

Auditor's Annual Report on South Ribble Borough Council

Draft

2021-22

July 2023



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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- A – An explanatory note on recommendations
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Our work identified significant weaknesses for both Governance and Improving economy, efficiency and effectiveness.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weakness identified	Significant weaknesses in arrangements identified and key recommendations made.	Significant weaknesses in arrangements and key recommendations made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	Significant weaknesses in arrangements and key recommendations made

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Statutory and key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.

Our work has identified significant weaknesses in arrangements and we have made key recommendations.

Appendix B outlines the Use of auditor's statutory powers. These powers include the use of written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.

Our work has not identified any pervasive weaknesses in arrangements and therefore we have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2021/22 audit year.

The range of recommendations that external auditors can make is explained in Appendix A.



Opinion on the financial statements



Audit opinion on the financial statements

We gave unqualified audit reports on the Council and Group financial statements on 22 March 2023.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report and Annual Governance Statement.

Audit Findings Report

More detailed findings can be found in our AFR, which was reported to the Council's Governance Committee on 7 March 2023.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix C.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas is set out on pages 7 to 25. Further detail on how we approached our work is included in Appendix C.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial planning and performance

The Council's Medium Term Financial Strategy (MTFS) sets out the challenges the Council faces in bridging the budget gap over the 3 year period covered by the MTFS. A number of circumstances have impacted Council funding such as the reduction in government funding in 2021/22 including the reduction in New Homes Bonus, the forecast-outcome of the Fair Funding review and the Business Rates Review.

The Council's budget planning and MTFS is based on assumptions around income and expenditure growth over the forecast period to 2023-24 which, as far as possible, includes the known changes to the key funding and expenditure drivers. The MTFS highlights the Council will have a reduced New Homes Bonus allocation (2021/22 £363k, 2022/23 £93k, 2023/24 £nil) in the coming three years. It also details significant uncertainty regarding the level of retained business rates income over the period.

The MTFS sets out the range of key assumptions that the Council has made in developing its MTFS. This includes:

- Business Rates - the Council assume no increase in business rates budgets through growth in the collection of business rates
- New Homes grant reducing
- Pay award, Brexit and COVID-19 implications

The MTFS is reviewed annually as part of the annual budget setting process. The Council has updated inflation assumptions and sources of funding (some grants received are linked to indexation) as part of the 2022/23 budget setting process.

No changes were made to the in year 2021/22 budget, with overspends off-set by underspends, reserves, and contingency built into the budget. However, given current levels of inflation reported recently by the Office for Budget Responsibility (OBR), being significantly higher than the assumed levels set out in the MTFS, a formal mid-year review of MTFS, including assumptions has assisted the accuracy of forecasts.

Sensitivity analysis and scenario planning is undertaken as part of the development of the budget, however this analysis is not formally presented to members. We have made an improvement recommendation relating to this on page 12 of this report.

Financial sustainability (cont.)

Financial planning and performance (cont.)

One of the largest financial impacts on the Council budget was the disruption caused to leisure services. COVID-19 had a significant impact on the operation of leisure centres. The income received during lockdown periods was significantly reduced.

Original budget assumptions estimated that the leisure industry will take three years to recover to pre-Covid levels of usage and income. This challenge has had a fundamental impact on leisure centre operators, with most needing significant support from the contracting councils to continue to operate. The budget assumed leisure services would be provided by the Council throughout 2021/22, however the service transferred to South Ribble Leisure Ltd on 1st September 2021.

The 2021/22 budget detailed the Council does not have significant levels of income from commercial activities. Additional income generated (for example budget assumed £117.7k income from interest receipts) assisted the Council to set the balanced budget in 2021/22. and the outturn reported to Cabinet in June 2022 shows the an underspend of £0.484m against the budget.

Alignment with workforce, capital, investment and other operational planning

The MTFS is the framework for how the Council plans to use its financial resources to delivery activity on the Council's outcomes. The Council considers the MTFS one of three key strategic documents: linking the MTFS to the Council Corporate Strategy and the Strategic Transformation Strategy 2021/24 (includes workforce plan).

The Council is clear that the MTFS is fully integrated with the Council Plan acting as the foundation to deliver the vision and priorities within it and the workforce plan.

The Workforce Plan provides the Council with an organisation wide framework to develop the workforce to achieve the Council's priorities. Given historic challenges in recruitment, in a number of services particularly specialist areas such as finance, the Council has a proactive approach to workforce planning and develops its own people through investment in apprenticeships and other on the job training and professional qualifications.

The Council has a Treasury Management Strategy, which sets out the balance between optimising return and mitigating risk. The Council follows the CIPFA Code of Practice on Treasury Management, which sets out the reporting requirements which ensure best practice is followed. The Treasury Management Strategy (2020/21 to 2023/24) sets out the balance sought between optimising return and mitigating risk. The Council has been risk averse in its investment strategy. This has been scrutinised by members, and the policy of low risk investment remains.

An annual Treasury Strategy (prepared in advance of the new financial year) covers the annual Treasury and Investment Strategies, the Treasury and Capital Prudential Indicators and the Minimum Revenue Provision. It includes a Provision Policy Statement and there is a mid-year Strategy Review to update Members with the progress of the capital programme, amending prudential indicators as necessary, and setting out whether the Treasury Strategy is still appropriate or requires revision.

Our work has not identified instances of services developing plans in silo or producing conflicting or competing elements. Budgetary information reported in year is consistent with the financial position as reflected in the financial statements.

Fundings challenges and savings

The Medium Term Financial Strategy 2021-2024 sets out that savings of £3.357m are required over the period. The Council has arrangements in place to identify and monitor progress against savings.

The Council is taking action to identify and narrow the budget gap with a focus on achieving savings, primarily through efficiencies driven by the ongoing transformation programme. Efficiencies identified in the 2021/22 budget included £40k for Shared Service efficiency and £150k for staff turnover savings. The Council has built on the implementation of phase 1 of expanded shared services with Chorley Council. On 25th November 2020 Full Council approved the proposals for phase 2 of shared services with Chorley Council, including a joint digital strategy, customer services operating model, shared leadership and management, and a joint Chief Executive.

Financial sustainability (cont.)

