

MEMBERS INTERESTS 2012

A Member with a disclosable pecuniary interest in any matter considered at a meeting must disclose the interest to the meeting at which they are present, except where it has been entered on the Register.

A Member with a non pecuniary or pecuniary interest in any business of the Council must disclose the existence and nature of that interest at commencement of consideration or when the interest becomes apparent.

Where sensitive information relating to an interest is not registered in the register, you must indicate that you have an interest, but need not disclose the sensitive information.

Please tick relevant boxes

Notes

	General		
1.	I have a disclosable pecuniary interest.	<input type="checkbox"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 below</i>
2.	I have a non-pecuniary interest.	<input type="checkbox"/>	<i>You may speak and vote</i>
3.	I have a pecuniary interest because it affects my financial position or the financial position of a connected person or, a body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest or it relates to the determining of any approval consent, licence, permission or registration in relation to me or a connected person or, a body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest	<input type="checkbox"/> <input type="checkbox"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i> <i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i>
4.	I have a disclosable pecuniary interest (Dispensation 16/7/12) or a pecuniary interest but it relates to the functions of my Council in respect of: (i) Housing where I am a tenant of the Council, and those functions do not relate particularly to my tenancy or lease. (ii) school meals, or school transport and travelling expenses where I am a parent or guardian of a child in full time education, or are a parent governor of a school, and it does not relate particularly to the school which the child attends. (iii) Statutory sick pay where I am in receipt or entitled to receipt of such pay. (iv) An allowance, payment or indemnity given to Members (v) Any ceremonial honour given to Members (vi) Setting Council tax or a precept under the LGFA 1992	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i>
5.	A Standards Committee dispensation applies (relevant lines in the budget – Dispensation 20/2/13 – 19/2/17)	<input type="checkbox"/>	<i>See the terms of the dispensation</i>
6.	I have a pecuniary interest in the business but I can attend to make representations, answer questions or give evidence as the public are also allowed to attend the meeting for the same purpose	<input type="checkbox"/>	<i>You may speak but must leave the room once you have finished and cannot vote</i>

'disclosable pecuniary interest' (DPI) means an interest of a description specified below which is your interest, your spouse's or civil partner's or the interest of somebody who you are living with as a husband or wife, or as if you were civil partners and you are aware that that other person has the interest.

Interest

Prescribed description

Employment, office, trade, profession or vocation

Any employment, office, trade, profession or vocation carried on for profit or gain.

Sponsorship

Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M.

	This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

"body in which the relevant person has a beneficial interest" means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest; "director" includes a member of the committee of management of an industrial and provident society;

"land" excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income; "M" means a member of a relevant authority;

"member" includes a co-opted member; "relevant authority" means the authority of which M is a member;

"relevant period" means the period of 12 months ending with the day on which M gives notice to the Monitoring Officer of a DPI;

"relevant person" means M or M's spouse or civil partner, a person with whom M is living as husband or wife or a person with whom M is living as if they were civil partners;

"securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

'non pecuniary interest' means interests falling within the following descriptions:

- 10.1(1)(i) Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;
- (ii) Any body (a) exercising functions of a public nature; (b) directed to charitable purposes; or (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union), of which you are a member or in a position of general control or management;
- (iii) Any easement, servitude, interest or right in or over land which does not carry with it a right for you (alone or jointly with another) to occupy the land or to receive income.
- 10.2(2) A decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a connected person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision.

'a connected person' means

- (a) a member of your family or any person with whom you have a close association, or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of a type described in sub-paragraph 10.1(1)(i) or (ii).

'body exercising functions of a public nature' means

Regional and local development agencies, other government agencies, other Councils, public health bodies, council-owned companies exercising public functions, arms length management organisations carrying out housing functions on behalf of your authority, school governing bodies.

A Member with a personal interest who has made an executive decision in relation to that matter must ensure any written statement of that decision records the existence and nature of that interest.

NB Section 21(13) of the LGA 2000 overrides any Code provisions to oblige an executive member to attend an overview and scrutiny meeting to answer questions.

AUDIT AND GOVERNANCE COMMITTEE

HELD: 28 JANUARY 2014

Start: 7.00pm

Finish: 7.55pm

PRESENT:

Councillors: Pope (Chairman)

Blane	Greenall
Delaney	G Hodson
Dereli	Jones
Gagen	Savage
Grant	Westley

Officers: Borough Treasurer (Mr M Taylor)
Audit Manager (Mr M Coysh)
Borough Solicitor (Mr T Broderick)
Partnership and Performance Officer (Mrs A Grimes)
Principal Overview and Scrutiny Officer (Mrs C Jackson)

In attendance: Ms K Murray, Engagement Lead, Grant Thornton (External Audit)
Mr G Small, Engagement Manager, Grant Thornton (External Audit)

23. APOLOGIES

There were no apologies for absence.

24. MEMBERSHIP OF THE COMMITTEE

In accordance with Council Procedure Rule 4, the Committee noted the termination of membership of Councillors Pendleton and Pryce-Roberts and the appointment of Councillors Delaney and Savage, for this meeting only, giving effect to the wishes of the Political Groups.

25. DECLARATIONS OF INTEREST

Councillors Dereli and Westley declared non-pecuniary interests in relation to Item 6 (Risk Management Framework) arising from their membership of Lancashire County Council.

26. MINUTES

RESOLVED: That the minutes of the meeting of the Committee held on 24 September 2013 be received as a correct record and signed by the Chairman.

27. DATA QUALITY PROTOCOL - UPDATE

Consideration was given to the report of the Transformation Manager, as contained on pages 299 to 302 of the Book of Reports, which provide an update on to the effectiveness of the Data Quality Protocol.

Comments and questions were raised in respect of the following:

- Risk based approaches related to performance indicators.
- Data security and protection.
- ICT data protection arrangements.
- Data quality management arrangements.
- Approach to data protection training.

RESOLVED: That the effectiveness of the current Data Quality Protocol be noted.

28. RISK MANAGEMENT FRAMEWORK

Consideration was given to the report of the Borough Treasurer as contained on pages 303 to 305 of the Book of Reports that gave details of the operation of the Risk Management Framework over the previous twelve months.

Comments and questions were raised in respect of the following:

- Risk awareness training.
- Risk Management – housing land; highway responsibilities.

RESOLVED: That the continuing effective operation of the Risk Management Framework be noted.

29. INTERNAL AUDIT ACTIVITY TO DECEMBER 2013

Consideration was given to the report of the Borough Treasurer as contained on pages 307 to 311 of the Book of Reports, which advised of progress against the 2013/14 Internal Audit Plan.

A discussion ensued on progress against activity as detailed at Appendix 1, and, in relation to work and issues related to Benefits/Revenues, it was agreed that a further report be prepared.

RESOLVED: A. That progress in the year to date be noted.

- B. That a report in relation to Benefits/Revenues activity be prepared for consideration at the next meeting of the Committee.

30. ANNUAL AUDIT LETTER

Consideration was given to the report of the Borough Treasurer as contained on pages 313 to 330 of the Book of Reports that introduced the Annual Audit Letter for the Year Ended 31 March 2013, attached as an Appendix, produced by the External Auditors, Grant Thornton.

The Engagement Lead, Grant Thornton attended the meeting and responded to questions, referencing details set down in the Annual Audit Letter and provided information on the key findings arising from the work that had been carried out, summarised within the Letter.

RESOLVED: That the Annual Audit Letter, prepared by the External Auditors, Grant Thornton, be noted.

31. GRANT THORNTON UPDATE REPORT

Consideration was given to the report of the Borough Treasurer as contained on pages 331 to 346 of the Book of Reports that gave details of the Update Report from Grant Thornton, attached as an Appendix, in relation to progress in delivering their external auditors responsibilities and provided an update on emerging national issues.

The Engagement Manager, Grant Thornton attended the meeting and responded to questions, referencing details set down in the Update Report that provided a summary of emerging national issues and developments and information in respect of those issues related to work in the public sector.

RESOLVED: That the Audit and Governance Committee Update for West Lancashire Borough Council, prepared by the External Auditors Grant Thornton, be noted.

32. WHISTLEBLOWING CODE

Consideration was given to the joint report of the Borough Solicitor and Borough Treasurer, as contained on pages 349 to 360 of the Book of Reports, updating the Council's Whistleblowing Code, attached as an Appendix.

The Borough Treasurer introduced the report, and responded to questions, highlighting the changes that were being proposed to ensure compliance following a change to the Public Disclosure Act 1998 and practice arrangements produced by the Whistleblowing Commission.

Questions and comments were raised in respect of the following:

- Mechanisms to ensure staff are aware of the updated Code.
- Legal protection for Whistleblowers (as introduced by the Public Interest Disclosure Act 1998).

RESOLVED: That the updated Whistleblowing Code be endorsed.

33. REGULATION OF INVESTIGATORY POWERS ACT - QUARTERLY MONITORING OF USE OF POWERS

In relation to the quarterly monitoring of activity under the Regulation of Investigatory Powers Act 2000 (RIPA) it was reported that there was no relevant activity to bring to the attention of the Committee.

RESOLVED: That the update be noted.

34. WORK PROGRAMME

Consideration was given to the Committee's programme of work as set down at page 347 of the Book of Reports.

As previously agreed, the inclusion of a report on Benefits/Revenues activity, as an item of business for the March meeting, was noted.

It was further agreed, that the topic for the training session on 26 June 2014 would be "Annual Accounts".

- RESOLVED:
- A. That the inclusion of an item on Benefits/Revenues activity (March meeting) be noted.
 - B. That the topic for the training session on 26 June 2014 be "Annual Accounts".
 - C. That the Work Programme as revised (taking account of A and B above), be approved.



AGENDA ITEM: 5

AUDIT AND GOVERNANCE COMMITTEE:

25 March 2014

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: GRANT THORNTON CERTIFICATION WORK REPORT 2012/13

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To receive details of our External Auditor's findings from their certification of 2012/13 claims and returns.

2.0 RECOMMENDATION

- 2.1 That the findings be considered and that any questions be raised with the Grant Thornton representatives who will be attending the meeting.

3.0 BACKGROUND

- 3.1 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescales set by grant paying government departments. Our external auditor certified three claims and returns for the financial year 2012/13 relating to expenditure of £75.5m.

4.0 FINDINGS

4.1 Details of the external auditor's findings are included in their report which is attached as an appendix to this report. Some of the key messages from this report include:

- All claims were certified within the required timescales
- There were no issues raised on the Pooled Housing Capital Receipts Return
- On the NNDR return it was not possible to reconcile figures on the General Ledger System to the NNDR system (this issue has been previously reported to Members). The relevant government department has though accepted the grant claim and no financial adjustments will be required
- A number of comments were made on the Housing and Council Tax Benefits Subsidy Form – Officers and a representative from OCL will provide a verbal update on these issues at the Committee meeting

5.0 RISK ASSESSMENT

5.1 The work that our External Auditors undertake is an integral part of the Council's internal control framework and provides assurance to Members that the Council is operating effectively.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have a direct impact on members of the public, employees, elected members and/or stakeholders. Therefore no equality impact assessment is required.

