

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: 27 JANUARY 2015

Start: 7.00pm

Finish: 8.15pm

PRESENT:

Councillors: Pope (Chairman)

Dereli	G Hodson
Devine	Jones
Forshaw	Owens
Gagen	Pendleton
Greenall	West
	Westley

Officers: Borough Treasurer (Mr M Taylor)
Borough Solicitor (Mr T Broderick)
Audit Manager (Mr M Coysh)
Principal Member Services Officer (Mrs S Griffiths)

In attendance: Karen Murray, Director Grant Thornton (External Audit)

26. APOLOGIES

There were no apologies for absence.

27. MEMBERSHIP OF THE COMMITTEE

In accordance with Council Procedure Rule 4, the Committee noted the termination of membership of Councillors Whittington, Pryce-Roberts and Savage and the appointments of Councillors Forshaw, West and Devine for this meeting only, giving effect to the wishes of the Political Groups.

28. DECLARATIONS OF INTEREST

Councillor Pendleton declared a non-pecuniary interest in agenda item 8 (Internal Audit Activities – Quarterly Update) in relation to the internal audit report on NNDR, in view of his association with the Tanhouse Community Enterprise Board.

29. MINUTES

RESOLVED That the minutes of the last meeting of the Committee held on 23 September 2014 be approved as a correct record and signed by the Chairman.

30. ANNUAL AUDIT LETTER

Consideration was given to the report of the Borough Treasurer as contained on pages 379 to 386 of the Book of Reports that introduced the Annual Audit Letter for the Year Ended 31 March 2014, attached as an Appendix, produced by the External Auditors, Grant Thornton.

Karen Murray from 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 CERTIFICATION LETTER

Consideration was given to the report of the Borough Treasurer which introduced the letter of the External Auditors Grant Thornton, as contained on pages 387 to 392 of the Book of Reports which set out details of the External Auditor's findings from their certification of 2013/14 claims and returns.

RESOLVED That the findings by the External Auditor's, Grant Thornton, be noted.

32. INTERNAL AUDIT CHARTER

Consideration was given to the report of the Borough Treasurer as contained on pages 393 – 400 of the Book of Reports which proposed revisions to the Internal Audit Charter.

In considering this item Members sought clarification on items within the following Sections of the revised Charter:-

- Definition of Internal Audit
- internal audit responsibility
- independence and objectivity

The Chairman proposed an amendment to paragraph 2 within the Audit Reporting Section of the revised Charter to include reference to the Chairman of the Audit & Governance Committee.

RESOLVED That the Internal Audit Charter attached as Appendix 1 to the report be approved to take effect from 1 April 2015, subject to the following amendment:-

Appendix 1 “ Audit Reporting” paragraph 2 – insert ‘Chairman of ‘ before the ‘Audit & Governance Committee’ in line 4.

33. INTERNAL AUDIT ACTIVITIES - QUARTERLY UPDATE

Consideration was given to the report of the Borough Treasurer, as contained on pages 401 to 408 of the Book of Reports, which advised of progress against the 2014/15 Internal Audit Plan.

The Audit Manager advised that 69% of the items were currently in progress in line with 69% for the same period in 2013/14.

Comments and questions were raised in respect of the following:

- Revenue and benefits reconciliations – current position
- Individual electoral registration – number of lost voters/non registration/number of non matches in West Lancashire/role of DWP
- CCTV – risks associated with access and storage of footage/positioning of cameras

The Audit Manager reported that officers anticipate the revised CCTV Code of Practice report will be reported to Cabinet in March 2015.

In relation to Revenues and Benefits reconciliations the Chairman gave an undertaking that a progress report would be submitted to the next meeting of the Audit & Governance Committee on 24 March 2015.

RESOLVED That progress in the year to date, be noted.

34. EXTERNAL REVIEW OF INTERNAL AUDIT

Consideration was given to the report of the Borough Treasurer as contained on pages 409 - 412 of the Book of Reports which sought Members’ views on the commissioning of an external review of internal audit.

- RESOLVED
- A. That the requirement by The Public Sector Internal Audit Standards for an external review of internal audit be undertaken by way of an Independent professional body.
 - B. That no expression of interest be made to the Lancashire Districts peer review process.

35. REVIEW OF ANTI-MONEY LAUNDERING POLICY

Consideration was given to the report of the Borough Treasurer contained on pages 413 – 436 of the Book of Reports on the results of a review of the Council's Anti-Money Laundering Policy and Guidance and Procedure Notes.

RESOLVED That the updated Anti-Money Laundering Policy and Guidance and Procedure Notes, as set out in Appendices 1 and 2 to the report, be endorsed, subject to:

“Guidance & Procedure Notes (Appendix 2) 4th paragraph – ‘substitute ‘will’ for ‘can’ in the last line.

36. 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) the Borough Solicitor reported that there was no relevant activity to bring to the attention of the Committee.

RESOLVED That the update be noted.

37. WORK PROGRAMME

Consideration was given to the Committee's work programme as set out at page 437 of the Book of Reports.

It was proposed that future topics for training sessions would be Housing Finance on 24 March 2015, Financial Annual Accounts for June 2015 and Procurement for September 2015 and Housing Options Process at some time in the future.

RESOLVED A. That the topics for the following training sessions be approved.