The MTFS details forecast savings of £328k in 2021/22 rising to £508k by 2023/24. This includes a savings target for staffing costs of £150,000 to reflect the fact that there will always potentially be turnover of staff during a year that will cause a certain level of underspending.

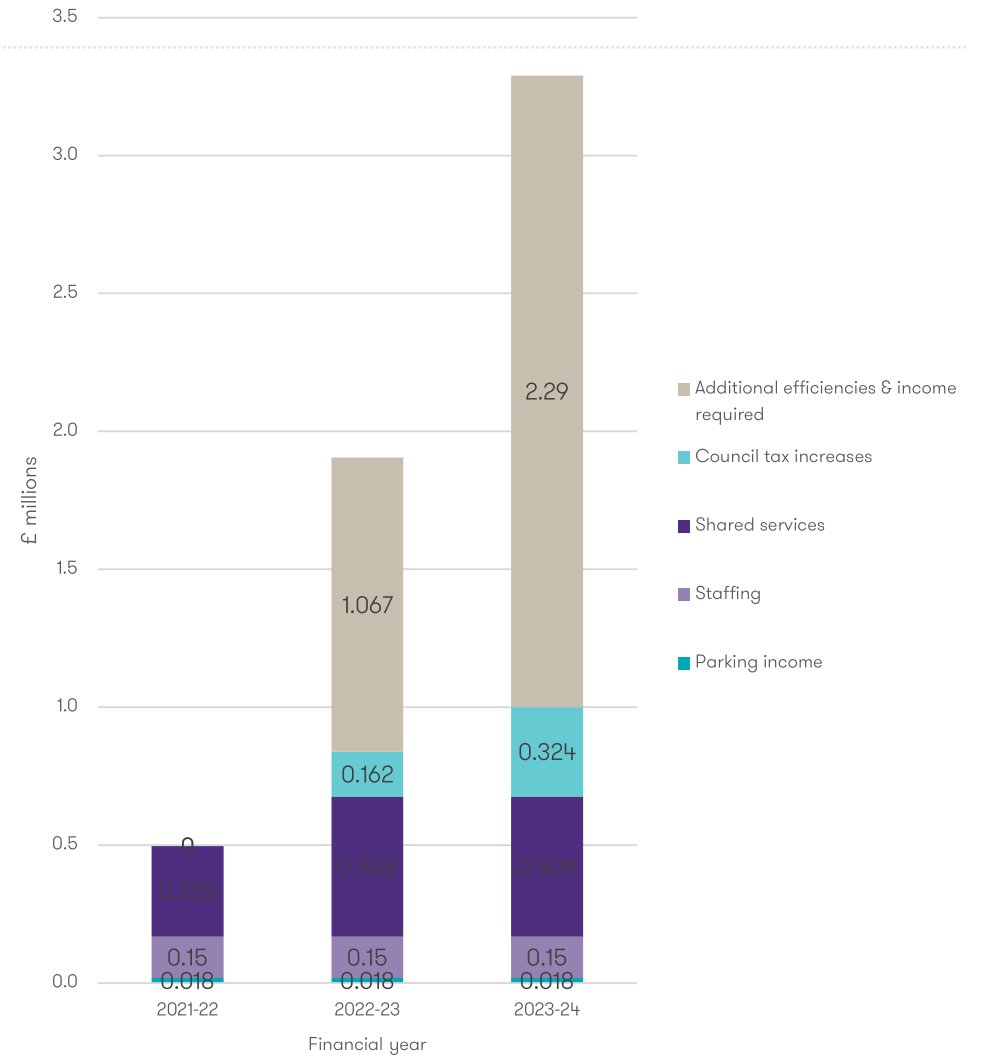
The 2021/22 savings budget position (reported to Cabinet on 20 June 2022) highlighted the current net revenue budget for 2021/22 was £14.480m, which included a savings target of £190k; this comprised £150k in respect of staffing turnover and £40k from the expansion of Shared Services. The full savings of £150k have been achieved. As a result of the time taken for the implementation of the ICT and Customer Services reviews, there was some slippage in the delivery of the £40k savings target for Shared Services.

The MTFS highlights the budget gap will not be bridged by efficiency savings driven by the shared services transformation programme alone, further efficiencies and income generation will be required in 2022/23 and 2023/24.

Part of the Council’s Capital Strategy investment within the borough is the facilitation of the generation of additional income. The Council Capital Strategy highlights the Council will consider the purchase and/or development of assets to generate a sustainable revenue stream to counteract against the risk of future reductions in grant funding and year to year fluctuations in locally sourced funding. Figure 1 on the right details scale of budget deficit and plans in place to move towards bridging the gap.

Savings have been allocated in full as part of the budget setting process for 2022/23. Monitoring of savings delivery is one of the key areas of focus for the Scrutiny Budget Performance Panel Cabinet. Our work has not identified significant weaknesses with savings delivery and target setting.

Figure 1
Bridging the budget deficit



Financial sustainability (cont.)

Managing reserves

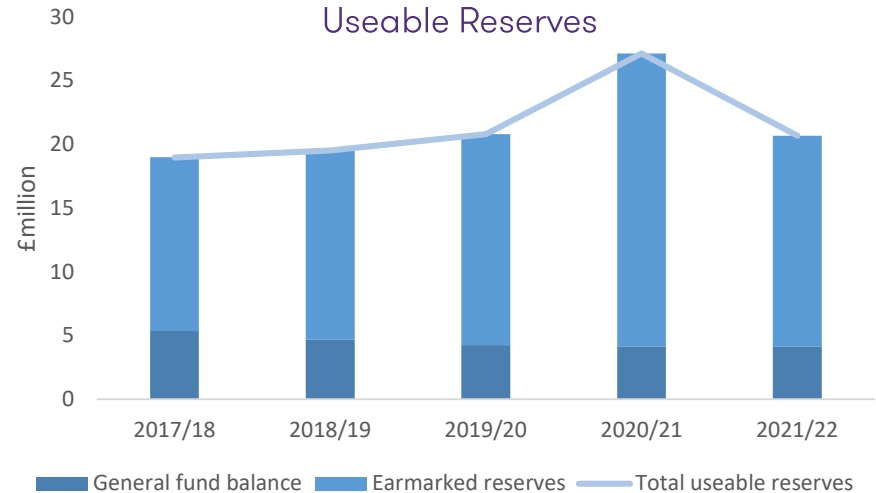
The MTFS highlights the intention to maintain and increase the Council’s reserves balances to strengthen its financial resilience over the medium term. The Council does not intend to use reserves to bridge the gaps in its funding and aims to increase the reserves to support uncertainty in the short and medium term.