Appendix

Grant Thornton Certification Work Report 2012/13



Certification report 2012/13 for West Lancashire Borough Council

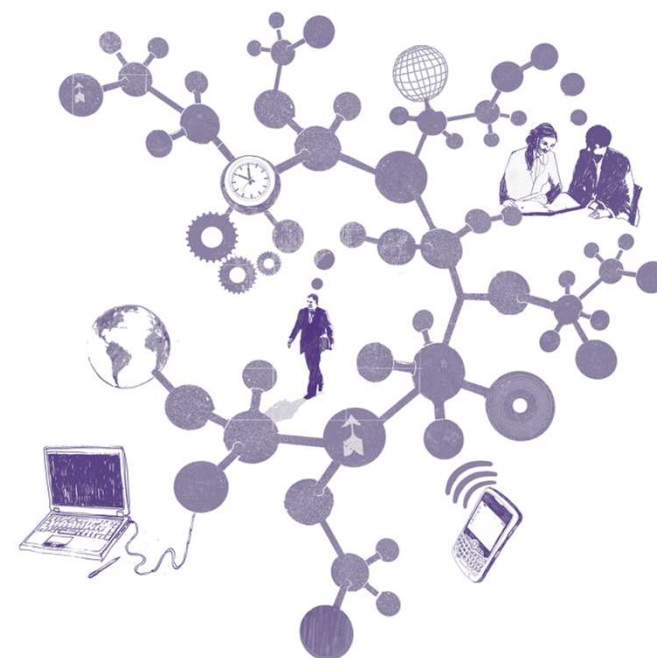
Year ended 31 March 2013

28 January 2014

Karen Murray
Engagement Lead
T +44 (0)161 234 6364
E Karen.L.Murray@uk.gt.com

Ged Small
Engagement Manager
T +44 (0) 161 214 6372
E ged.w.small@uk.gt.com

Paul Thompson
Executive
T +44 (0)161 234 6348
E Paul.A.Thompson@uk.gt.com



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Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Arrangements for certification for claims and returns:

- below £125,000 – no certification
- above £125,000 and below £500,000 – agreement to underlying records
- over £500,000 – agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Executive summary

Introduction

We are required to certify certain of the claims and returns submitted by West Lancashire Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified 3 claims and returns for the financial year 2012/13 with a total value of £75.5 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All claims were submitted and certified in accordance with government departmental deadlines	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	<p>Errors were identified relating to the Council's Housing and Council Tax Benefit Subsidy claim. The extrapolated impact on the claim was reported to the Department of Work & Pensions (DWP) in a qualification letter.</p> <p>We were unable to fully address our testing requirements in relation to the Council's National Non Domestic Rates (NNDR) return. This was reported to the Department for Communities & Local Government (DCLG) in a qualification letter.</p>	●
Supporting working papers	Supporting working papers for the claims and returns were of a good, standard which enabled certification by the deadlines. However there was an unexplained difference between the NNDR system and the Ledger.	●

The way forward

In Appendix B, we set out recommendations to address the key messages above and other findings arising from our certification work. Implementing the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of potential repayment of grant and additional certification fees.

Housing & Council Tax Benefits

The Council and its Housing & Council Tax Benefits service provider should undertake a joint review to consider the error types identified by our audit and the work of Internal Audit, and determine the reasons for these errors. The aim of this review should be to identify:

- actions required to reduce claim errors across benefit categories and types; and
- how the testing and quality assurance procedures for processing can be improved.

National Non-Domestic Rates

The Council should ensure all entries are supported by comprehensive working papers.

Acknowledgements

We would like to take this opportunity to thank officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
December 2013

Section 2: Results of our certification work

01. Executive summary

02. Results of our certification work

Results of our certification work

Key messages

We have certified 3 claims and returns for the financial year 2012/13 relating to expenditure of £75.5 million..

The Council's performance in preparing claims and returns is summarised below:

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		Direction of travel
		No.	%	No.	%	
Claims submitted on time	100%	2	67	3	75	↓
Claims certified on time	100%	3	100	4	100	↔
Claims certified with amendment	0%	1	33	1	25	↓
Claims certified with qualification	0%	2	67	2	50	↓

Details of the certification of all claims and returns are included at Appendix A.

Significant findings

Our work has identified the following issues in relation to the management arrangements and certification of individual grant claims and returns:

The Council's service provider, One Connect Limited (OCL) introduced a new integrated Council Tax, NNDR and Housing & Council Tax Benefits system – Northgate - in January 2013. Whilst OCL managed risks around the data migration, transfer, cleansing and staff training our audit highlighted the following issues.

Housing Benefit and Council Tax Subsidy Claim

Significant errors were identified in the 2012/13 Housing & Council Tax Benefits claim and a qualification letter has been issued to the Department for Work & Pensions (DWP).

We undertook our audit work in accordance with the methodology for certifying the Housing benefit and Council Tax Subsidy Return agreed between the DWP and the Audit Commission. This is known as HB Count and it includes a two stage approach to testing and reporting extrapolated error values.

Our initial testing of twenty cases for each benefit type, identified a range of errors including:

- incorrect application of Local Housing Allowance (LHA) rates;
- misclassification of overpayments; and
- underpayment of benefit entitlement.

In accordance with agreed methodology we undertook testing of a further 280 cases. This identified additional errors. The extrapolated impact on the claim was £25,680. This was included in our report to DWP . If DWP amend the subsidy claim to reflect this extrapolation, the potential reduction in subsidy to the Council is approximately £90,000.

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Results of our certification work

Significant findings

National Non Domestic Rates Return

Before submitting the NNDR return to us for audit, the Council identified a difference between its general ledger and the new Northgate system of £1,347,436.80. This related to very old cases transferred to the new system where reliefs and exemptions cannot be brought forward. However, we were not able to agree this to detailed supporting systems reports and the matter was therefore reported to the Department for Communities & Local Government (DCLG).

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £17,400

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing & Council Tax Benefits	£39.025m	Yes	£276	Yes	<p>Local Housing Allowance</p> <ul style="list-style-type: none"> Our initial testing identified an error in applying Local Housing Allowance (LHA) rates. A further 160 cases were tested by OCL staff and we re-performed a sample of their work. Four further errors were identified. The extrapolated error was £18,628. <p>Overpayment misclassification</p> <ul style="list-style-type: none"> Our initial and extended testing covered 170 cases across all 3 benefit types. We identified 9 cases where overpayments had been incorrectly classified as eligible claimant error when they were the result of local authority error. The extrapolated error was £7,052 <p>Underpayment of benefit</p> <ul style="list-style-type: none"> Across all areas we tested 395 cases, among these 7 claims were identified where benefit entitlement totalling £2,037.96 had been underpaid. These claims have now been corrected and the correct benefit paid to the individual claimants affected. <p>Amendments</p> <ul style="list-style-type: none"> There were a small number of other amendments to the Housing and Council Tax Subsidy Claim. These were in respect of cases where we were able to isolate the cause of the error and test the entire population. The amendments totalled £276.

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
					<p>Reporting</p> <ul style="list-style-type: none"> We have reported our findings and the extrapolated error to the DWP as required by the HB Count methodology. DWP will now consider the position and decide what action, if any, to take. Had the return been amended to reflect the extrapolated error values there would have been a reduction in subsidy of approximately £90,000.
National Non-Domestic Rate Return	£35.465m	No	N/A	Yes	<ul style="list-style-type: none"> The original NNDR return was submitted for audit ahead of the submission deadline of 30 June 2013. However, during our Opinion audit the Council identified a significant error in its completion and the claim was withdrawn. A corrected claim was provided for audit in August. The Council noted a difference between its general ledger and the new Northgate system of £1,347,436.80 relating to payments to the national NNDR pool, referred to as "Dataload Balance Corrections". These transactions represented old historic data primarily relating to cash which did not have an appropriate field within Northgate. We were not able to agree this difference to detailed supporting system outputs and reported this matter to DCLG.
Pooled Housing Capital Receipts Return	£1.040m	No	N/A	No	None

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
	Housing & Council Tax Benefits			
1	<p>The Council and OCL should undertake a joint review to; consider the error types identified by our audit and through Internal Audit work, and, determine the reasons for these errors. The aim of this review should be to identify:</p> <ul style="list-style-type: none"> actions required to reduce claim errors across all benefit categories and types; and how the testing and quality assurance procedures for processing can be improved. 	Medium	Agreed	<p>March 2014</p> <p>Transformation Manager supported by the Internal Audit Manager</p>
	National Non-Domestic Rate Return			
2	<p>Ensure that all entries, including adjustments within the return are fully supported by comprehensive working papers. This is especially important for entries that incorporate data from outside the NNDR system.</p>	Medium	Agreed	<p>June 2014</p> <p>Borough Treasurer</p>

Appendix C: Fees

Claim or return	2011/12 fee (£) *	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance year on year (£)
Housing & Council Tax Benefits Subsidy Claim	£28,340	£15,138	£15,138	Nil
National Non-Domestic Rates Return	£3,496	£1,914	£1,914	Nil
Pooled Housing Capital Receipts Return	£900	£348	£348	Nil
Housing Subsidy Claim	£5,083	Nil	Nil	Nil
Planning and Reporting	£473	Nil	Nil	Nil
Total	£38,291	£17,400	£17,400	Nil

* 2011/12 fee less 40% fee reduction applicable for 2012/13 onwards.



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AGENDA ITEM: 6

AUDIT AND GOVERNANCE COMMITTEE:

25 March 2014

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: GRANT THORNTON AUDIT PLAN

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To receive a report from our External Auditors setting out their plan for the audit of our 2013/14 financial statements.

2.0 RECOMMENDATION

2.1 That the report be noted.

3.0 BACKGROUND

3.1 It is a statutory requirement that the Council's accounts are audited each year by an external auditor. The appendix to this report sets out the plan that our external auditors, Grant Thornton, intend to use to complete the audit of our 2013/14 financial statements.

4.0 THE AUDIT PLAN

4.1 The Audit Plan has been developed to take account of the following factors:

- The challenges and opportunities that the Council is facing
- The impact of key developments in the local government sector
- National audit requirements
- Significant and other risks identified

- 4.2 Key dates for the audit are included in the plan. The end outcome of this process will be a report on the findings from the audit to this Committee in September 2014. This report will include an opinion on whether the accounts provide a true and fair view of the financial position and performance of the Council and whether there are effective arrangements in place for securing value for money.
- 4.3 Representatives of Grant Thornton will present their report at the Committee meeting and will be able to answer any questions that Members may have on their audit plan.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

6.0 RISK ASSESSMENT

- 6.1 The audit of the Statement of Accounts is part of the overall control framework that is designed to ensure that the Council properly accounts for the use of its assets and resources.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix – Grant Thornton Audit Plan