24 March 2015 – Housing Finance
June 2015 – Financial Annual Accounts
September 2015 – Procurement
Housing Options Process – future meeting

B. That the Work Programme as revised (taking account of A. above) be approved.

.....
CHAIRMAN



AGENDA ITEM: 5

AUDIT AND GOVERNANCE COMMITTEE:

24 March 2015

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 2014/15 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 2014/15 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 2015. 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 and Interim Report for West Lancashire Borough Council

Year ended 31 March 2015

24 March 2015

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Paul Thompson

Executive

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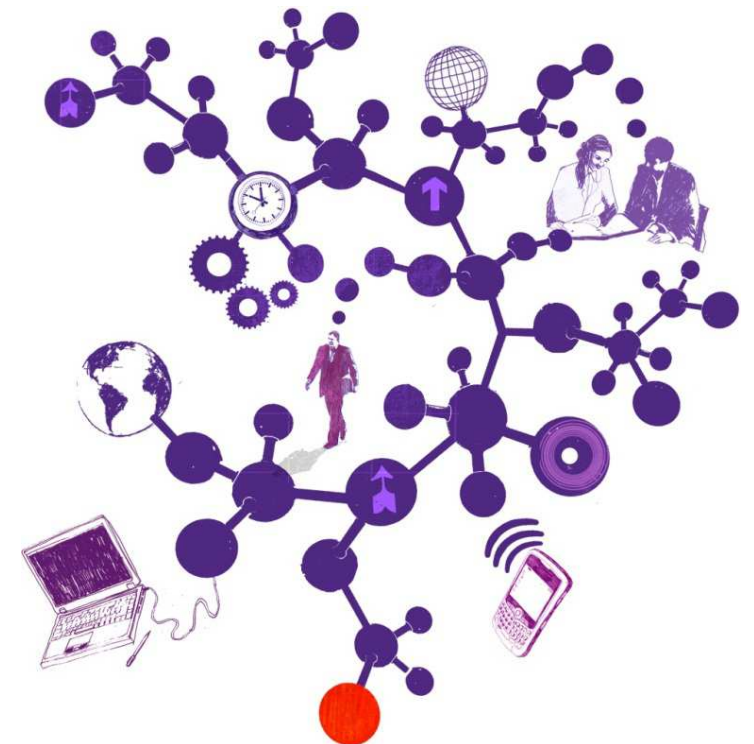
E paul.a.thompson@uk.gt.com

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In Charge Accountant

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit 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.

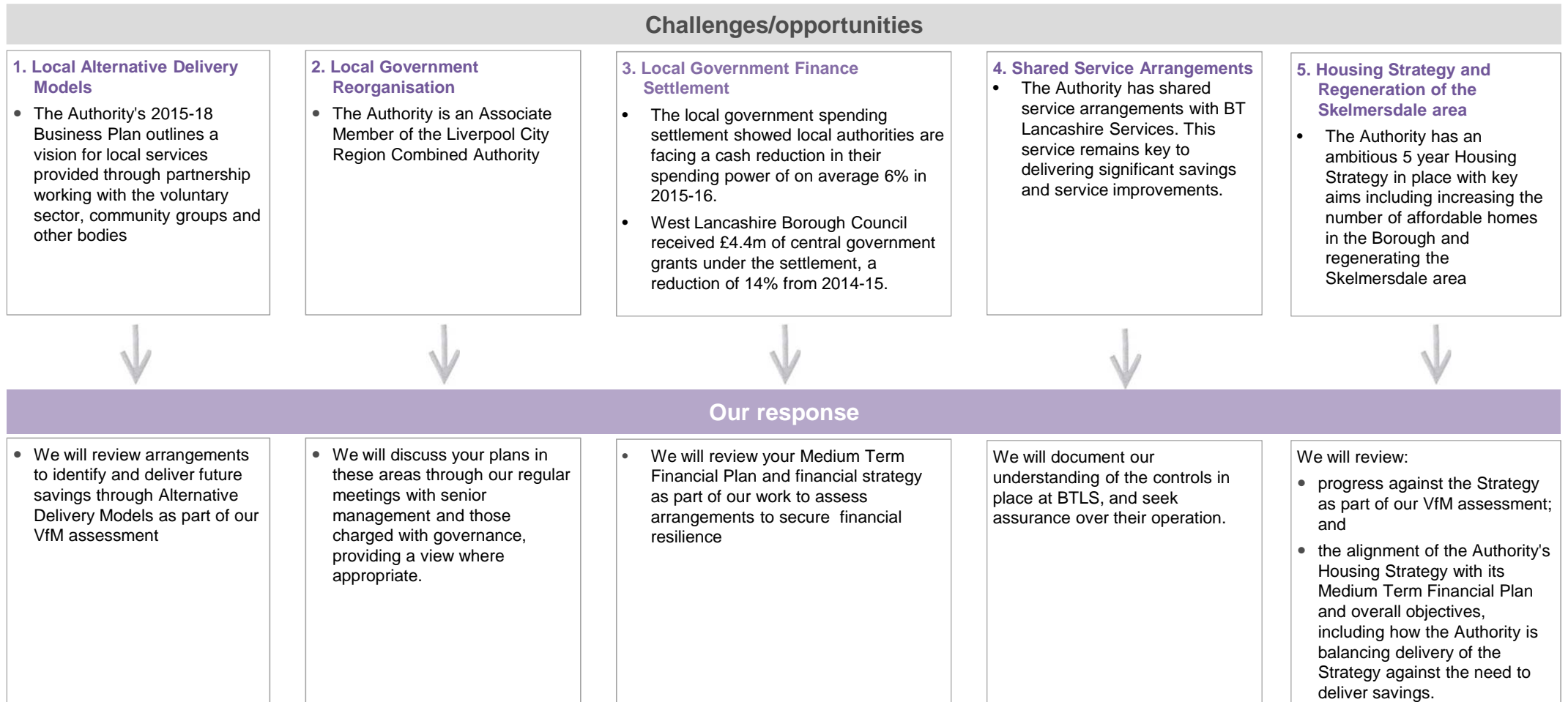
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Understanding your business