Figure 2 details an analysis of the useable reserves covering the period 2017/18 to 2021/22. The Council was able to maintain its general fund reserve fund balance in 2021/22, this provides a safeguard in case the Council fails to deliver savings or future uncertainties arise in the medium term.

The decrease in reserves from the prior year is due to the Council holding an additional temporary reserve in respect of business rates at the end of 2020/21 as an impact of Covid 19 measures.

Based on the Council's reserves position and MTFS, the Council has sufficient reserves to act as a safeguard for the current MTFS, if the Council fails to fully identify the required savings. However the Council is aware use of reserves would not be a long term solution to support expenditure.

Figure 2
Useable Reserves



Financial sustainability (cont.)

Supporting the sustainable delivery of services

Our review of the MTFS indicates that the Council has an understanding of the cost of delivering core statutory services as distinct from discretionary areas of spend. Financial planning reports which underlie the budget and MTFS highlight all spend is directed towards the delivery of core services and achievement of Council Plan priorities.

The Council has developed a Capital Strategy, the strategy demonstrates that the Council's capital expenditure and investment decisions are taken in line with corporate objectives.

The Council approved the Capital Strategy in February 2021, this identifies the following outcomes which the capital programme is designed to achieve:

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

These outcomes link clearly to the Council Plan. The strategy also reflects assumptions on externalities such as UK government policy, partnerships and Council strategies such as the Property Asset Management Strategy.

The capital strategy includes planned capital expenditure over the four year period from 2020/21-2023/24. The narrative of the MTFS, section 'Capital Programme', provides details on how some of the projects link to Corporate Plan and Capital Strategy outcomes.. To strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by specific Council Plan outcomes. This would demonstrate clearly how the Council is delivering their Council Plan outcomes through the capital programme. We have made an improvement recommendation on page 13 of this report relating to this, The financing of the capital programme is included in the MTFS and is supported by the Treasury Management Statement, also approved by Council..

Capital project proposals are considered by the CLT and SLT prior to submission to the Council Executive Cabinet for formal approval. The Groups consider how each proposal will help to deliver corporate priorities, savings and the revenue implications of the project (e.g. on-going maintenance costs).

The total cost of the Council's capital investment programme for 2021/22 has decreased from £13.325m, as approved by Cabinet in the quarter 4 2021/22 monitoring report, to £7.764m at 31st March 2022; this includes the variances approved, along with those contained within in this report itself.

The net variance of £5.561m is detailed by scheme. The net variance includes those approved since the previous monitoring report and variances in respect of the reprofiling of budgets within the existing programme. Major changes to the capital programme included Worden Park - £1.138m, Sports Pitch Hub £1.164m and Town Deal acquisitions, £1.436m being re-profiled into 2022/23.

Budget amendments approved have resulted in a increase of £0.027m in the 2021/22 budget and a reduction of £11.775m in the budget for 2022/23. There are several large projects are underway (e.g. Worden Hall, Sports Pitch Hub, Affordable Housing at the former McKenzie Arms, Town Deal).

Managing risks to financial resilience

Risks are incorporated into the MTFS which identifies the key risks to delivery of the MTFS and the actions to mitigate each risk identified. The potential impact of changes of various estimates and assumptions is discussed with Cabinet as part of the briefing process in the development of the budget. However, this is not formally reported to members. We have raised an improvement recommendation that the Council introduce formal reporting to Cabinet members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFS. This will provide transparency on the sector wide uncertainties the Council is subject to and the potential impact of these on its financial sustainability. This is reflected in the improvement recommendation on page 12.

There is no evidence of the Council failing to update financial plans to reflect changes in government policy. Where required, the Council has sufficient provisions in place to take into account the impact of legal and regulatory proceedings.

Conclusion

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified two improvement recommendations to refine formal reporting to Members on sensitivity analysis and scenario planning and to strengthen the link between strategic priorities and the capital programme.

Improvement recommendation



Financial sustainability

Recommendation	This recommendation replaces part of the improvement recommendation made in 2020/21 AAR. Refine formal reporting to Members on sensitivity analysis and scenario planning undertaken on key assumptions and estimates as part of the development of the annual budget and MTFS.
Why/impact	Regular review of MTFS assumptions will help to ensure ongoing accurate financial forecasting and allow for appropriate timely action. Reporting a mid-year review of MTFS assumptions, sensitivity analysis and scenario planning to members will provide the opportunity for challenge, scrutiny, oversight and improved the accuracy of forecasting.
Management comment	Progress has been made in line with 20/21 AAR as information regarding the sensitivity of assumptions and estimates, and the resulting financial impact of each of these, was provided to the Portfolio Exchange meeting of Executive Cabinet Members as part of the 23/24 Budget Setting process (December 2022). This will be developed further in 23/24 with a mid-year review of the MTFS, to include a review of the MTFS assumptions, sensitivity analysis and scenario planning, the product of which will then be presented to Members



The range of recommendations that external auditors can make is explained in Appendix A.

Improvement recommendation



Financial sustainability

Recommendation To strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by specific Council Plan outcomes.

Why/impact This would demonstrate clearly how the Council is delivering their Council Plan outcomes through the capital programme. Clear detailed links highlighting how planned capital projects link to the Council Plan would enable members make informed decisions and challenge Capital Strategy assumptions to help ensure forecasts remain accurate.

Management comment All schemes within the Capital Programme are now reported under the Corporate Priority to which they relate.



The range of recommendations that external auditors can make is explained in Appendix A.