The Audit Plan for West Lancashire Borough Council

Year ended 31 March 2014

3 March 2014

Karen Murray

Engagement Lead

T +44 (0)161 953 6900

E Karen.L.Murray@uk.gt.com

Gerard Small

Manager

T +44 (0)214 6372

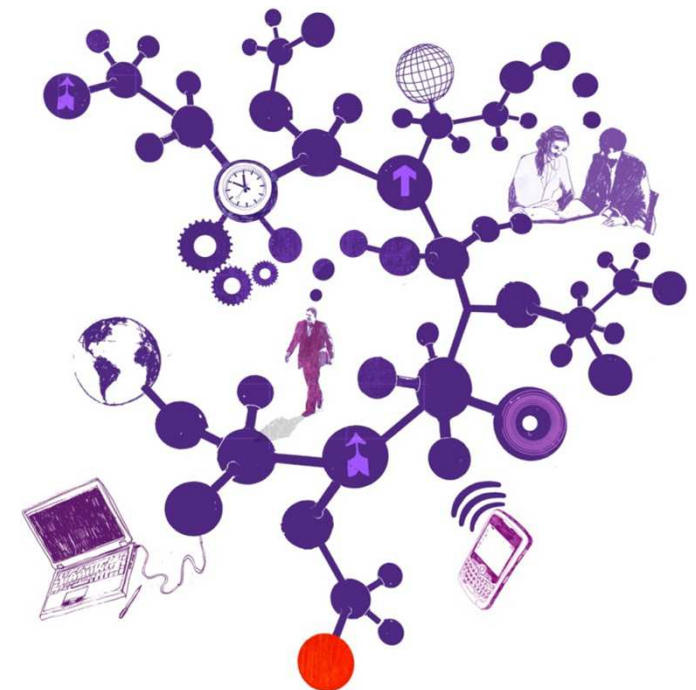
E ged.w.small@uk.gt.com

Paul Thompson

Executive

T +44 (0)161 234 6348

E paul.a.thompson@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

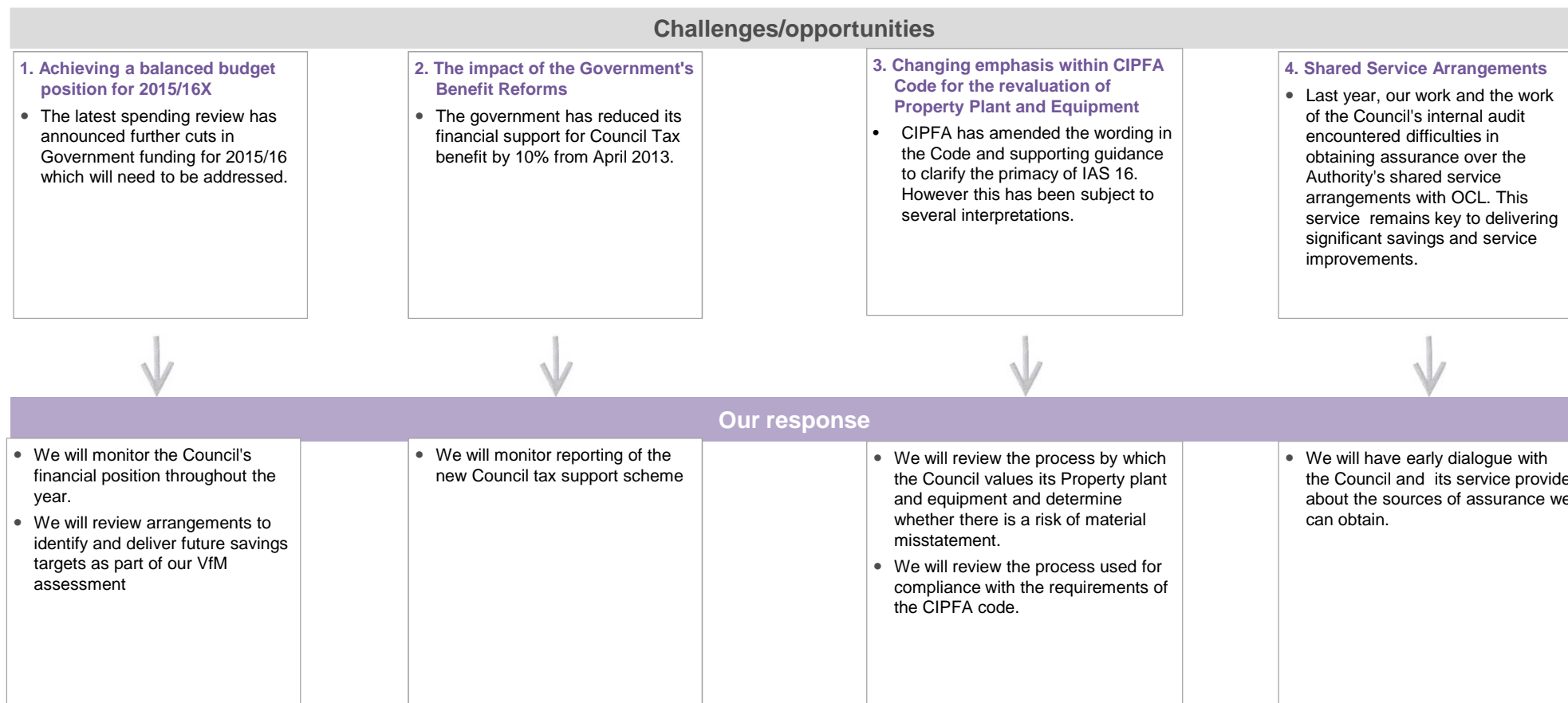
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1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks
6. Value for Money
7. Key Dates
8. Fees and independence
9. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

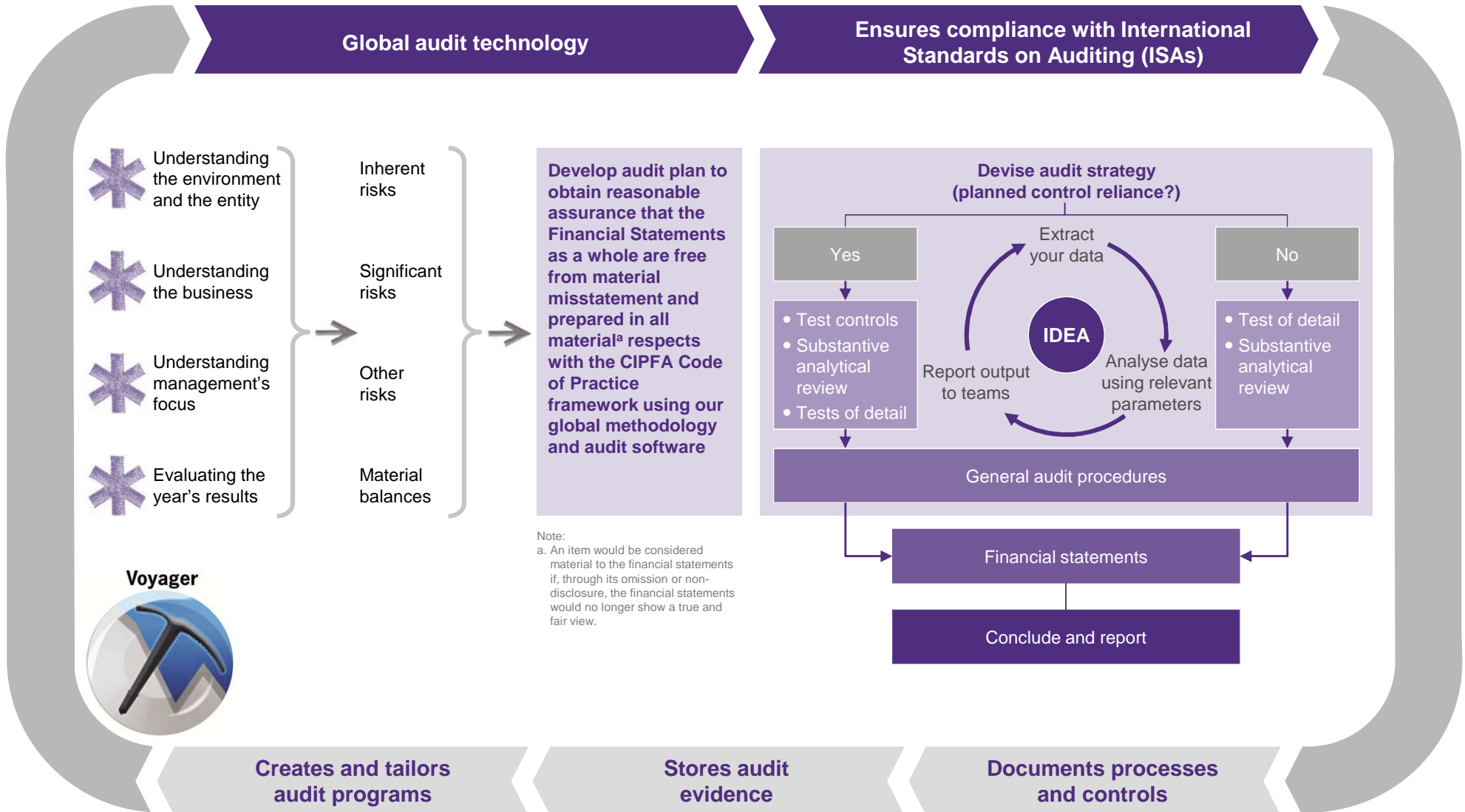
Developments and other requirements

<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Clarification of Code requirements around PPE valuations • Changes to NDR accounting and provisions for business rate appeals. 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required
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Our response

<p>We will hold discussions with management and conduct substantive testing to ensure that</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice in the way it conducts and accounts for PPE valuations, and • the Council complies with the requirements of the CIPFA Code of Practice when making provisions for business rate appeals 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> • We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements
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Our audit approach



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Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work to be completed as part of the Interim visit:</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Testing a sample of transactions within material revenue streams during the period to January 2014 <p>Work planned later in the year:</p> <ul style="list-style-type: none"> • Testing a further sample of transactions within material revenue streams up to the year end • Review and testing of adjustments to revenue stream totals that occur as part of the closedown at the year-end
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work to be completed as part of the interim visit:</p> <ul style="list-style-type: none"> • Review management's approach to the use of estimates, judgments when preparing financial statements • Testing a sample of journal entries during the period to January 2014 • Review of unusual significant transactions recorded during period to January 2014 <p>Work planned later in the year:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing a further sample of journal entries up to and beyond the year-end • Review of unusual significant transactions up to and beyond the year-end

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Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Agreeing balances substantively to general ledger • Agreeing general ledger to subsidiary accounts payable ledger(s) • Search for unrecorded liabilities • Cut-off testing to ensure transactions recorded in correct accounting period • Testing a sample of creditor and accruals balances to source documents • Testing a sample of transactions processed through the accounts payable procedures for evidence of occurrence and valuation including correct VAT treatment .
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> • Agreeing balances substantively to general ledger • Agreeing general ledger to subsidiary payroll ledger uploads • Search for unrecorded liabilities • Cut-off testing to ensure transactions recorded in correct accounting period • Testing sample of year end creditor balances for staff costs • Agree senior officer disclosures to payroll data • Substantive testing on cost of pensions- agreeing disclosure of pensions information as provided by the actuary. • Testing a sample of payroll payments back to staff records and timesheets to confirm existence/occurrence and valuation. We will liaise with colleagues at Wigan MBC to ensure this work is completed efficiently • Review of employee listing and journals for large and unusual items

Other risks identified

Other reasonably possible risks	Description	Work planned
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> • Reconcile figures in accounts to Housing Benefits subsidy claim • Complete the required modules 2, 3, 4 and 5 of the Audit Commission/ DWP certification programme including a review of statistical data provided by the DWP. • Review the results of work carried out by Internal Audit • Confirm accounting treatment is in line with the Code of Practice • Test a sample of housing benefit claims back to source documents to confirm occurrence and accuracy of the assessment.
Housing Revenue Account Dwelling Rents	Revenue transactions not recorded	<ul style="list-style-type: none"> • Agreeing substantively to general ledger • Agreeing the general general ledger to subsidiary rents ledger • Rental income cut-off testing • A review of large and/or unusual items in the debtors listing and review of bad debt provision. • Testing a sample of property records from the property listing and testing the income derived from those properties confirming occurrence, accuracy and completeness of recording.
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> • Agreeing substantively to general ledger • Agreeing general ledger to fixed asset register • Reconciling movements to capital funding note • Testing capital creditor creditors to source documents • For individually significant revaluations and a sample of others we will agree valuations to asset register and ensure revaluations properly accounted for. • Agreeing significant disposals and confirming any profit/loss on sale have been calculated correctly.
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> • For impairments and revaluations ,gaining an understanding of how management seeks to identify factors which may reduce the value of assets . Reviewing the reasonableness of the use of experts and judgements/estimates .

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

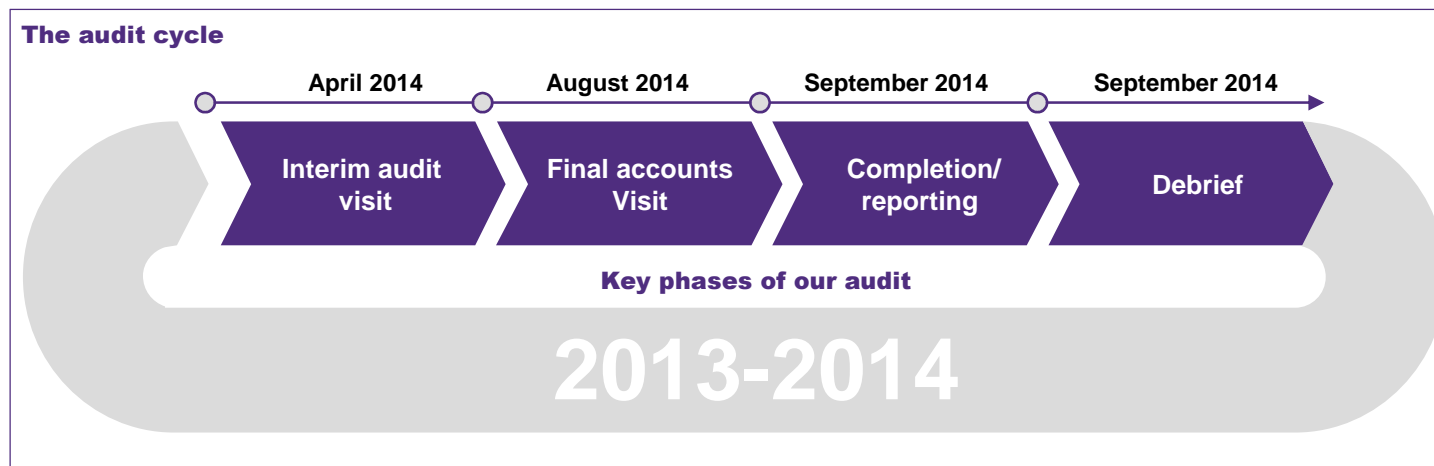
VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- adequacy of the medium term financial plan- to ensure it continues to a relevant and live tool for managing the Council's finances,
- the impact of changes in asset values on the medium term financial plan,
- adequacy of arrangements for monitoring the performance of outsourced services, to ensure they contribute to planned savings
- updating financial resilience benchmark data.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Key dates



Date	Activity
6 January 2014 until conclusion of the audit	Planning
26 March to 17 April 2014	Interim site visit
25 March 2014	Presentation of audit plan to Audit and Governance Committee
4 August 2014 to 5 September 2014	Year end fieldwork
8 September 2014 (provisional)	Audit findings clearance meeting with Borough Treasurer
September 2014 (to be arranged)	Report audit findings to those charged with governance (Audit and Governance Committee)
September 2014 (to be arranged subject to date of the Audit and Governance Committee meeting)	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	57,428
Grant certification (TBC)	17,500
Total fees (excluding VAT)	74,928

Fees for other services

Service	Fees £
None	Nil

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- Please note that the certification fee may be subject to revision by the Audit Commission as certification of council tax benefit is no longer required as part of the Housing Benefit Subsidy scheme.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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AGENDA ITEM: 7

AUDIT AND GOVERNANCE COMMITTEE:

25 March 2014

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)

**SUBJECT: GRANT THORNTON UPDATE REPORT AND AUDIT COMMISSION
FRAUD BRIEFING**

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To receive an update from our External Auditors on a range of different matters.