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.



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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

1. Financial reporting

- Changes to the CIPFA Code of Practice in 2014-15
- On going implications of changes to the 2013-14 CIPFA Code of Practice regarding IAS 16, and the need to ensure that assets not subject to full revaluation in the year are held at a value not materially different to fair value on the balance sheet date.

2. Legislation

- Local Government Finance settlement

3. Corporate governance

- Key information about governance arrangements is set out in the Annual Governance Statement (AGS) and the Explanatory Foreword.
- Local government continues to operate in a challenging environment and it is important that it maintains good governance.

4. Financial Reporting Simplification Agenda

- CIPFA's publications 'How to Tell the Story' and 'Financial Statements: A Good Practice Guide for Local Authorities' have assessed the potential for simplifying and streamlining the presentation of local authority financial statements

5. Other requirements

- 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

Our response

- We will ensure that the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing

- 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

We will review:

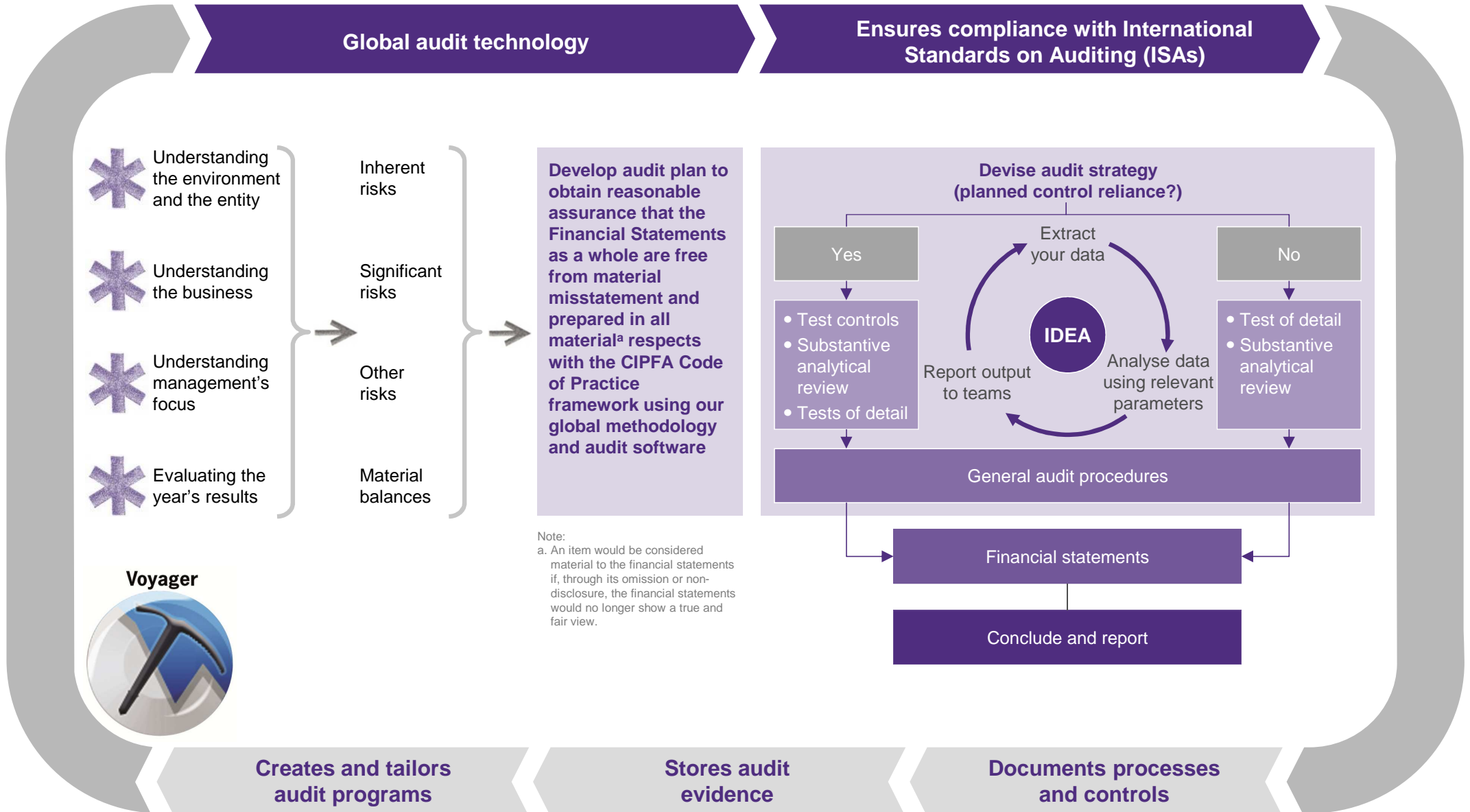
- the arrangements the Council has in place for the production of the AGS; and
- the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review the presentation and layout of the Authority's draft financial statements for compliance with the CIPFA Code of Practice on Local Authority Accounting, providing a view where appropriate

