 's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Internal controls, segregation of duties, and the work of Internal Audit / risk management processes outlined previously</p> <p>None</p>
<p>2. How is the Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Monitoring Officer (or deputy) attends all Governance Committee meetings</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>None</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>None</p>
<p>5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Litigation or claims may be picked up by legal services or services. Where necessary these will be reported to the Leader of the Council through the monitoring officer. Any budget implications of such litigations will be reported to Executive Cabinet, either through a separate report or through the quarterly budget monitoring report.</p> <p>The Council has set aside reserves to fund possible future costs of planning appeals.</p>

6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None
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RELATED PARTIES

<p>1. Have there been any changes in the related parties including those disclosed in the Council's 2020/21 financial statements?</p> <p>If so please summarise:</p> <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 • the type and purpose of these transactions 	<p>The Shared Service operating model with Chorley Borough Council continued to be rolled out through 2021/22, overseen by a joint Committee with representation from both Councils.</p> <p>The Council set up a wholly owned Leisure Company – “South Ribble Leisure Ltd” in May 2021.</p>
2. 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

<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<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>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Payments cannot be paid outside normal procedure rules including separation of duties regarding payments being raised and invoices paid.</p> <p>There is no out of hours service.</p>

GOING CONCERN

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

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

ACCOUNTING ESTIMATES

<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>Pension Valuations</p> <p>PPE Valuations</p> <p>Material Creditor and Debtor transactions including shared services charges between Councils</p> <p>Provision for Business Rates appeals.</p> <p>Preparation of Group Accounts</p>
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<p>2. How does the Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>This is dealt with within the finance section</p> <p>Senior Finance staff keep up-to-date with changes in accounting practises including purchasing the Code of Practice, attending relevant CIPFA training sessions and reviewing previous accounts to prepare for any changes.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>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.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Comparison of estimates to eventual actual transactions, use this to form future judgements. Use these to review and challenge current outcomes of estimates.</p>
<p>5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?</p>	<p>No changes made to the processes, however underlying assumptions are reviewed and potentially changed.</p>
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Review of skills held internally, and outsource identified gaps, using knowledge of reputable and appropriate experts.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Review the underlying assumptions, and where there is material change, analyse to understand it and/or challenge the results.</p>

<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Answered above</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <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. 	<p>Any substantial changes to the statement of accounts that result from changes in accounting estimates will be reported to Governance Committee alongside the draft statement.</p>
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes</p>

12. How is the Governance 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.