2.0 RECOMMENDATION

2.1 That the update report and fraud briefing be considered and that any questions be raised with the Grant Thornton representatives who will be attending the meeting.

3.0 BACKGROUND

3.1 Our external auditors have asked for the documents contained in the appendices to be included on the agenda for this meeting so that Members may give them due consideration.

4.0 UPDATE REPORT AND FRAUD BRIEFING

4.1 The Grant Thornton update report sets out their progress in delivering their responsibilities against their audit plan as well as a summary of emerging national issues and developments and a number of challenge questions in respect of these emerging issues which Members may wish to consider.

- 4.2 The Audit Commission fraud briefing covers a range of different matters including the cost of fraud both nationally and locally, and highlights high risk areas.
- 4.3 Representatives of Grant Thornton will present these documents at the Committee meeting and will be able to answer any questions that Members may have on their contents.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

6.0 RISK ASSESSMENT

- 6.1 The work that our External Auditors undertake is an integral part of the Council's control framework and provides assurance to Members that the Council is operating effectively.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix A – Grant Thornton Update Report
Appendix B – Audit Commission Fraud Briefing



Audit Committee Update for West Lancashire Borough Council

Year ended 31 March 2014

3 March 2014

Karen Murray

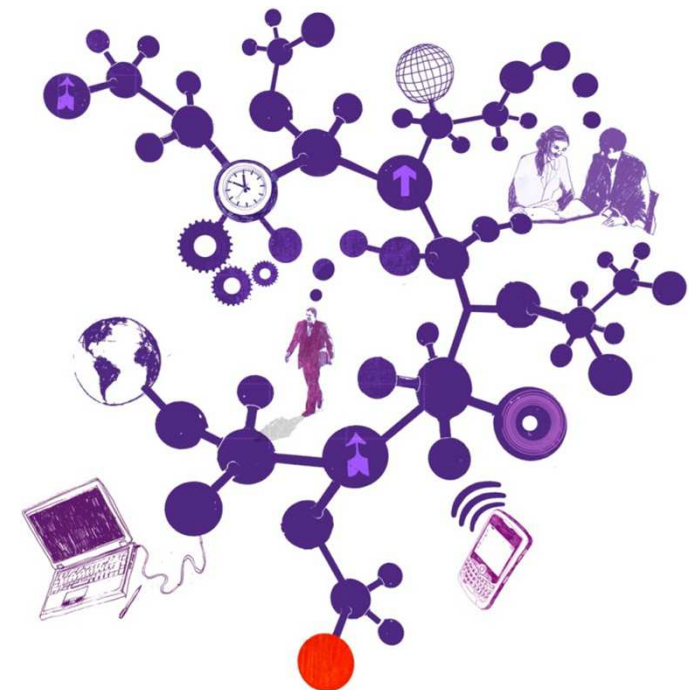
Director
T +44 (0)161 234 6364
E karen.l.murray@uk.gt.com

Gerard Small

Manager
T +44 (0)214 6372
E ged.w.small@uk.gt.com

Paul Thompson

Executive
T +44 (0)161 234 6348
E paul.a.thompson@uk.gt.com



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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Karen Murray Engagement Lead T 0161 234 6364 M 07880 456 205 karen.l.murray@uk.gt.co
Gerard Small Audit Manager T 0161 214 6372 M 07880 456 170 ged.w.small@uk.gt.com

Progress at 3 March 2014

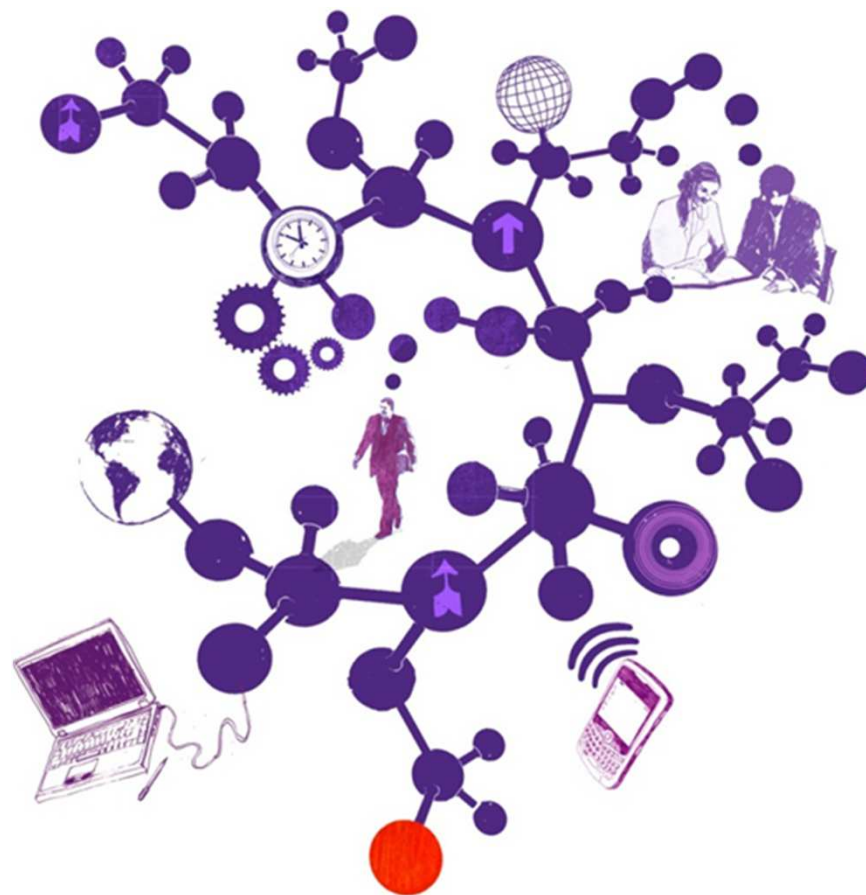
Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on Council's 2013-14 financial statements.</p>	25 March 2014	In Progress	Plan has been prepared and is to be included as a separate item on the agenda.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	26 March to 17 April 2014	Planned	<p>The areas for early substantive testing will include operating expenditure, housing rental income and payroll expenditure.</p> <p>Based on our experience from last year, and with the exception of the arrangements covering services provided by OCL Limited, we expect the output from this work to include a statement to the Committee that we have not identified any material control weaknesses.</p> <p>The Council is completing its own review of the control arrangements covering the services provided by OCL Limited, we shall consider the result of that review and advise the Committee separately of any impact on our proposed audit plan.</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council 's accounts • proposed Value for Money conclusion 	4 August to 5 September 2014 (provisional)	Planned	The final accounts stage will focus on substantive testing of individually material balances and transactions, and on the financial reporting disclosures.

Progress at 3 March 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <p>An update of our risk assessment from last year</p> <p>A refresh of the performance data included in the financial resilience report</p>	<p>Concurrent with interim and final accounts audit work</p>	<p>Planned</p>	<p>The update of the risk assessment will take place concurrently with the interim accounts audit and we will report our preliminary findings when we issue the Audit Plan. This assessment will be kept under review until we give our final opinion and report in September. The refresh of the financial performance data will be prepared alongside the final accounts audit.</p>

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Emerging issues and developments



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Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Issues to consider/challenge questions:

How have members satisfied themselves that the Council can deliver a balanced budget, that the medium term strategy/budget has been subject to appropriate challenge and that the Council's finances are resilient over the medium term (3 years) and beyond?

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issues to consider/challenge questions:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

Austerity continued – further cuts in spending powers

Local Government Guidance

Final local government finance settlement 2014/15

On 5 February 2014 the government published the final local government finance settlement for 2014/15. This confirmed the proposals laid out in the provisional finance settlement. The government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. This proposal needs to be accepted by Parliament.

Excluding the Greater London Authority, the spending power for local authorities in England will fall by 2.9% in 2014/15 compared to 2013/14. As in previous years, councils will have their funding reduction capped at 6.9%. Indicative funding levels for 2015/16 have also been provided to assist local authorities with their medium term financial planning. The settlement will be finalised in February 2014.

Challenge questions:

- Has your Head of Finance Borough Treasurer reviewed the proposed settlement and assessed the impact on your Council?

Helping the High Street

Local government guidance

Support for UK high streets

On December 6, 2013 the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Issues to consider/challenge questions:

- Has the Council assessed the local economic impact of the measures announced by the Communities Secretary?
- Has the Borough Treasurer assessed the impact of the measures on the Council's finances and the 2014/15 and 2015/16 budgets?

Councils keep New Homes Bonus

Local government guidance

Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

Issues to consider/challenge questions:

- Has your Borough Treasurer assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement?

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Challenge questions

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks. Has the Borough Treasurer completed the checklist and reported it to the Audit Committee?
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control. Has the Borough Treasurer reviewed these case studies and considered whether there is scope to adopt these?

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Challenge question

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Authority reviewed these case studies and assessed whether there are similar opportunities available to it?
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Authority's commissioning strategy?

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Challenge questions

- Has the kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Authority carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Authority have a plan in place or in development for the introduction of universal credit?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Challenge question

Has your Borough Treasure consulted you on the programme of valuations and the proposals for disclosing information about classes of assets?

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Challenge questions:

- Is your authority confident of obtaining the information it needs from the VOA?
- Has your authority recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your authority provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is your authority planning to revisit its provision and contingent liability before the audit opinion is issued?

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Accounting for pensions

Accounting and audit issues

Challenge questions:

- Is your local authority confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?
- If your authority is considering making an early payment to the pension fund, has it set out a reasonable argument for how it proposes to charge this amount to the general fund? Is this supported by legal advice?

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

(continued overleaf)

Changes to the public services pension scheme

Accounting and audit issues

Changes to Local Government Pension Scheme continued

Challenge questions

- Is the authority aware of the detailed requirements and their impact on its payroll providers?
- Is the authority taking appropriate action to ensure implementation of the required changes by its payroll providers by 1 April 2014?
- Has the authority liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?



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Protecting the Public Purse Fraud Briefing 2013 West Lancashire Borough Council



Agenda

- Introduction and purpose of your Fraud Briefing
- *Protecting the Public Purse (PPP) 2013* report – national picture
- Interpreting fraud detection results
- The local picture
- Questions?