We will:

- carry out work on the WGA pack in accordance with requirements
- certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

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	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at West Lancashire Borough Council , we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Lancashire Borough Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Testing of journal entries to Month 11 <p>Work to be completed:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries to cover the period from Month 11 to the year-end • Review of unusual significant transactions

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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 risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Identification and documentation of the processes and controls in place around operating expenditure at the Council • Walkthrough of a sample item to confirm our understanding • Substantive testing of a sample of non-pay expenditure to Month 11 <p>Further work planned:</p> <ul style="list-style-type: none"> • Reconciliation of accounts payable systems to general ledger and financial statements • Substantive testing of a sample of non-pay expenditure from Month 11 to the year-end • Review of accruals process and substantive testing of a sample of manual accruals and creditor balances • Sample testing of payments around the year-end • Review and testing of other items of expenditure and disclosures including MRP and members' allowances
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Identification and documentation of the processes and controls in place around employee remuneration at the Council • Walkthrough of a sample item to confirm our understanding • Substantive testing of a sample of payroll transactions to Month 11 <p>Further work planned:</p> <ul style="list-style-type: none"> • Reconciliation of payroll data to general ledger and financial statements • Substantive testing of a sample of payroll transactions from Month 11 to the year-end • Substantive analytical review of payroll costs for the year • Substantive testing of senior officer remuneration disclosures • Review and testing of other pay disclosures including exit packages notes

Other risks cont'd

Other risks	Description	Audit Approach
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Identification and documentation of the processes and controls in place around welfare benefit payments at the Council • Walkthrough of a sample item to confirm our understanding • Substantive testing of claimant eligibility for a sample of welfare benefit payments for the period to Month 11 <p>Further work planned:</p> <ul style="list-style-type: none"> • Reconciliation between Northgate welfare benefits system, the general ledger and the financial statements and supporting notes • Substantive testing of claimant eligibility for a sample of welfare benefits to cover the period from Month 11 to the year-end • Additional substantive testing on selected welfare benefit sample • Testing of Housing Benefit Subsidy Claim using the Audit Commission HB COUNT approach

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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:

- Assessment of the updates to revenue budgets and the Medium Term Financial Strategy 2015 – 2018 in light of the most recent local government finance settlement and the comprehensive spending review.,
- 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

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 issue a separate report to the Council in respect of VfM.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

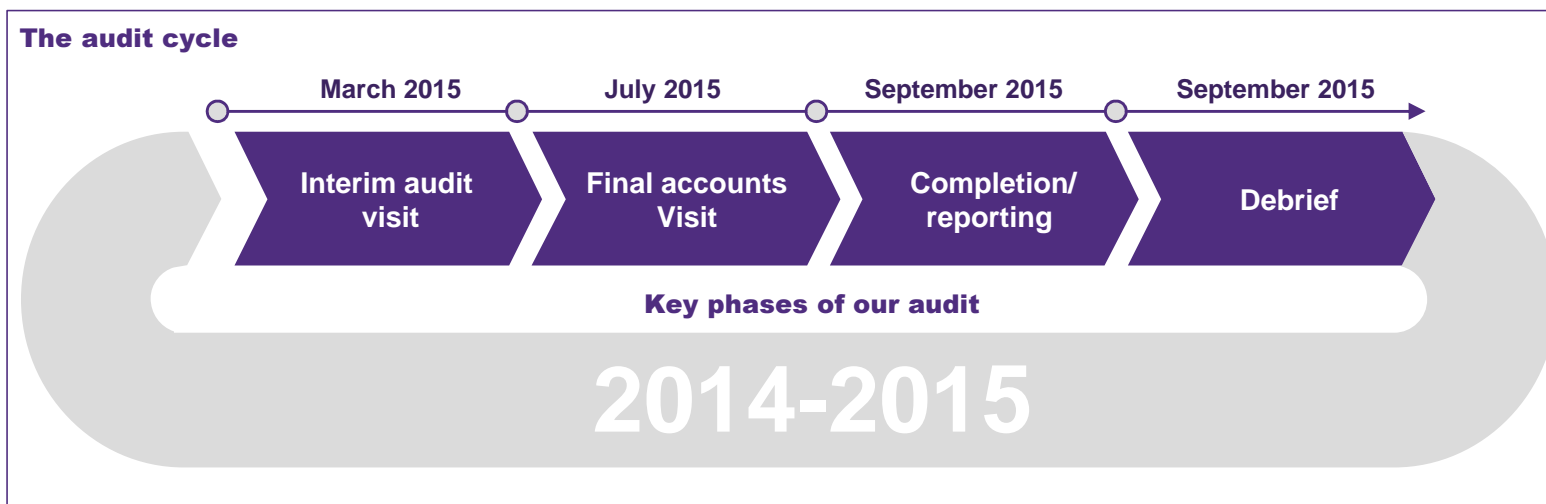
	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