Governance



We considered how the Council:

- monitors and assesses risk and 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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The GRACE (Governance, Risk Assessment and Control Evaluation) system has been adopted for use within the Council to enable the completion of risk registers at all levels including the Strategic Risk Register, Service Risk Registers, projects, key procurements, partnerships and processes. The Council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership of each risk. The Section 151 officer and the Chief Executive jointly have overall responsibility for risk management throughout the Council. The Council embeds risk management in its corporate business processes including strategic planning, financial planning, policy making and review, performance management and partnership working. Risk Management approach and corporate risks are well understood across all levels of management at the Council.

The Council identifies existing control measures that are in place to mitigate the risk. This is used to assess the residual risk score. Further mitigating actions or controls are developed where the residual risk score is above the target risk score. The target risk score represents the Councils tolerance for each identified risk which will vary depending on the risk and risk appetite. The Strategic Risk Register is clearly set out, with a risk owner, concise description and key controls to manage the risk. The Council has a Risk Management Policy, Process Guide and Toolkit to ensure consistent scoring of risks across all Directorates.

All Members receive risk management awareness training in relation to their role. The risk management process and risk register ensure a consistent approach to risk management across the Council. Each department has its own risk register and is required to consider risk at each departmental management meeting. All staff are given appropriate training and guidance to enable them to take responsibility for managing risk within their own working environment. Risks are reviewed each quarter by Senior Management Team as part of quarterly performance reporting arrangements. Risk management reports, including a summary of the strategic risk register, are reported to full Council at least annually.

The Council annually update their Anti-bribery Fraud and Corruption Policy and the policies are distributed to both employees and members. GRACE has also enabled a risk-based approach to internal auditing by engaging service departments in the self-assessment of their own system risks via the completion of on-line risk registers prior to the commencement of audits.

Assurance over the effective operation of internal controls

In developing its 2021/22 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. Our review of minutes of Governance Committee, Cabinet and Council highlighted periodic monitoring and reviews are being reported appropriately and governance issues are addressed.

The Annual Governance Statement (AGS) was prepared in accordance with the guidance set out in CIPFA Bulletin 10 – Closure of the 2021/22 Financial Statements. This exercise provided assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2021/22 year. This was corroborated by our 2021/22 financial statements audit and review of the 2021/22 Annual Governance Statement.

Governance (cont.)

The Council has adopted a three line of defence model in which the responsibility for implementing a strong system of governance and internal control within the Council lies primarily with the Shared Senior Management Team. Directors and Service Leads provide the first line of defence as they need to ensure that they maintain effective control procedures.

The second line of defence is provided by the risk management and compliance functions. These functions provide the oversight and the tools, systems and advice necessary to support the first line in identifying, managing and monitoring risks. The third line being provided by Internal Audit and other inspection agencies. Internal Audit do not repeat the work of the second line, rather it is considered during reviews to assess the level of reliability which can be placed upon it.

Follow up of the 2 key Governance recommendations made in the 2020/21 Annual Audit Report highlighted both have been appropriately actioned - further details are included in pages 29 and 30 of this report.

Significant weakness:

The Council has a shared service agreement in place with Chorley Borough Council. This means delivery of some services are managed jointly across the two Councils. Internal Audit identified issues within the Commercial Services directorate whereby a contractor was given limited access to the network and certain folders in order to access projects managed by the Commercial Services Directorate. Some of these projects were South Ribble Council projects. During the Internal Audit investigation, the contractor's email account was reviewed and it was found that in the period November 2019 to April 2022, the contractor had emailed a substantial number of emails with a large volume of attachments (including one email with 43 attachments) from his council email account to his business email address. The Information Security Framework states that 'you must not e-mail business documents to your personal web-based accounts.' the contractor therefore breached the IT Security Framework in this regard.

The onboarding of the contractor was not appropriately risk managed, it should have been ensured that appropriate limits were applied to the contractor's access to the data. Because the contractor was able to access South Ribble documents as part of his role, South Ribble was exposed to the same risks with regard to IT/digital safeguards. Commercial Services directorate officers working across both Councils were able to operate for an extended period of time outside the control framework without being picked up by the Council's safeguards, checks or balances. This represents a significant weakness in the Councils controls.

As a consequence of implementing internal audits recommendations, a further contractor was discovered to be operating at Chorley Council with similar characteristics to the original contractor identified. The implications for South Ribble were of lower risk, however, as this second contractor worked solely on Chorley projects.

It is important to note that the contractor had access to South Ribble projects via his access to the Commercial Services directorate drives. South Ribble was therefore exposed to the same data and IT/governance risks as the original contractor.

We have made related key recommendations on pages 17 and 18 and an improvement recommendation on page 19.

Internal Audit

Internal Audit services are provided by an in-house team. Following previous challenges with capacity, sufficient work was carried out across the Council's directorates to support the opinion given. The Service Lead for Audit & Risk (Head of Internal Audit) provided "adequate assurance" over the effectiveness of the Council's arrangements for governance, risk management and internal control. Based on the 91% completed planned reviews there are 75% which have received a substantial or adequate rating. Four reviews were given lowest assurance level of 'limited' - these related to the following areas: Health and Wellbeing Campus (redrafting of report from 19-20), Council Tax, Neighbourhood Record Management and Facilities and Building Management.

The annual report also makes reference to Internal Audit's Quality Assurance and Improvement Programme, which ensures work is compliant with PSIAS. Internal Audit had its last formal External Quality Assessment against the Public Sector Internal Audit Standards in April 2018 and reported to the Governance Committee in May 2018.

The assessment provides an external validation of the self-assessment and there is evidence that all actions have been addressed. In line with the PSIAS 5 year cycle Internal Audit is due an external review in 2022/23.

We are aware of a recent Internal Audit review of Utilities management - reported to Governance Committee as part of the Internal Audit Report up to 31st August 2022 which highlighted a number of weaknesses including key operational risks.

These weaknesses were around the arrangements to manage utilities including payment of supplier invoices, lack of policies and procedures, non-compliance with regulations relating to safety checks, inadequate record keeping and procurement issues.

Discussions with Council officers highlight the key messages and a remedial action plan have been put in place, and there is an appetite to implement required organisational changes to improve the control issues identified.

We have made a related improvement recommendation on page 20.

Governance (cont.)