And do not forget

- Checklist for those charged with governance (Appendix 2 of PPP 2013)*
- Questions councillors may want to ask/consider (Appendix 3 of PPP 2013)*

Introduction

- Fraud costs local government in England over £2 billion per year (*source: National Fraud Authority*)
- Fraud is never a victimless crime
- Councillors have an important role in the fight against fraud

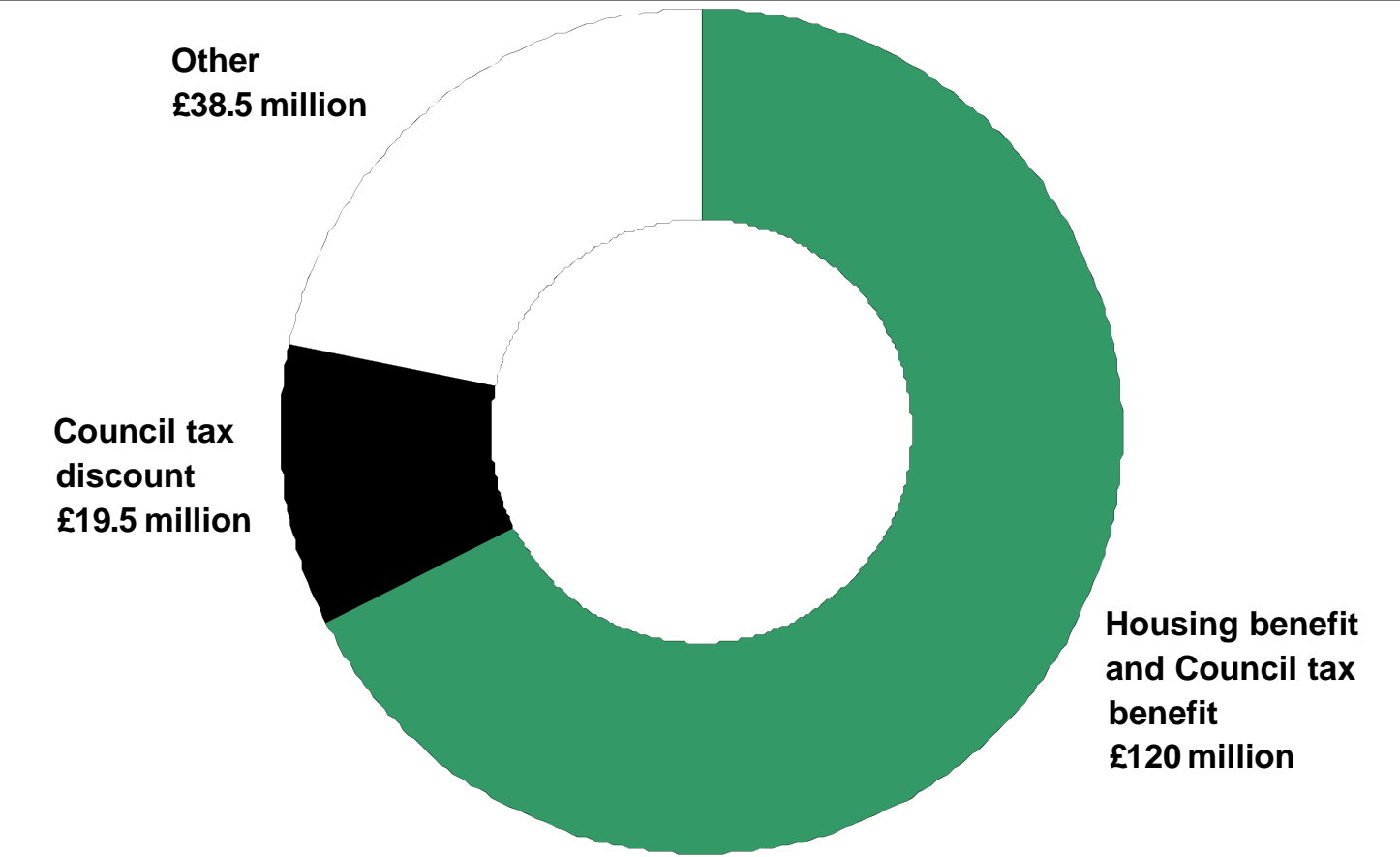


Purpose of Fraud Briefing at your council

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

National Picture 2012/13

Total cases detected 107,000, with a value of £178 million (excluding social housing fraud)



Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%



Interpreting fraud detection results

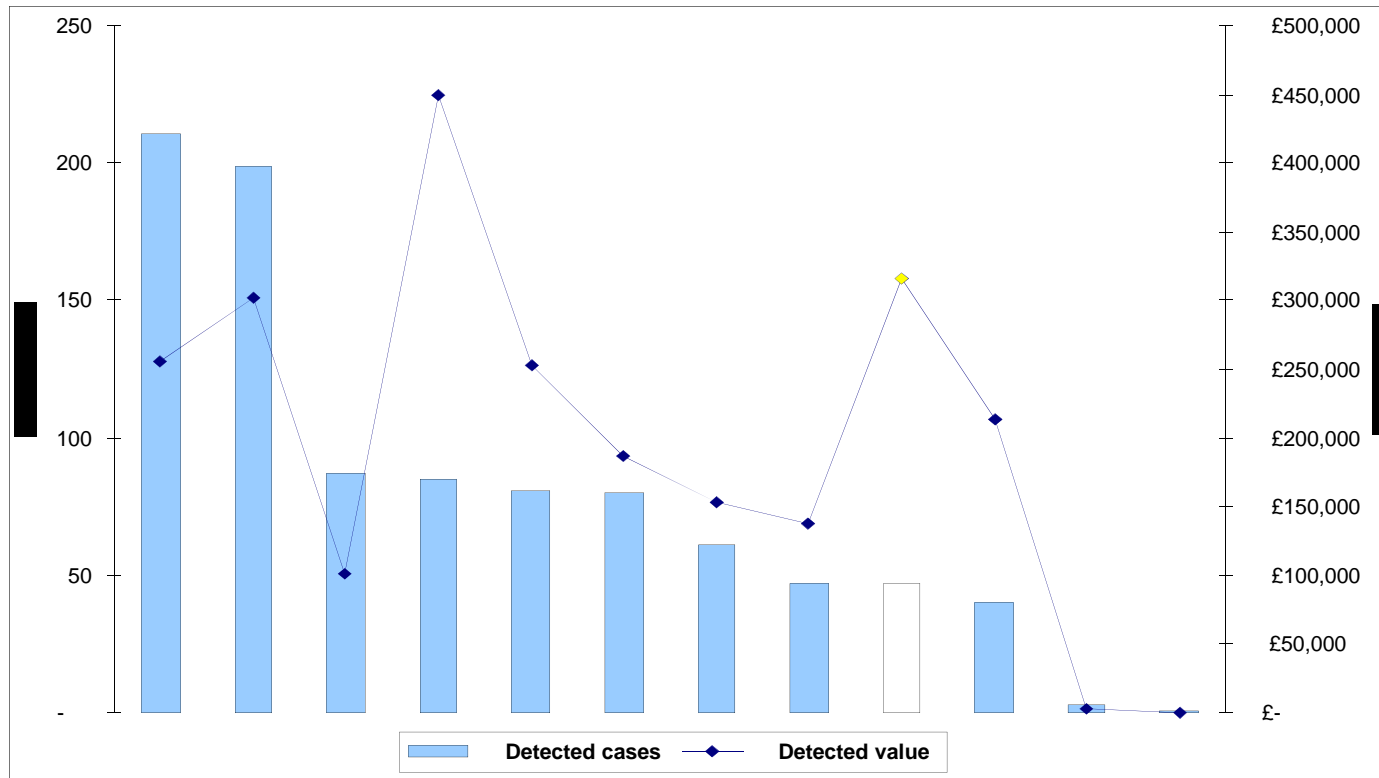
- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (Prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (Fraud will always be attempted and even with the best prevention measures some will succeed)
- Councils who look for fraud, and look in the right way, will find fraud (There is no such thing as a small fraud, just a fraud that has been detected early)

Your council is highlighted in white in the graphs that follow

The local picture

How your council compares to other district councils in your county area

Total detected cases and value 2012/13



West Lancashire detected: 47 cases, valued at £316,604*

DC average for your county area: 79 cases, valued at £197,668

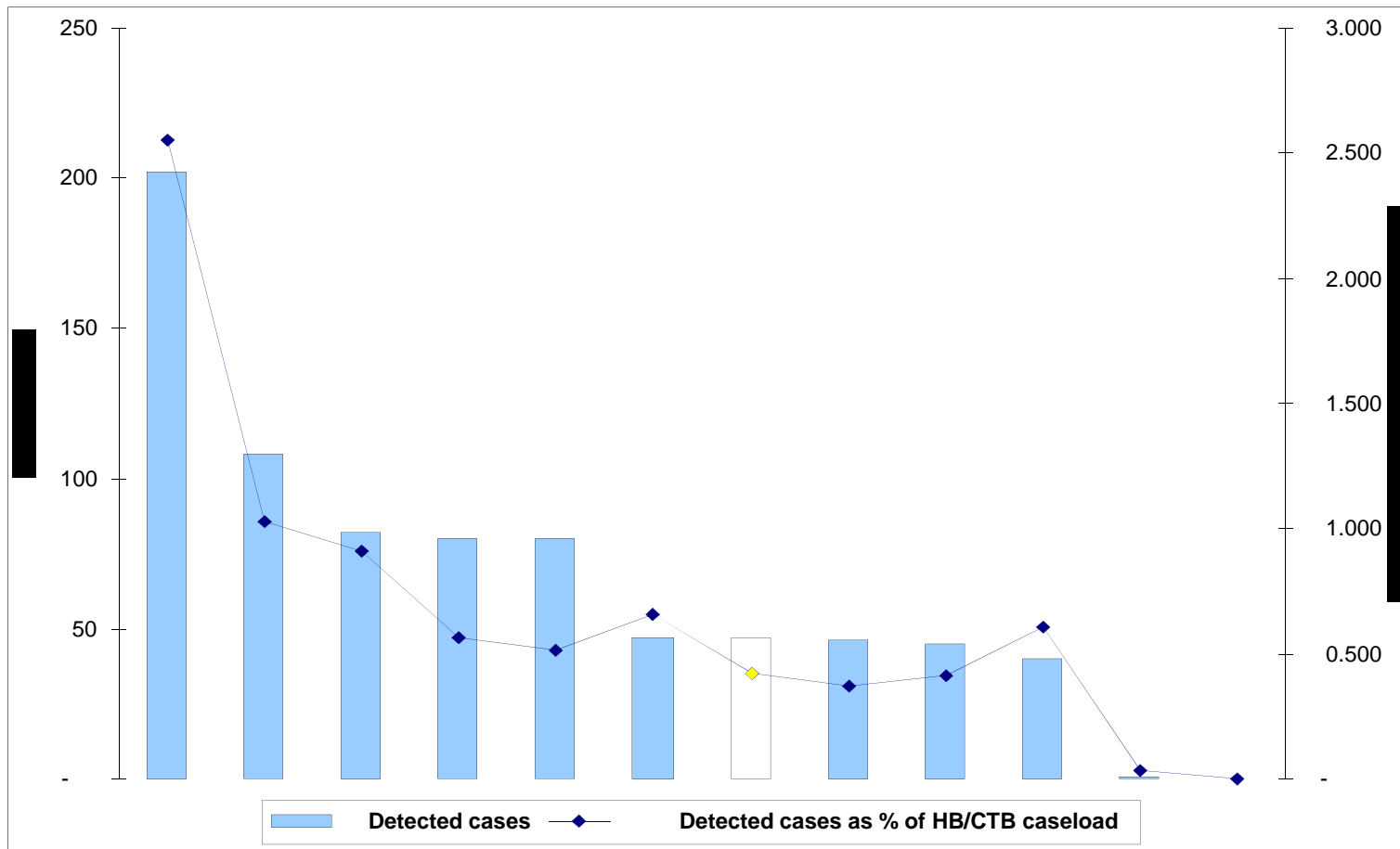
* WLBC reported only HB and CTB frauds, see following slides .