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Results of interim audit work cont'd

	Work performed	Conclusion
Review of information technology controls	<p>We are in the process of performing a follow up of the issues raised last year by our information systems specialist, who performed a high level review of the general IT control environment as part of the overall review of the internal controls system.</p>	<p>Our work in prior years identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> <p>Once our IT work is complete, we will agree the findings from our work with the Council and discuss any recommendations arising. We will also consider whether there is any impact on our audit approach for the final accounts audit.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures to inform our journal entry testing strategy, and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We are in the process of undertaking detailed testing on journal transactions recorded for the first eleven months of the financial year, by extracting large and 'unusual' entries for further review.</p>	<p>The review of journal entry policies and procedures has identified no material weaknesses in the system, and our audit approach has been tailored in line with our understanding.</p> <p>Once our journals work is complete, we will agree the findings with Council Officers and present any significant findings to the Audit and Governance Committee.</p>
Early substantive testing	<p>We have undertaken sample transaction testing to cover the first 11 months of the current financial year in respect of:</p> <ul style="list-style-type: none"> • Employee Remuneration • Operating Expenses • Property Plant and Equipment • Welfare Benefits transactions <p>This early work is design to streamline the audit process and to support you in brining forward work to meet the requirements for earlier closure of the accounts and audit in future years.</p>	<p>Our work is still underway.</p> <p>During our final accounts audit visit we will test transactions for the last month of the financial year.</p> <p>A summary of our final findings will be reported to the Audit and Governance Committee in September 2015.</p>

Key dates



Date	Activity
February - March 2015	Planning
2 March – 2 April 2015	Interim site visit
24 March 2015	Presentation of audit plan to Audit Committee
6 – 31 July 2015	Year-end fieldwork
July 2015 (date to be arranged)	Audit findings clearance meeting with Borough Treasurer
29 September 2015	Report audit findings to those charged with governance (Audit and Governance Committee)
29 September 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	57,428
Grant certification	14,560
Total fees (excluding VAT)	71,988

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

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services

Service	Fees £
None	Nil

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

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: 6

AUDIT AND GOVERNANCE COMMITTEE:

24 March 2015

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 PROGRESS REPORT

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 progress report 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 document contained in the appendix to be included on the agenda for this meeting so that Members may give it due consideration.

4.0 PROGRESS REPORT

4.1 The Grant Thornton progress report sets out their progress in delivering their responsibilities against their audit plan as well as a range of other matters.

4.2 Representatives of Grant Thornton will present this document at the Committee meeting and will be able to answer any questions that Members may have on its content.

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 – Grant Thornton Progress Report

West Lancashire Borough Council Audit Committee Update

Year ended 31 March 2015

24 March 2015

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Director

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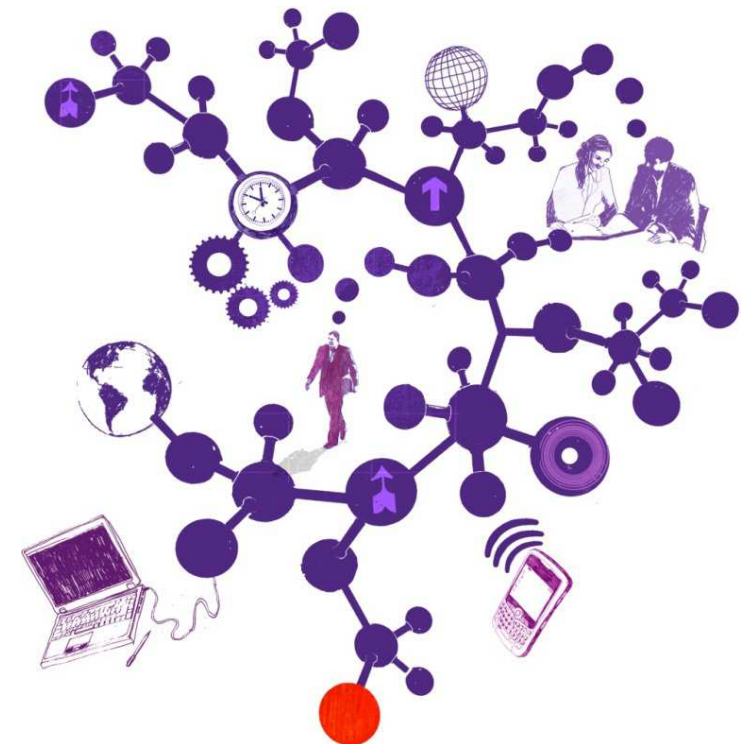
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business 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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Local government issues	9
Accounting and audit issues	12

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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; and
- 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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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.com
Paul Thompson Executive T 0161 234 6348 paul.a.thompson@uk.gt.com

Progress at March 2015

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	March 2015	Complete	<p>Our plan highlights the audit risks we have identified from our audit planning and from discussions with officers and sets out our proposed work to address those risks</p> <p>The Audit Plan is being presented to the March 2015 Audit and Governance Committee.</p>
<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. 	March 2015	Substantially complete	<p>We are currently finalising our interim fieldwork and at this stage we do not have any issues that we need to bring to your attention.</p>
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July 2015	Not yet started	<p>Our Audit Findings Report will be presented to the Audit and Governance Committee as "those charged with governance" in September 2015. It will set out matters arising from our accounts audit.</p>