Leadership, decision making and committee effectiveness

The Council operates a Leader and Cabinet form of executive. In addition, there are Scrutiny Committees and the Governance Committee which hold the Cabinet to account. The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated. The Council's AGS sets out how the Council operates, how decisions are made and the policies in place to ensure that decisions are efficient, transparent and the Council is accountable to local people.

The Governance Committee undertakes oversight of audit activity and considers the level of assurance it can give over the Council's corporate governance arrangements within the defined regulatory framework.

Our attendance at the Governance Committee and review of other committee minutes indicates that key strategic decisions are subject to challenge and are supported by detailed papers. The Governance Committee provides appropriate challenge of financial and non-financial items.

The Council maintains a record of member interests and gifts and hospitality on its website. The constitution is also clear that members must ensure that their register of interests is kept up-to-date and updates should be notified within 28 days of becoming aware of any new interest.

We acknowledge that the Council does an annual exercise to inform the related party disclosures in the financial statements, although this is not integrated into other central or departmental registers.

Budgetary control and monitoring

The Council has an established process for developing its annual budget and MTFS. The development of the budget commences with the rolling forward of the Budget Model from the prior year.

The model is updated to reflect any known permanent changes to funding, including new grants, latest Council Tax base data and Business Rates. Assumptions are reviewed and updated to reflect new savings proposals, existing savings delivery, service pressures, changes to sources of funding announced within the spending review, changes to service fees and charges and the Council tax base.

The Council's MTFS covers a three year period. A report was brought to Council which outlined the approach to updating the MTFS. This report contained the financial planning assumptions for the period of the new three-year MTFS set within this Council Plan.

The potential impact of changes of various estimates and assumptions is discussed at full Council as part of the briefing process in the development of the budget. However, this is not formally reported to members. The Council could introduce formal reporting to members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFS. This would assist with providing transparency on the sector wide uncertainties the Council is subject to and the potential impact of these on its financial sustainability. We have made an improvement recommendation relating to this on page 12 of this report.

The budget is reviewed quarterly by Cabinet. The accompanying reports and information supporting the budget identify issues as they arise which will impact the expected outturn. Forecasts are subject to a high level of challenge and scrutiny, from Cabinet, the Scrutiny Committee, and departmental heads.

The reports include outturn against budget and explanations for underspend/ overspends against budget at a directorate level. Any proposed revisions to the budget are also communicated through this report. There is clear reporting on the forecast outturn and the impact on useable reserves. An update is also provided against the Capital Programme, with revisions also communicated. We are satisfied that timely and accurate financial monitoring information is provided to budget holders.

Conclusion

Overall, we found evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. The Council has been exposed to risk as a result of lack of controls in onboarding a contractor that worked within the Commercial Services Directorate providing services under the shared service arrangements.

Key recommendation 1



Governance

Recommendations

The Council should review the safeguards put in place in relation to onboarding a contractor as part of the shared services arrangements. Although the contractor was not onboarded by South Ribble, the Council should be cognisant of the potential risks of any process essentially carried out by a 'third party' and the requirement for related robust controls. Going forward the Council needs to give due consideration to the extent of IT and documentation access required for any contractor to effectively perform their role. The Directorate responsible for the contractor, and IT, must communicate to ensure that appropriate system access is provided. Any contractor added to the Council system or who has access to Council information, must be treated on a case-by-case basis with consideration of the risks involved. This consideration must also be appropriately documented and an audit trail maintained to ensure appropriate risk management. System access must also be regularly reviewed throughout periods of employment.

Why/impact

If the appropriate access is not given then the Council may be exposed to data breaches. In addition, the circumstances of that individual's employment or engagement with the Council can change during their time with the organisation, without regular review of system access in order to re-consider the risks this exposure to risk increases.

Management comment

The council continues to recognise the challenges identified in both its internal audit review and the additional work undertaken by its external auditor. We continue to work to strengthen internal controls in response.

The council has already put in place the following:

- changes to the process to create access to the council network to explicitly identify the type of access being granted (for example, contractor, permanent employee, fixed term employee)
- the agreement of a Director, documenting necessity and extent of access required.
- introduction of a regular check of network access for contractors.

The council has further work planned:

- the introduction by December 2023 of a new file saving system making use of Microsoft Teams, which enables controlled external access to individual files, which will have a number of advantages:
 - o limiting the requirement for external users to have network access
 - o providing greater ability to provide limited access to files
 - o allow easy reporting of external access to council systems and files
 - o greater integration with staff attendance management system iTrent for automated reporting on starters and leavers



The range of recommendations that external auditors can make is explained in Appendix A.

Key recommendation 2



Governance

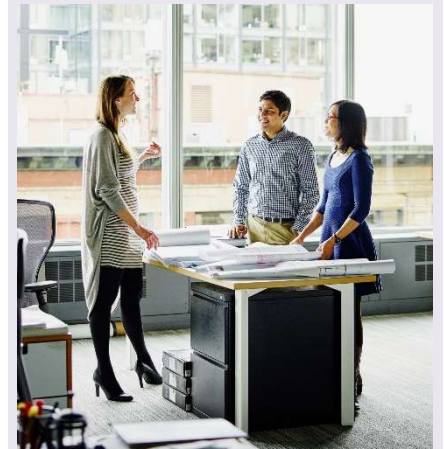
Recommendation In the case of the Commercial Services directorate officers working across both Councils were able to operate for an extended period of time outside the control framework without being picked up by the Council's safeguards, checks or balances. Council governance processes must ensure appropriate protection for officers as well as the organisation. The Council must consider what organizational architecture needs to be in place to ensure that the appropriate safeguards, checks and balances are in place to provide the assurance that officers acting improperly will be detected by Council systems. This will ensure appropriate protection for both officers and the organisation.

Why/impact See section on Council governance.

Management Comments The council has already put in place the following:

- strengthened the approach to the corporate governance group, with Heads of Service attending on a rotation basis to discuss in detail their operation of internal controls and issues, with regular reports from the group to the Leadership Team.
- strengthened role of procurement function.

The range of recommendations that external auditors can make is explained in Appendix C.



Improvement recommendation

Governance

Recommendation

The Internal Audit report on Commercial Services was triggered by a routine check on the creditors system indicating the submission of a large volume of invoices to one company which did not have the appropriate procurement documents in place.