District councils in your county area 2012/13

Housing benefit (HB) and Council tax benefit (CTB) fraud

Detected cases and detected cases as a percentage of HB/CTB caseload



West Lancashire detected: 47 cases, valued at £316,604

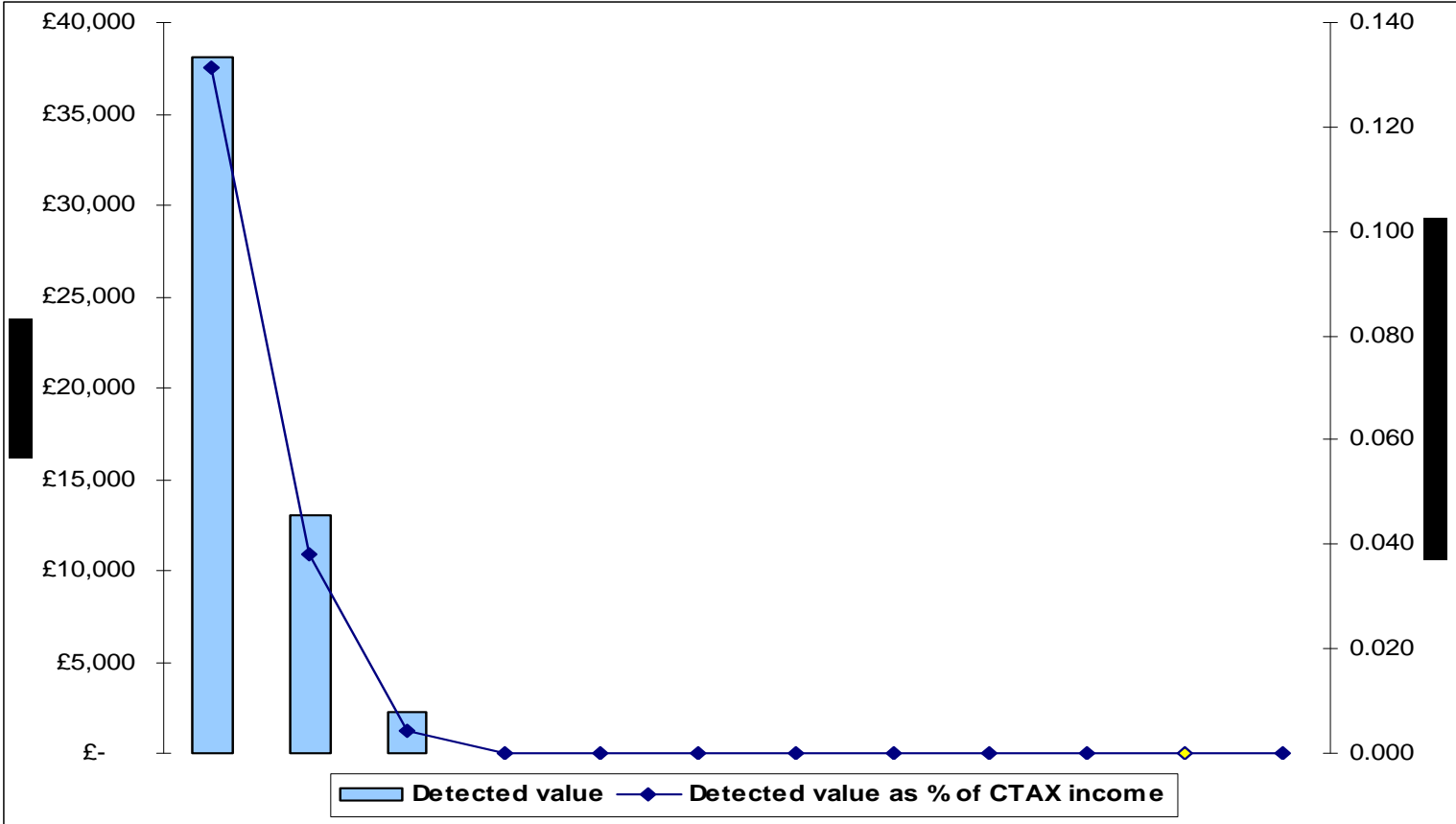
DC average for your county area: 65 cases, valued at £165,402



District councils in your county area 2012/13

Council tax (CTAX) discount fraud

Detected value and detected value as a percentage of council tax income



West Lancashire detected: no cases

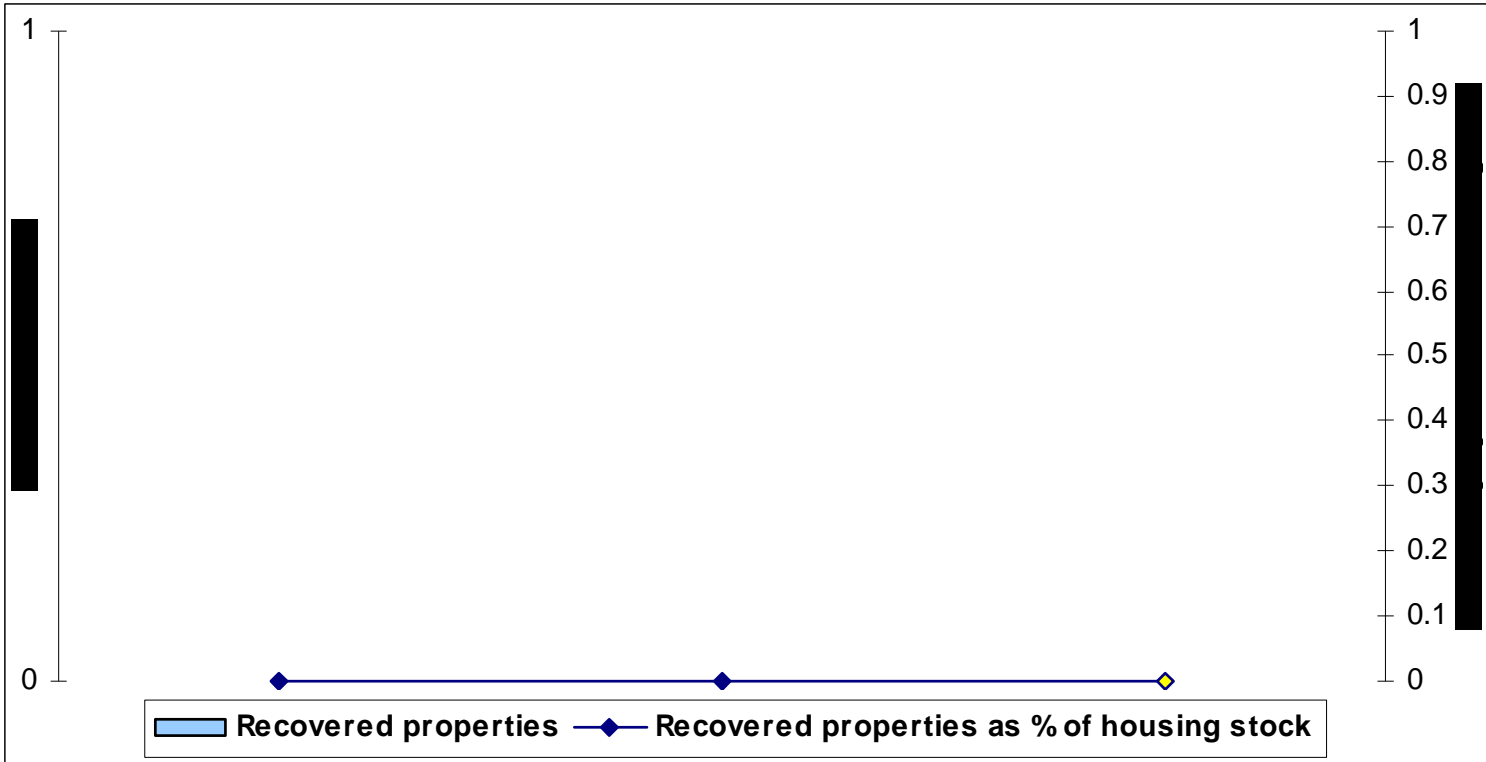
DC average for your county area: 10 cases, valued at £4,439



North West region - district councils with housing stock 2012/13

Social housing fraud

Properties recovered and properties recovered as a percentage of housing stock



West Lancashire recovered: no properties

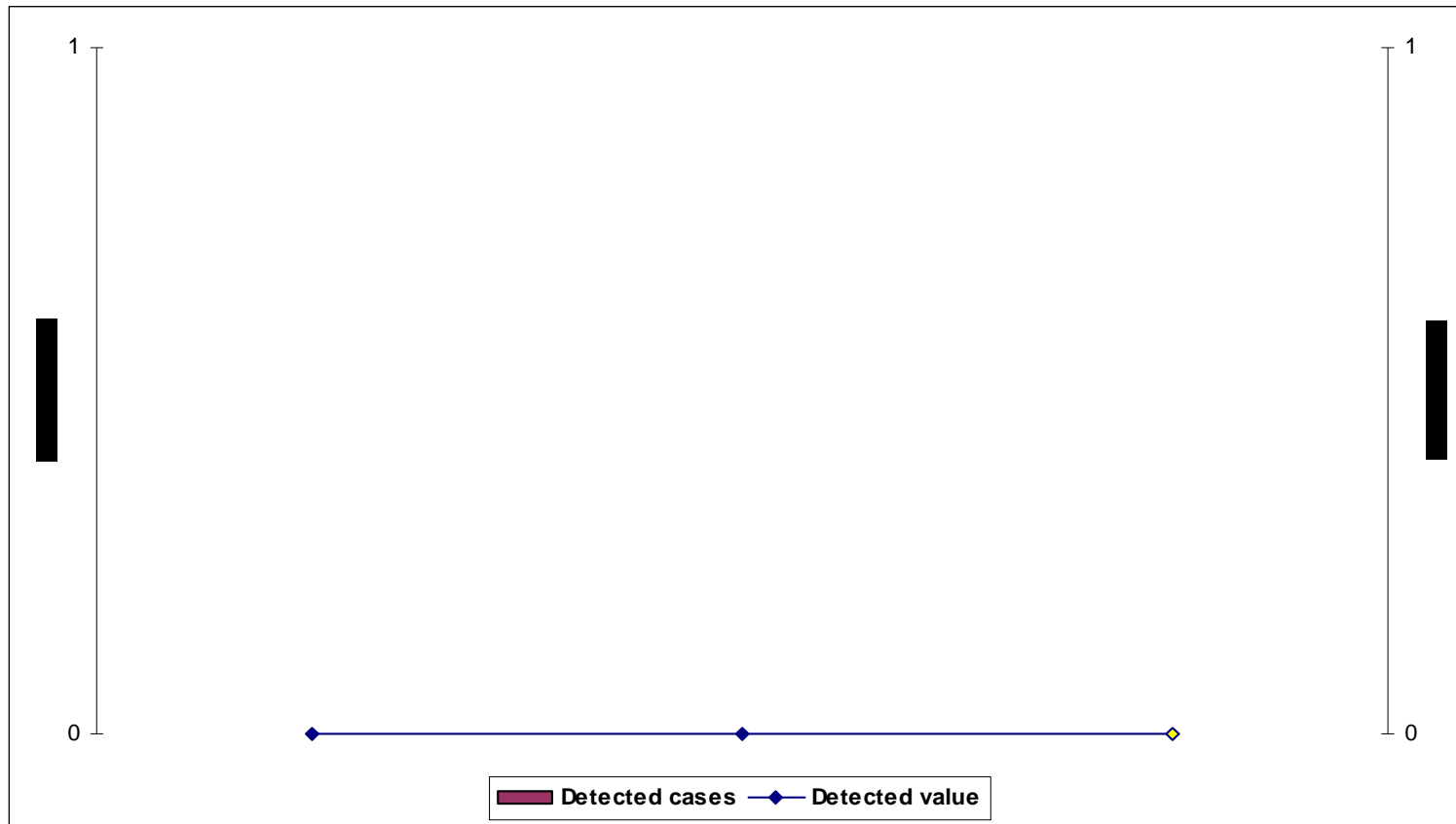
North West regional average: no properties