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Progress at March 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • The scope of our work to inform the 2014/15 VfM conclusion comprises the two criteria specified by the Audit Commission: • Securing financial resilience. Focusing on whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position for the foreseeable future. • Challenging how it secures economy, efficiency and effectiveness. Focusing on whether the Council is prioritising its resources within tighter budgets and by improving productivity and efficiency. 	March to July 2015	In progress	<p>We will complete our risk assessment and undertake a planned programme of VfM work to inform the 2014/15 conclusion.</p> <p>We will report our findings with management and the report to the Audit and Governance Committee in September.</p>
<p>Other areas of work</p> <p>We are required to summarise the outcome of our work to certify the Councils 2014/15 grant claims and returns.</p>	September – November 2015	Not yet started	We will prepare a report for the Audit and Governance Committee setting out the findings from our certification of your grant claims.

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Emerging issues and developments

All Aboard? - Local Government Governance Review 2015

Independent Commission into Local Government Finance

Cities launch 'Magna Carta' for devolution

Help into work programmes

DCLG – Build to rent scheme

Provision for Business Rates Appeals

Early payment of pension contributions

Inclusion of overtime in the calculation of holiday pay

All Aboard? - Local Government Governance Review 2015

Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

Governance of the organisation – the main area of concern highlighted in this year's governance survey
Is the level of dissatisfaction with the scrutiny process.

Governance in working with others – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

Governance of stakeholder relations – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through Many other agencies . This implies a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements are a transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



Independent Commission into Local Government Finance

Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.

Challenge question

Have members been briefed on the key findings of the Independent Commission's final report?

Cities launch 'Magna Carta' for devolution

Local government issues

The Modern Charter for Local Freedom was launched at the Core Cities UK Devolution Summit on 9 February 2015. Ten of the UK's largest cities set out demands for devolution that they say will drive national prosperity and boost local economies. Calling for city areas to be given much greater freedom to reform and join up all public services locally, with job and skills scheme and housing support among the key areas for change they cite three key 'freedoms':

- Freedom to decide: independence, but not one size fits all
- Freedom to invest: prosperous places, not stagnant states
- Freedom to deliver: better services, improved lives

The Core Cities Group has also published its joint report with ResPublica ["Restoring Britain's City States: Devolution, Public Service Reform and Local Economic Growth"](#). This report argues for a rebalancing of the relationship between central government and cities, as the only real solution for addressing the interconnected challenges of local economic growth, public service reform and better governance.

Challenge question

Are members aware of the headline messages from the City Growth Commission report, the current status of developments and the potential implications of the proposed devolution of powers to the City Council?

Help into work programmes

Local government issues

In its press release of 12 January 2015 the LGA reported that more than one million unemployed people are falling through cracks in national work schemes that are failing to reach some of the most vulnerable jobseekers. It warned that whilst councils are being left to pick up the pieces to prevent more vulnerable people slipping further into long-term unemployment and disengagement they cannot afford to continue resolving the failings of these national schemes in their communities without the appropriate funding.

As a remedy the LGA calls on the next government to commit to devolving all nationally-run education, skills and employment schemes to local areas so councils can join-up services to support their most vulnerable residents. A report published by the National Institute of Economic and Social Research (NIESR), commissioned by the LGA, explores in detail how a sample of councils across the country have provided a safety net for their most vulnerable and hardest to reach residents. The NIESR report's lead author, Dr Heather Rolfe, said:

"Local authorities have a unique position in their communities, are able to bring services together, forging partnerships and strengthening referral networks. It is through such work that they are able to help unemployed people who are beyond the reach of national programmes."

Challenge question

Have members been briefed on the headline messages from the NIESR report and its implications for the authority's strategies around community engagement, employment, regeneration and economic development?

DCLG – Build to rent scheme

Local government issues

Housing Minister Lewis Brandon announced on 10 January 2015 a £55 million deal to provide nearly 800 homes for private sector rent in Manchester and Salford as part of the government's wider £1 billion [Build to Rent scheme](#), which has the objective of building 10,000 new homes for private rent. The Chief Executive of the Homes and Communities Agency (HCA) Andy Rose said:

"this is a major investment in the private rented sector in Manchester. It demonstrates how the HCA, working closely with partners, is combining financial and local expertise to increase the private rented choice in areas where there is a high demand for homes".

As part of its strategy of creating a bigger and better private rented sector the government has also

- published a [How to rent](#) guide, so tenants and landlords know their rights and what to expect when renting privately
- published a [model tenancy agreement](#), so tenants who want to ask for longer tenancy agreements have the opportunity to do so;
- introduced a new requirement for letting agents to belong to one of three redress schemes, so the minority of tenants and landlords who get a raw deal have somewhere to go with their complaint

Challenge question

Have members been briefed on the government's Build to Rent scheme and other aspects of its initiative to increase the private sector housing market and its implications for the authority's housing strategy?