We recommend that the Council implement an automated interface between the creditors system and the procurement system so as to forgo the need for manual input and upload of the necessary procurement documentation for a supplier.

In lieu of the incorporation of an automated interface, the Council should perform a manual exercise to match all suppliers listed on the creditors system with corresponding contracts on the Contracts Register. This exercise would demonstrate if any of the Council's suppliers are operating outside of contract.

Why/impact

At present, the Council cannot provide assurance that there are not other contractors operating as Contractor A did. Fulfilment of this recommendation would provide assurance to Members that all contractors that are invoicing the Council are also accounted for by procurement.

Management Comments

The council has already put in place the following

- completion of the initial spot-check of contractors, which was been considered in this report. Further work is underway:
- review of all creditors over £50k in the last three years, to identify and verify: procurement route, contractual arrangements, network access and ongoing relationship. This will be completed by the end of September 2023
- the Council are in the process of procuring a new Finance System. The proposed interface is accepted as an improvement if it can be included in the development



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendation



Governance

Recommendations

Internal Audit carried out a review of utilities management which was reported in August 2022. This identified a number of weaknesses including some key operational risks. The Council needs to give acute attention to the recommendations of Internal Audit and ensure these are implemented on a timely basis. We acknowledge that a remedial action plan has been put in place to address the issues raised.

Why/impact

These weaknesses were around the arrangements to manage utilities including payment of supplier invoices, lack of policies and procedures, non-compliance with regulations relating to safety checks, inadequate record keeping and procurement issues. The weaknesses in arrangements mean that the Council was exposed to a number of operational risks including risks in relation to health and safety and risk to the Council's reputation.

Management comment

Significant progress has been made in implementing new processes and procedures and implementing the internal audit management actions. A development group including the directorate management and other key services is overseeing the strengthening of internal controls.



The range of recommendations that external auditors can make is explained in Appendix A.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Performance review, monitoring and assessment

The Council revised its Corporate Performance Framework in October 2020 following a review to produce a shared performance framework as part of the shared services strategy with Chorley Council. The Council's performance against priorities outlined in the Council Plan is reported on a quarterly basis to Cabinet.

The quarterly performance reports show the latest assessment of the Council's performance indicators using a Red, Amber or Green rating. The Council's performance outturn for 2021/22 is reported in the Quarter 4 Corporate Performance Monitoring Report. This report was presented to the Scrutiny Budget and Performance Committee and Cabinet in June 2022.

This report provides an update on the current position for the 15 projects, 27 Corporate Strategy performance measures and 12 key organisational performance measures:

- Of the 15 projects in the strategy: 93% (14) are rated green and on-track; and 7% (1) is rated amber.
- Of the 19 performance indicators used to monitor the Corporate Strategy, thirteen can be reported at the end of the quarter. Of those with targets, 60% (Six) are performing better than target; 10% (one) are performing worse than target but within a 5% tolerance of the target; 30% (three) are worse than target and outside the 5% tolerance of the target. Two have no target and are monitored against their trend, and one is being baselined.
- Of the 12 key organisational performance measures, all 12 can be reported at the end of the quarter. Eight are performing better than target; whilst four are performing worse than target but two are within the 5% tolerance

It is important that performance continues to be monitored closely and there is a renewed focus on delivery of Council Plan priorities.

In 2021/2022, Internal Audit conducted an interim review to assess the progress made to embed the Corporate Performance Framework since its implementation in October 2020. It was evident the Council had undertaken significant work to embed a Corporate Performance Framework, with key aspects including:

- Quarterly oversight of performance by Cabinet/Scrutiny Budget and Performance Panel/Corporate Strategy Programme Board/Leadership Team
- Data quality training provided to Collection Officers and Responsible Officers
- A new Written Procedures template had been developed to ensure a consistent approach to data quality was achieved
- The implementation of quarterly data auditing spot checks to be carried out in Q2 (21/22)

Improving economy, efficiency and effectiveness (cont.)

Partnership working

The Council's Constitution sets out how it engages with stakeholders and partners through joint working arrangements, partnership boards and annual appointments to external organisations. This engagement has been increased significantly during the pandemic.

Partnership working is a key theme throughout the Council strategy. The Council operates the South Ribble Partnership which is a collective of local organizations across the public, private and third sectors that work towards shared community objectives outlined in the Community Strategy. This strategy is developed for a three year period (2021/22-2023/2024) with key strategic priorities shaped through extensive engagement with key stakeholders, including both residents and organizations.

The Council has Shared services with Chorley Council which is intended to provide for improved resilience and cost savings for both councils.

Delivering sustainable public services through partnership working is a key area of the Council strategy and this is further supported by the Community Strategy and Actions Plans which are focused on recover from the impacts of the pandemic.

Stakeholder Engagement

The Council has regular engagement with the public through consultations on specific proposals such as the annual budget planning and more general information such as the residents satisfaction survey which is used to obtain insights and identify opportunities for improvement.

As part of the ongoing transformation program, the Council uses focus groups with key stakeholders and other partners to determine the suitability of project proposals.

Similarly, in terms of engagement with internal stakeholders, the Council's organizational development strategy includes the use of several staff engagement arrangements such as Staff Listening Days, Staff Forum and Pulse surveys.

Council business is conducted in public unless legislation deems it appropriate for it to be considered in private. Key decisions of officers are published on the Council's website.

The 2021/22 budget consultation was undertaken from the 2nd February to the 14th February 2021 and was conducted through an online survey. Respondents were asked to review the proposals and provide their comments in response to the budget, with the intention of gaining more qualitative feedback to gain a deeper insight into views and opinions.

The consultation on the proposed budget principles for 2021/22 received a total of 105 responses to the online survey. This is in comparison to 21 responses received to the 2020/21 budget consultation. Participants were asked to indicate their preferred priorities for investment and to also make suggestions on what they think the Council should be doing. Analysis showed a broad level of support for the areas of investment with some options prioritised more highly than others.

Benchmarking

The Council was subject to a Corporate Peer Challenge review from the LGA which highlighted the progress that had been made to address the historic issues and weaknesses in governance processes. The review also recognized that further improvements are required to continue to strengthen arrangements and identified eight key recommendations. The Council responded positively to the review findings and has developed an action plan to address the issues identified which was reviewed and approved by Cabinet in October 2021.