North West region - district councils with housing stock 2012/13

Right to buy fraud

Detected cases and detected value



West Lancashire detected: no cases

North West region total detected: no cases



West Lancashire Borough Council

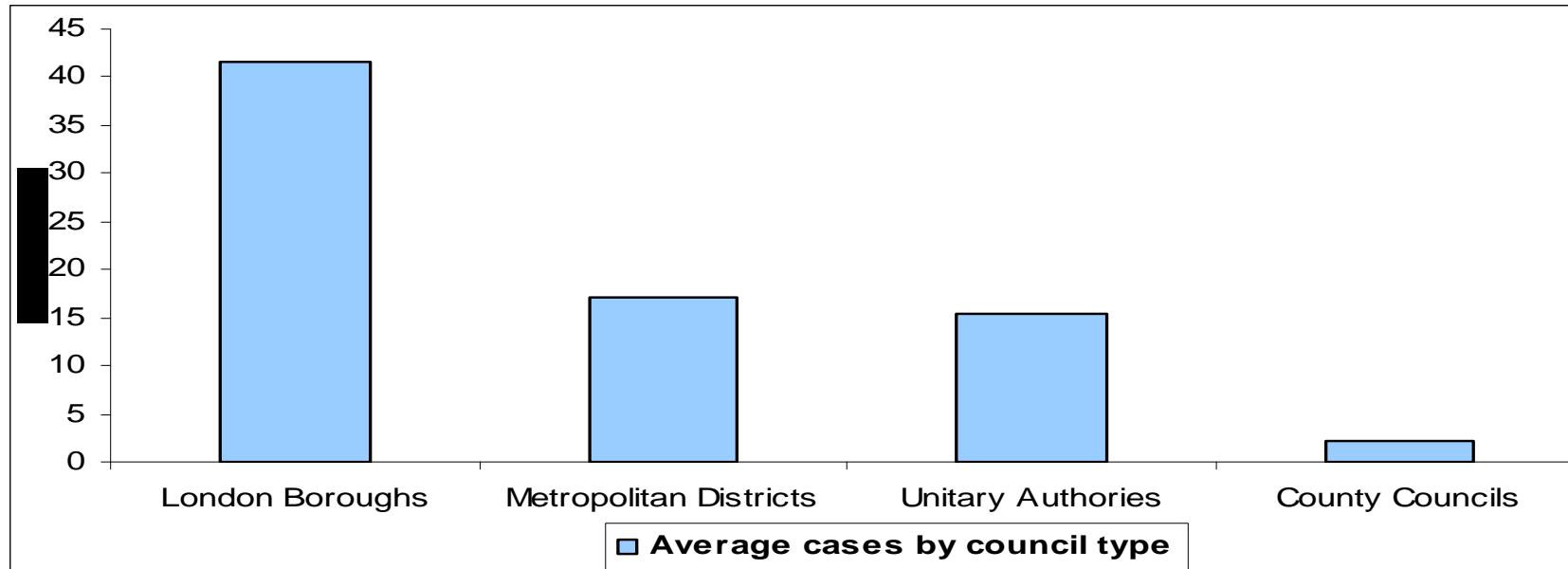
Other frauds

- **Procurement:** no cases
*(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 20 cases, valued at £411,783)*
- **Insurance:** no cases
*(Ave per DC in your county area: <1 case, no value recorded
Total for all local government bodies in your region: 6 cases, valued at £276,008)*
- **Economic & Third sector:** no cases
*(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 11 cases, valued at £18,400)*
- **Internal fraud:** no cases
*(Ave per DC in your county area: 1 case, valued at £3,428
Total for all local government bodies in your region: 168 cases, valued at £1,522,016)*

Correctly recording fraud levels is a central element in assessing fraud risk
It is best practice to record the financial value of each detected case



Disabled parking (Blue Badge) fraud Detected cases by issuing council type



In two-tier areas:

- county councils have administrative responsibility for issuing blue badges
- district councils face reduced car parking income as a result of the fraudulent abuse of blue badges.

Any questions?





AGENDA ITEM: 8

**AUDIT AND GOVERNANCE COMMITTEE:
25 March 2014**

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Ms J Ashcroft (Extn. 2606)
(E-mail: julie.ashcroft@westlancs.gov.uk)**

SUBJECT: LOCAL CODE OF GOVERNANCE 2014

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To set out the results of the annual review of the Council's Local Code of Governance.

2.0 RECOMMENDATION

2.1 That the Local Code of Governance for 2014/15, attached as Appendix 1 to this report, be approved.

3.0 BACKGROUND

3.1 In order to comply with best practice for producing the Annual Governance Statement, as set out in the CIPFA Solace publication "Delivering Good Governance in Local Government: Framework", it is necessary to have in place a Local Code of Governance. The Local Code identifies the Governance framework of the Authority against which it can be reviewed each year.

3.2 The terms of reference of this Committee include responsibility for approving the Council's Annual Local Code of Governance. The annual review of the Code has now been completed to ensure that it is accurate and up to date.

4.0 CURRENT POSITION

- 4.1 Since last year's review there have been a small number of changes made in various areas throughout the Council affecting governance arrangements. These changes are however relatively minor in nature. The Code has been revised to take account of these factors and the tracked changes version is attached at Appendix 1.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 6.1 All the activity referred to in this report is covered by existing budget provisions.

7.0 RISK ASSESSMENT

- 7.1 The maintenance of a Local Code of Governance is necessary to demonstrate compliance with the Council's statutory duty under the Accounts and Audit Regulations.

Background Documents

CIPFA Solace "Delivering Good Governance in Local Government: Framework"

Equality Impact Assessment

The decision does not have a direct impact on members of the public, employees, elected members and/or stakeholders. Therefore no equality impact assessment is required.

Appendices

Appendix 1 – Local Code of Governance – updated March 2014

West Lancashire Borough Council



Local Code of Governance

Local Code of Governance
Last updated March 2014

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INTRODUCTION

The contents of this Code have been developed by drawing on the CIPFA/Solace publication “Delivering Good Governance in Local Government Framework” and associated guidance, which set out “proper practice” for the publication of an Annual Governance Statement as required by Regulation 4 of the Accounts and Audit Regulations 2011.

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The Council has in place arrangements to govern its activities with the aim of ensuring that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

These are comprised of the systems, processes, priorities, cultures and values by which it is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.

The Council’s governance framework brings together underlying legislative requirements, governance principles and management processes that enable it to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

The publication of this document is intended to make the Council’s governance processes more transparent and increase accountability to all of the Council’s stakeholders.

The CIPFA/SOLACE framework recommends that the Council tests its arrangements against the framework principles by:

- Developing and maintaining an up to date local code of governance
- Reviewing existing governance arrangements against it
- Preparing a governance statement in which they publicly report how they have monitored their governance arrangements in the year, the extent to which they comply with their own code and any planned changes to it.

This Local Code and governance arrangements will be reviewed annually and a Governance Statement will be published each year in conjunction with its financial reports.

THE CORE PRINCIPLES OF GOOD GOVERNANCE

The CIPFA/SOLACE framework sets out how good governance can be recognised by adherence to six core principles with associated supporting principles.

The six core principles are set out below in bold together with the supporting principles which underpin them:

1. Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.

Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users

Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning

Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Ensuring effective Leadership throughout the Authority and being clear about executive and non-executive functions and the roles and responsibilities of the scrutiny function

Ensuring that a constructive working relationship exists between authority Members and Officers and that the responsibilities of authority Members and Officers are carried out to a high standard

Ensuring relationships between the authority and the public are clear so each knows what to expect of the other

3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Ensuring authority Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance

Ensuring that organisational values are put into practice and are effective

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny

Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs

Ensuring that an effective risk management system is in place

Using their legal powers to the full benefit of the citizens and communities in their area.

5. Developing the capacity and capability of Members to be effective.

Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles

Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group

Encouraging best use of individuals' skills and resources in balancing continuity and renewal.

6. Engaging with local people and other stakeholders to ensure robust public accountability.

Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships

Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning

Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

Implementing a Vision for the Area

The Council's longer term vision and priorities are reviewed annually to ensure that they remain relevant. A statement of the vision, values and priorities is made available publicly in a number of formats.

CORPORATE PRIORITIES

Deleted: 2012/15

The Council's vision is to be a Council to be proud of – delivering services that are lean, local and fair

OUR VALUES

We will deliver our vision by continuing to be an innovative organisation which:

- Prioritises customers and the services that are most important to quality of life;
- Work as 'one council' to provide a joined up approach;
- Is open and accountable in the way that it makes decisions;
- Develops and values employees;
- Promotes equality and diversity; and
- Works in partnership to benefit the Borough

OUR PRIORITIES

Our values underpin the way in which we will deliver our priorities and achieve our vision. Our corporate priorities are:

- Balancing the budget and providing the best possible services within the resources available;
- Focusing upon sustainable regeneration and growth within the Borough;
- Caring for our Borough by delivering the small improvements that can make a big difference;

(We will minimise uncertainty for staff and stakeholders by continuing to implement a managed approach to change and explore innovation as a means to secure further value for money)

Our services will continue to prioritise the following, subject to affordability

- Protect and improve the environment and keep our streets clean and tidy;
- Combat crime and the fear of crime;
- Work to create opportunities for and retain good quality jobs in particular for local people;

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Exploring innovation

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- To be a top performing landlord
- Improve housing and deliver housing that meets the needs of local people, including affordable housing; and
- Provide opportunities for leisure and culture that together with other council services contribute to healthier communities

PERFORMANCE

We manage our performance by using performance indicators to highlight any areas of concern at the earliest opportunity. We also manage performance against a number of Priority Delivery projects (those identified in the Business Plan as being the most important in terms of achieving the Council's priorities). We do this by monitoring progress against key milestones and targets.

The Council has an agreed suite of Corporate Performance Indicators aimed at meeting the Borough's needs and priorities. They are key to monitoring, and thereby managing, the Council's performance in achieving the aims of the Business Plan. They are monitored annually and, where appropriate, quarterly by Members.

These are supplemented by other operational and management indicators/measures (the "local" PIs) which reflect our corporate priorities and are monitored regularly by Senior Management, Portfolio Holders and within the individual service areas.

The Council's Business Plan 2011-15 is supported by a Delivery Plan which details key projects, milestones and targets. This is monitored regularly by both Chief Officers and Members. Progress against the Delivery Plan, which also contains key overarching targets for the Council, will be reported yearly to Members, partners and the public through an Annual Report.

Indicators are managed and monitored within the Council's performance management system, Covalent. Indicators are linked to Service Priorities, Key Projects and Service Action Plans, which are also managed through the Covalent system.

Internal and External Audit regularly examine performance indicators as part of their review work.

GOVERNANCE

The Council has in place a Protocol which sets out how the essential elements of local governance, accountability and transparency will be maintained within any proposed arrangements for service delivery through partnerships.

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The Coalition Government has removed the duty for Local Authorities to report performance against a suite of National Indicators.

Deleted: The DCLG has issued a 'Single Data Set'. This comprises all of the information that the Government requires Local Authorities to report to its Departments. Departments use this information for their own performance management purposes and not, as has been the case in the past, as a means to judge the performance of individual Local Authorities.¶

¶ The purpose of this is to allow Local Authorities to develop local performance frameworks tailor made to their own area's needs and priorities. West Lancashire Borough

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A Medium Term Financial Forecast and Treasury Management Strategy and Policy are maintained which fully assess the potential financial risks facing the Council.

The Council follows and complies with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code.

Advice from Statutory Officers, along with Member input, plays a key part in the decision making process of the Council to ensure the effective use of resources and achievement of objectives.

The Council has in place a clearly defined complaints process which enables it to identify and learn from any failings in service delivery.

The Roles of Members and Officers

The Council's [Constitution](#) clearly sets out the respective roles and responsibilities of the Council, its Executive and Overview and Scrutiny functions, and delegations to Committees, Portfolio Holders and Chief Officers as well as those functions which by statute are to be exercised by a designated "Proper Officer". It also delineates the Council's Management Structure.

As part of the Constitution the Council has agreed a Protocol on Member/Officer Relations and Conventions for the Management of Council Business.

Promoting High Standards of Conduct

As part of the Constitution the Council has adopted the Members' Code of Conduct and an Officer's Code of Conduct. The Council has a Standards Committee whose role is to promote and maintain high standards of conduct by councillors and co-opted members.

The Council's Human Resources team lead and monitor on Equality issues. An Equality Scheme Action Plan 2011-14 is in place to ensure the Council conforms with the Equality Act 2010 requirements. 'Approach to Equality' and 'Equality in Employment' documents are available to all staff and an Equality and Diversity Corporate Steering Group meets periodically to monitor compliance. [Arrangements have recently been reviewed and new objectives put in place for 2014 and beyond](#)

SERVICE STANDARDS

We have a number of core customer service standards which apply to all customers and staff. These corporate customer care standards provide a clear commitment of our desire to attain an effective and consistent customer

Local Code of Governance
Last updated March 2014

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service making our services easier to understand and access; they include responses to letters and emails, telephone calls, complaints, visits to our offices, visits to customer's homes and out of hours emergencies; they cover targets and the attitude and behaviour of staff and customers.