Provision for Business Rates Appeals

Accounting and audit issues

Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

Challenge questions

- Has your Borough Treasurer reassessed the methodology for making the business rates provision?
- Has your Borough Treasurer got arrangements in place for the estimation of appeals to be charged against the provision?

Early payment of pension contributions

Accounting and audit issues

During 2014/15 some local authorities paid pension fund deficit contributions covering three years (2014/15 to 2016/17). By doing this the local authority benefits from a discount on the total amount payable resulting in a lower overall charge.

Due to the amounts involved, some authorities are seeking to spread the impact of the payment over the three-year period. In doing so, they must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year as defined by regulation 30 of [The Local Authorities \(Capital Finance and Accounting\) \(England\) Regulations 2003](#).

We expect authorities that are spreading the impact of pension deficit contributions to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. The accounting judgements and treatment should reflect the advice received and should be documented accordingly.

Where an authority has received legal advice that the up-front payment can be recognised in the general fund over three years, based on our understanding of the arrangement we would expect the total amount to be reflected in the pension fund liability. This means that the pension reserve will not equal the pension liability. We expect the background to the transactions and the reason for the difference to be disclosed in a note to the accounts.

Challenge question

- Has your authority paid pension fund contributions covering more than one year and if so has your Borough Treasurer obtained legal advice and documented their judgement on accounting for the early payment of pension contributions?

Inclusion of overtime in the calculation of holiday pay

Accounting and audit issues

The Employment Appeal Tribunal (EAT) has delivered its judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stems from an apparent conflict between UK law and European Law.

The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered), should be included in the calculation of holiday pay. Back-dated claims can only be made if it is less than three months since the last incorrect payment of holiday pay.

It is likely that there will be an Appeal to this decision. However that does not mean that authorities should hold off assessing the impact. Local authorities should be considering their own circumstances and if necessary taking their own legal advice as to the extent they might be affected by the ruling. If an authority is going to be affected they need to assess whether the liability can be reliably measured.

For an authority likely to be affected in a material way, where it is possible to reliably measure that liability, then appropriate provision should be made in the 2014/15 accounts. The fact that the issue might go to Appeal at some uncertain time in the future is not of itself grounds for not including a provision. The chances of any success would need to be taken account of in the legal analysis but, in any case, there are some indications that the key issue on Appeal would be whether to remove the three month cap (if this were done then the provision would increase), rather than dismissing the entire decision to include overtime in the calculation of holiday pay.

Challenge question

- Has your authority taken legal advice and assessed if a provision is required in the 2014/15 accounts?



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AGENDA ITEM: 7

AUDIT AND GOVERNANCE COMMITTEE:

24 March 2015

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 ACTIVITY – QUARTERLY UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To advise of progress against the 2014/15 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 2014/15 Internal Audit Plan and the Internal Audit Manager brings written updates on progress against it to each meeting of this Committee.

3.2 This report covers the period up to the end of February. Work in this report will inform the overall opinion in the Internal Audit Annual Report.

4.0 INTERNAL AUDIT ACTIVITY TO DATE

4.1 A report summarising progress to date and any significant issues arising is attached and the Internal Audit Manager will attend the meeting to present the report should Members have any questions.

4.2 Progress against the plan to date is satisfactory with 92% of audits in progress compared to 89% for the same period in the previous year.

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 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 achievement of 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 UPDATE

1.0 Summary of progress

- 1.1 Due to publication requirements this report is compiled in late February and the Audit Manager will update members verbally on progress at the meeting.
- 1.2 24 of the 26 items on the original plan are currently in progress. This is approximately 92% and compares with 89% for the same period in 2013/14.

2.0 Assurance rating system

- 2.1 This report records the level of assurance provided by internal audit work. The following categories are used to record the level of assurance.

Full assurance:

there is a sound system of internal control designed to secure objectives and controls are being consistently applied.

Substantial assurance:

there is a generally sound system of internal control in place designed to secure objectives and controls are generally being applied consistently. Some weaknesses in the design or operation of the controls put the achievement of particular objectives at risk.

Limited assurance:

weaknesses in design or inconsistent application of controls put the achievement of objectives at risk.

No assurance:

weak controls or significant non-compliance with controls could result (or have resulted) in failure to achieve objectives.

- 2.2 No system of internal control can eliminate every possible risk and increasing the level of control in a system frequently increases costs. Balancing risk appropriately against the costs of control is management's responsibility.
- 2.3 Internal audit's role is to evaluate and improve the effectiveness of risk management and control processes.
- 2.4 It is important to recognise that the scope of the work and the area examined define the limits of the assurance and for this reason some context will be provided for each piece of work in the form of summary reports as set out below

3.0 Matters arising from internal audit work

3.1 Previously reported:

AUDIT	Assurance
LCC / BTLS CONTRACT PERFORMANCE MONITORING	Substantial assurance that the service objectives for performance monitoring of LCC/BTLS activity will be met by the systems in place.
INDIVIDUAL ELECTORAL REGISTRATION	Substantial assurance that the implementation of individual electoral registration and online registration is progressing towards a satisfactory conclusion.
NATIONAL NON DOMESTIC RATES	Substantial assurance that the service objectives for administration of National Non Domestic Rates (NNDR) are being met with the exception of the lack of regular reconciliations between the NNDR system and General Ledger. (See elsewhere in this update)
CCTV	Substantial assurance that Systems and procedures in place control risks to the operation of WLBC's CCTV system effectively.