The Local Government Association (LGA) peer review six-month revisit took place on-site in April 2022, following the virtual peer review in July 2021. Nine key recommendations were made in relation to; strengthening the resident voice; area working; leadership of place; scoping and costing digital ambitions; achieving savings; long term financial resilience and sustainability; communicating with staff about purpose and scope of 'Reshaping'; managing changes to the CMT and enhancing industrial relations with trade unions.

The Council has used these reports to put actions in place to improve services.

Procurement – significant weakness

The current procurement strategy is out of date and spanned the period of April 2019 to March 2022. The strategy is a two-page document that does not provide any meaningful strategic direction for the procurement function. The Council are aware of the need to update this. Procurement is more effective when the corporate plan and procurement strategy are clearly aligned with one another. Therefore, the Council must ensure that the new procurement strategy aligns with the corporate plan.

Improving economy, efficiency and effectiveness (cont.)

There is evidence that the procurement function is under resourced. At present, there are two substantive employees with procurement-focused responsibilities, one of whom only started at the organisation a matter of months ago and there have been difficulties in recruitment. One of the two procurement officers holds appropriate qualifications. No other employee in the procurement function holds any relevant procurement qualifications. There is therefore a lack of appropriately qualified employees in addition to the lack of resource generally.

There is evidence of a lack of proactivity in the procurement function. On page 15 we mention the weaknesses in relation to onboarding a contractor in the Commercial Services Department. The contract for this contractor was not published on the Contracts Register, which procurement have oversight of. Waivers are required to have sign off from procurement officers and all the waivers issued during 2019 to 2022 regarding the contractor and his associated company received procurement sign off. Given the fact that there was no contract on the Contracts Register, it is fair to say that procurement should have checked that the appropriate documentation was in place when signing waivers relating to the contractor or their company.

A more proactive approach to contract management would have detected this lack of appropriate documentation earlier on and prevented the greater accumulation of invoices to the company without the appropriate documentation in place. See our key recommendation on page 22.

We note that the Council have recognised the lack of capacity in procurement and are seeking to secure additional procurement support from Blackburn with Darwen Council. At this stage, the SLA is in draft form but they are providing advice and guidance.

Conclusion

Overall, we have identified a significant weakness in relation to economy, efficiency and effectiveness in use of resources, specifically procurement. We have made a related key recommendation on page 24 and an improvement recommendation on page 25.



Key recommendation 3



Improving Economy, Efficiency and Effectiveness

Recommendation

The Council must consider the role of the procurement function in respect of the whole organisation. The Council should outline the responsibilities of procurement versus service line leads in contract management and procurement and document this delineation in its Constitution.

The Council must seek to renew and enhance its procurement strategy.

The Council must prioritise the appropriate resourcing of its procurement function, particularly with respect to the shared services arrangement. The lack of capacity of the current procurement function is putting the Council at significant risk of failure to achieve value for money in its procurement and contract management arrangements.

The Council must seek to appropriately train the employees in the procurement function. There was evidence of a limited advisory and supervisory function of the procurement team throughout this review. The procurement function is also lacking in appropriately qualified personnel. The procurement team must be aware of their responsibilities as an advisory and monitoring function and must perform this role effectively.

Why/impact

Not having a comprehensive procurement strategy in place and a lack of resource in the procurement department leave the Council exposed to risk in terms of its key contracts and poses both a reputational and financial risk.

Management Comments

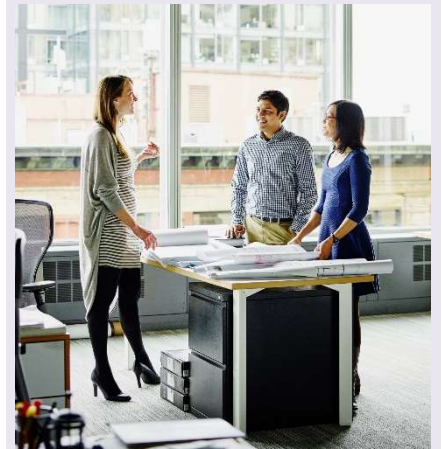
The council has already put in place the following:

- strengthened procurement function, with a new, qualified Senior Procurement Officer in post from 19 June 2023, and the continuation of external advice and support from Blackburn Council.

Further work is planned:

- refresh of the Procurement Strategy. To be completed by October 2023
- review of the contract procedures rules and associated changes to the constitution. To be completed by November 2023.
- review the procurement function to include capacity and team deliver model. To be completed by December 2023.

The range of recommendations that external auditors can make is explained in Appendix C.



Improvement recommendation



Improving Economy, Efficiency and Effectiveness

Recommendation	The Council must ensure that when major changes to organizational structure are considered (for example, a shared services arrangement) that sufficient impact assessments are performed to provide assurance of the appropriate consideration of risk. This process must be documented.
Why/impact	The Council was not able to provide sufficient evidence that there was due consideration of the impact of the shared services arrangements on the responsibilities of employees within the Commercial Services directorate with regard to increasing the resource.
Management Comments	Assessment of risks in major changes to organisational structures will be included within the council's change policy and in the reports to committees when those changes are considered. This has already commenced and is in place.



The range of recommendations that external auditors can make is explained in Appendix C

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
<p>Financial Sustainability</p> <p>Refine formal reporting to members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFS. MTFS assumptions are updated annually as part of the annual budget setting process.</p> <p>Sensitivity analysis and scenario planning is undertaken as part of the development of the budget however, analysis is not formally presented to members.</p>	2020-21	<p>Key assumptions are outlined in reports taken to various forums during the development of the annual budget and MTFS. The details of the assumption made, along with the rationale and financial implications of each are also detailed. A separate appendix within the Budget papers presented to Budget Council for approval also lists the assumptions and the details above.</p> <p>Going forward, the Council has committed to extending the details provided to include sensitivity analysis to model the impact of changes in one or more of these assumptions, under several scenarios.</p> <p>The MTFS is reviewed annually as part of the annual budget setting process. The Council is currently updating inflation associated costs and sources of funding as part of the 2022/23 budget setting process. Changes are made to the in year budget, with overspends managed by underspends, reserve virements and use of contingencies built into the budget. Given recent rises to inflation and other macro-economic uncertainty, assumptions within the MTFS are regularly reviewed as part of the budget monitoring process and the development of the Medium Term Financial Strategy.</p>	Partly	Updated improvement recommendation made.