We are committed to improving, front-line services for residents and visitors to the Borough. To underline this we also have a set of service standards for each key front-line service, available on the Council's [Website](#), which are linked to our priorities.

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Informed, Transparent Decision Making

The Council publishes Key Decision Forward Plans which set out those executive decisions it knows it will be considering in advance for the information of interested stakeholders. In addition, appropriate notice of meetings of Council bodies is given together with the publication of the agenda and all available reports.

It has arrangements in place to ensure that conflicts of interest for members and officers are explicitly identified and dealt with before decisions are taken.

Guidance for report authors sets out matters which must be explicitly considered in the production of any report, including financial, resource and equality implications. These provide documentary evidence of the rationale behind any recommendations.

All decisions of the Council, Cabinet and Committees are formally minuted. Information about the Council's Committees including membership, meeting timetables, Agendas and Minutes can be accessed through the Council's [Committee Information System](#).

The Council has adopted a formal Risk Management Strategy and process which is fully embedded throughout the Authority and forms an integral part of the management process. A dedicated resource is committed to this area of work to ensure consistency and compliance throughout the Authority. [Cabinet receives reports against the Key Risk Register which are available for call-in through the Overview and Scrutiny process.](#)

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Guidance on effective internal financial controls are detailed within the Council's Financial Regulations.

The Council has in place a Data Quality Protocol to ensure the accuracy, relevance and reliability of data produced for use by internal and external stakeholders.

Developing Capacity to act Effectively

The Managing Director (People and Places) takes a leading role in developing Members of the Council through the Member Development Commission. The Managing Director (Transformation), through the HR service, develops Officers through the Development Appraisal Scheme which enables them to continue delivering high quality services.

Audit and Governance Committee Members receive training, in both financial and non financial matters, to support them in their role.

Engaging with Local People and Stakeholders

West Lancashire Borough Council is committed to consulting local people and we are keen to gather your views. The Council has a consultation diary in the ["Your Views"](#) section of its website. This provides information on recent, current and future consultation activities as well as information on how you can get involved.

The "Duty to involve", is a statutory requirement for all Councils aimed at ensuring people have greater opportunities to have their say. The Council has devised an Action Plan for Corporate Consultation in response to the requirements of the Duty.

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AGENDA ITEM: 9

AUDIT AND GOVERNANCE COMMITTEE:

25 March 2014

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Mr M.Coysh (Extn. 2603)
(E-mail: mike.coysh@westlancs.gov.uk)**

SUBJECT: INTERNAL AUDIT ACTIVITIES – QUARTERLY UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To advise of progress against the 2013/14 Internal Audit Plan.

2.0 RECOMMENDATION

2.1 That Members note progress in the year to date.

3.0 BACKGROUND

3.1 Members approved the 2013/14 Internal Audit Plan in March last year and the Internal Audit Manager brings written reports to each meeting of this Committee to update on progress against the plan.

3.2 This is the fourth report for the year and covers activity against the plan up until early March. The work completed in the year contained in this report will inform the overall opinion in the Internal Audit Annual Report issued at the year-end which will consider the work in more detail.

4.0 INTERNAL AUDIT ACTIVITY TO DATE

4.1 A report summarising progress to date is attached and the Internal Audit Manager will attend the meeting to address any questions Members may have.

4.2 No significant issues have arisen from Internal Audit's work in the fourth quarter that would merit being drawn specifically to the attention of the Committee.

4.3 Progress on completing the audit plan is similar to that in recent years, and it is anticipated that all the main financial audits will be completed by the end of March.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

6.1 All the activity referred to in this report is covered by existing budget provisions.

7.0 RISK ASSESSMENT

7.1 This report summarises progress against Internal Audit's work programme to date. Internal Audit's work is a key source of assurance to this Committee that risks to the Council's objectives are being properly managed.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

1. INTERNAL AUDIT QUARTERLY ACTIVITY UPDATE.

Internal Audit Quarterly Activity Update

Title	Position
Icon cash and income collection systems	Report issued
Market	Report issued
Debtors	Report issued
Council tax	Report issued
Complaints	Report issued
Council Stock Maintenance	Work in progress
Furnished tenancies	Report issued
Risk Management	Work in progress
Payroll	Work complete
NNDR	Work in progress
CCTV	Limited work undertaken to date
NFI	Work complete
Annual Governance Statement	Work complete
Money Laundering	Work complete
Anti-Fraud Work	Work complete
Contract	Work in progress
Performance Indicators	Report issued
Time recording System	Report issued
Benefits	Work in progress
Creditors	Work complete
Asset Management	Work in progress
SIRO arrangements	Work in progress
Treasury Management	Work in progress
Private Sector Housing	Work in progress
ICT	Work complete
Health and Safety	Work in progress
Matrix	Work in progress
Accounting Controls	Work in progress
H.R.	Work complete
Property Services (non-housing)	Work in progress
Rents	Work in progress
QL system	Work in progress
Arrears management	Work to be rescheduled
Refuse and recyclables	Work to be rescheduled
Planning Policy	Work to be rescheduled
Economic Development	Work to be rescheduled
Summary	
Report issued	8
Work complete	8
Work in progress	15
Limited work undertaken to date	1
Work to be rescheduled	4
Total	36

Commentary

Due to publication requirements this report is compiled in early March and the Audit Manager will update members verbally on further progress as at the date of the meeting.

The service is now operating at the reduced establishment level approved as part of the Major Service Review process.

32 of the 36 items on the original plan have either been completed or are currently being progressed. This is approximately 89% and compares with 92% in 2012/13 and 92% in 2011/12.

Internal audit work on the investigations referred to in previous updates continued into the quarter. All the investigations have now concluded.

The reduction in establishment in the section will necessitate reprioritisation and re-profiling of internal audit's strategic work programme. Given the requirement to complete the delayed revenues and benefits work in the remainder of the year and the effect of the investigations four low priority operational audits originally included on the annual plan will now be rescheduled for a future date.

Action Points Outstanding

A key internal audit finding in 2012/13 was that the Council Tax and NNDR systems were not being reconciled to the General Ledger. It was agreed that a reconciliation procedure should be put in place and the Borough Treasurer has continued to pursue this action point. A solution has now been proposed and is under development.

Benefits processing

Internal Audit work in 2012/13 identified an increase in the volume of errors in benefits processing and this issue was reported to Members in September 2013. The 2013/14 internal audit of benefits had not been completed at the time of writing for reasons referred to below but the indications are that error rates at the time the samples were extracted were still exceeding previous levels.

Benefits accuracy rates are referred to in Grant Thornton's Grant Certification report elsewhere on this agenda and One Connect's Director of Revenues and Benefits will be attending the meeting during consideration of that item to report on the up to date position and proposals to improve performance in this area.

Delays to work on Revenues and Benefits

As previously reported there have been significant delays in the provision of responses to audit enquiries in relation to revenues and benefits.

Revenues and benefits administer key financial systems and a significant proportion of internal audit's work is carried out in these areas. Delays in responses to audit queries in this area inevitably have a significant effect on internal audit activity.

Following discussions with One Connect Ltd's Director of Revenues and Benefits to seek a resolution to this issue the outstanding responses have now been received. It is

now anticipated that all testing relating to services provided under this contract will have been completed by the end of the financial year.

Other matters arising

There are no other matters arising from internal audit work in the year to date requiring comment at this time.

Conclusions

The Audit Manager has been given assurances that responses to future internal audit queries in the area of revenues and benefits will be turned round in a timely manner. This will be key to maintaining performance given the reduced establishment in internal audit. Progress against the 2013/14 plan has been acceptable with coverage of key risk areas nearing completion at the time of writing.



AGENDA ITEM: 10

AUDIT AND GOVERNANCE COMMITTEE:

25 March 2014

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Mr M.Coysh (Extn. 2603)
(E-mail: mike.coysh@westlancs.gov.uk)**

SUBJECT: INTERNAL AUDIT PLAN 2014-15

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide Members with the background to the preparation of the 2014/15 Internal Audit Plan and present it for approval.

2.0 RECOMMENDATION

2.1 That the attached Internal Audit Plan be approved.

3.0 BACKGROUND

3.1 The United Kingdom Public Sector Internal Audit Standards (PSIAS) require the preparation of a risk based Internal Audit Plan.

3.2 In preparing the Plan the Audit Manager considers the Council's objectives and priorities and takes into account local and national issues influencing the risks to their achievement and the performance and risk management systems and other processes the Council has in place to secure progress against them.

3.3 The planned work is designed to provide assurance on the adequacy of the control environment to management and this Committee. It supports the process for preparation of the Annual Governance Statement and underpins the Audit Manager's Annual Report.

4.0 CONCLUSIONS

4.1 The Audit Manager has prepared the 2014-15 Internal Audit Plan in accordance with proper practices and is of the opinion that the coverage proposed will provide adequate assurance in accordance with legislation.

4.2 This Committee's terms of reference require it to approve, but not direct the plan.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

6.1 Public Sector Internal Audit Standards require the Audit Manager to prepare the plan based on the Council's activities and secure sufficient resources to deliver it.

6.2 Internal Audit's establishment was reduced as part of the Major Service Review process. The Internal Audit Manager considers he has sufficient resources at his disposal to deliver an effective audit service in 2014/15 based on current risk assessments but will keep this under review and report back to this Committee should that become necessary.

6.3 All the activity referred to in this report is covered by existing budget provisions.

7.0 RISK ASSESSMENT

7.1 Production and approval of the Annual Audit Plan is part of the framework required to maintain an effective internal audit of the Council's accounting records and system of internal control in accordance with the Accounts and Audit Regulations.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

1. 2014/15 INTERNAL AUDIT PLAN.

Internal Audit Plan 2014/15

Activity	Days
Financial Audits - probity, procurement and income collection.	
Benefits	30
Council Tax	20
NNDR	15
Debtors	15
Creditors	20
Payroll	20
Rents	15
Contract Audit	25
Treasury Management	10
Accounting controls	10
BACs system	10
Icon cash receipting	10
Corporate Governance and Performance Management	
ICT	20
Performance Monitoring System	25
Data Protection / SIRO	10
Business continuity	10
Annual Governance Statement	2
Operational Audits – service delivery economy efficiency effectiveness	
Transport	25
Community Safety (CCTV)	10
Home Care Link	20
Elections	10
Housing - QL system controls	10
Housing Property Services	10
Corporate anti-fraud initiatives	
Money Laundering Reporting Officer	5
Anti-fraud work	5
National Fraud Initiative	20
Total	382

Audit & Governance Committee Work Programme – 25 March 2014

Date	Training (commencing 6.30pm)	Items
26 June 2014 (Thursday)	Annual Accounts	<ol style="list-style-type: none"> 1. Internal Audit Activities – Annual report 2. Internal Audit Activities – Quarterly Update 3. Annual Governance Statement 4. Statement of Accounts 5. Regulation of Investigatory Powers Act Annual and Quarterly Monitoring of Use of Powers 6. Grant Thornton Certification Work Plan
23 September 2014	TBC	<ol style="list-style-type: none"> 1. External Audit – Audit Plan Findings Report 2. Internal Audit Mid-Year Review 3. Approval of Statement of Accounts 4. Regulation of Investigatory Powers Act quarterly monitoring of use of powers 5. Annual Review - Anti-Fraud, Bribery and Corruption Policy 6. Treasury Management
27 January 2015	TBC	<ol style="list-style-type: none"> 1. Risk management Framework 2. Internal Audit Activities – Quarterly Update 3. Regulation of Investigatory Powers Act quarterly monitoring of use of powers 4. Annual Audit Letter
24 March 2015	TBC	<ol style="list-style-type: none"> 1. External Audit Report – Claims and Returns 2. Local Code of Governance 3. Internal Audit Activities – Quarterly Update 4. Internal Audit Plan 2015/16 5. Regulation of Investigatory Powers Act quarterly monitoring of use of powers 6. Grant Thornton – Audit Plan