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
<p>Financial Sustainability</p> <p>Provide a clear distinction between discretionary and non-discretionary spending in the budgetary information to members and ensure it is published on the website.</p> <p>No distinction is made in the financial information reported to those charged with governance between statutory and discretionary spending.</p>	2020-21	<p>The Council does not separately code or distinguish between discretionary and non-discretionary expenditure when entering individual transactions on the financial system; to do so would be very difficult for example whilst some council services are statutory, there are elements of both discretionary and non-discretionary expenditure incurred as part of the day-to-day delivery of these services. In response to the recommendation however, where possible where costs can be distinguished between the two headings, this will be identified in the budgetary information reported to Members and published, the default being that expenditure will be categorised as 'discretionary'</p> <p>Over the course of 2022/23 the Council will look to consider if and how this could be implemented for the 23/24 Budget and MTFS, reviewing best practice and the approaches taken in this regard by other District Authorities.</p>	Yes (in progress)	N/A

Follow-up of previous recommendations

Key Recommendation	Year raised	Progress to date	Addressed?	Further action?
<p>Governance</p> <p>We recommend that acute attention is paid to the outstanding control issues in relation to contracting and procurement and they are resolved over the next year.</p> <p>We recommend that the Contract Procurement Rules waiver form is updated as soon as is practicable.</p>	2020-21	<p>The Case Management System has now been rolled out and is in use. Improvements have been identified by the Principal Procurement Officer (system administrator) which will ensure the information provided by the system is more meaningful.</p> <p>The improvements require technical changes by IT. When these are undertaken further staff training will be provided to seek to embed the use of the system further. The waiver form has been reviewed and updated.</p>	In progress	N/A

Follow-up of previous recommendations

Key Recommendation	Year raised	Progress to date	Addressed?	Further action?
<p>Governance</p> <p>We recommend that the Council implements the remaining actions to mitigate the risks to creditor controls as soon as practicable and continues to monitor compliance with the procedures.</p>	2020-21	<p>A review of Creditors was undertaken in 2019/20 by our Internal Auditors 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. Following this, Internal Audit issued a further report on 30th April 2021 and a Creditors Management Action Plan was agreed containing 16 Recommendations.</p> <p>The Finance Team have worked hard to address these over the course of 2021/22 and, as at 31st January 2022, actions have been taken which have addressed all of these recommendations. The actions taken, and the ongoing control measures put in place, have been recorded on the Council's Risk Management system (GRACE) and are assigned to specific managers within the Finance Team. The risks, and the mitigating actions to manage these, are now monitored by the Risk Owner on a regular basis, as part of the Risk Register Review.</p>	Yes	N/A

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
<p>Governance</p> <p>We recommend that the Council should ensure the Internal Audit function is adequately resourced to deliver the work programme and continue to monitor delivery of the audit plan going forward to ensure sufficient assurance is obtained to support the annual opinion.</p>	2020-21	<p>A restructure of the Internal Audit Service was undertaken in 2020/21 with Service Lead and Senior Auditor roles established and recruited to. These roles were to strengthen the visibility of Internal Audit at SLT level and to strengthen leadership within the team with the view to ensuring improvements would be embedded within the organization.</p> <p>In addition, temporary staff were established to support the delivery of the audit plan for 2021/22 and 2022/23. There have been some issues with recruitment to these roles due to the state of the employment market and the attractive private sector offer.</p> <p>It is acknowledged that capacity remains an issue, however, completed Internal Audit work is higher than in previous years with sufficient assurance being provided to support the provision of the annual opinion.</p>	Ongoing	N/A

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
Improving economy, efficiency and effectiveness We recommend that the Council implement the further walk-through checks and explore other reasons if the issues persist, in order to achieve an improved rating in future.	2020-21	Walk through checks have now been implemented as part of a package of ongoing support to improve performance. A full series of walk-through checks was also undertaken following the review of service level indicators at quarter 2.	Yes	N/A

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?	Further action?
<p>Improving economy, efficiency and effectiveness</p> <ul style="list-style-type: none"> the implementation of Yotta should be prioritised in order to ensure that data management and reporting is efficient, which will aid effective management of the tree maintenance schedule and that the Council implements appropriate arrangements for reporting performance the implementation of the new Idox module is expedited to streamline the process as, currently, without a fixed frequency/automation for the checks to be completed, there is still a risk that verification procedures are not completed as expected (Food Safety Inspections) the Council implements a formal process of reviewing both internal and external feedback and that is shared with service delivery leads (Planning and Property) The Council finalises the framework agreement that governs the relationship between Lancashire Parking Service (Car Parks enforcement) 	2020-21	<p>We continually review performance in the Planning teams, via both the Council's own internal Performance Management structures (which are now embedded) and through our quarterly returns to Government. These are reviewed through 121's and team meetings with the Lead Planner and Development Management Team. Furthermore, any customer feedback or complaints that do arise are dealt with through the Council's formal complaints process and discussion with the Director and Chief Executive. Beyond that any referrals to the LG Ombudsman are considered fully. Such complaints where there are any issues or learning are dealt with through 121's and Team meetings to improve processes. It is worth highlighting the Council's own complaints procedure and any decisions by the LG Ombudsman have found no fault with the Council for a significant number of years. The Council's agreement with Lancashire Parking Services expired on 31 August 2021. New arrangements for the provision of car park enforcement commenced with Marston Holdings Limited (operating as NSL Ltd) on 1 September 2021.</p>	Yes	N/A

Appendices

Appendix A - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	17, 18, 24
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	12, 13, 19, 25

Appendix B - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a public issue report under Schedule 7 of the Local Audit and Accountability Act 2014.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to court under Schedule 28 of the Local Audit and Accountability Act 2014.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Appendix C - Responsibilities of the Council



Role of the Director of Finance:

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