3.2 New items and assurance reports:

3.2.0 COUNTER FRAUD WORK

Internal Audit contribute to the Council's counter fraud initiatives and regular reviews of its counter fraud arrangements and this activity is recognised in the internal audit plan.

3.2.1 OBJECTIVES

- To maintain awareness of emerging fraud issues and contribute to reviews ensuring the Council's counter fraud arrangements are fit for purpose.

3.2.2 OBSERVATIONS

- In the period covered by the 2014/15 Internal Audit Plan internal audit have continued to assess emerging fraud trends and disseminate information to relevant services through a variety of sources including membership of National Anti Fraud Network.
- In addition there has been internal audit input into keeping arrangements for co-ordination of counter fraud activity up to date with changes such as the transfer of Council benefit fraud investigation staff to the DWP Single Fraud Investigation Service, the closure of the Audit Commission and emerging guidance such as the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- The Council's Anti-fraud, Corruption and Bribery Policy was reviewed, a self-assessment of fraud, bribery and corruption issues was completed and the Counter Fraud Plan was produced and endorsed by this Committee in September 2014.
- This year's planned counter fraud activity is now complete

3.2.3 ASSURANCE

- This Internal audit work does not form part of the assurance programme but is an essential part of the Councils framework to maintain effective stewardship of the resources at its disposal provided from the public purse.

3.3.0 MONEY LAUNDERING REPORTING OFFICER (MLRO)

The Audit Manager acts as the Council's MLRO and this role is recognised in the internal audit plan.

3.3.1 OBJECTIVES

- To act as the Council's Money Laundering Reporting Officer (MLRO)
- To maintain policies, systems and procedures in relation to Money Laundering which are fit for purpose.

3.3.2 OBSERVATIONS

- Money laundering reporting activity is reactive and there has been no activity requiring a formal report this year.
- During the year the MLRO has provided advice and intelligence to services seeking to recover monies through the Proceeds of Crime Act.
- The Council's revised Money Laundering Policy was refreshed and endorsed by this Committee at its January meeting. This year's planned work-stream is now complete.

3.3.3 ASSURANCE

- This work is not part of the assurance programme but is an essential part of the Council's framework to maintain effective stewardship of the resources at its disposal provided from the public purse .

3.4.0 NATIONAL FRAUD INITIATIVE

The Audit Commission organise the National Fraud Initiative (NFI), matching data between public and private sector bodies to prevent and detect fraud. Internal audit co-ordinate this activity corporately across Council services.

The Council's participation is required by statute and the work is effectively carried out over a two year cycle so does not fall within the period covered by a single audit plan.

In the first year the data sets and format of the data to be provided is determined by the Audit Commission. The Council develop and test routines to extract data to the required specification from its systems. Following confirmation that the data produced is of the required quality each data set is then extracted and submitted as at a specified date. The is then matched to the data for the same date submitted by other participating organisations.

In the second year of the cycle following the matching process the results are returned to participants. Matches which appear to indicate anomalies, are reviewed and where necessary investigated further following NFI protocols.

3.4.1 OBJECTIVES

- To co-ordinate the commissioning of NFI 2014/15 and ensure Audit Commission NFI guidelines and legal requirements for the exercise are met.
- To oversee the extraction and submission of the required data sets to ensure they are submitted on time and to the correct specification.
- To act as the key contact for the Audit Commission and organisations with matches corresponding to our data.
- To evaluate the results and co-ordinate the investigation of matches in West Lancashire Borough Council.
- To report the result of the NFI exercises and consider whether the pattern of matches or the results of investigations indicate areas where Council systems or procedures could be improved.

3.4.2 OBSERVATIONS

- The 2014 – 2015 data was extracted and submitted in 2014 to specification and in the appropriate timeframes.
- 1900 matches have been returned to date.
- The initial assessment of the matches has been carried out and internal audit are co-ordinating follow up action as required with the appropriate agencies and officers.
- The investigation of matches from the 2014-2015 exercise will not be concluded before completion of the 2014/15 audit plan.
- The previous NFI exercise returned 3,323 matches relating to Housing Tenancies, Creditors, Payroll, Benefits and Insurance.

That exercise identified overpayments from public funds as follows.

Creditors	4,495.50
Housing Benefit	13,371.21
Council Tax Benefit	2,595.08
Council Tax Support	559.81
Jobseekers Allowance	9,876.48
Employment Support Allowance	6,215.88
Total	£37,113.96

- Matches relating to creditors identified two duplicate payments. These were the result of human error and have been recovered.
- The exercise did not disclose any benefit overpayments which could have been prevented by changes to the systems and procedures for administration of benefits. All of the overpayments arose on claims that had been assessed accurately with initial payments made correctly. The overpayments arose from subsequent failure to declare relevant changes in circumstance.
- Three benefit cases ultimately became the subject of fraud investigations. One was discontinued prior to court proceedings in accordance with established policy and procedures, the other two resulted in prosecutions.
- Matches relating to Payroll, Housing Tenancies and Insurance claims did not disclose any errors or fraudulent activity.
- The results of the exercise have not identified to any fundamental weaknesses in controls on fraud and error in the systems from which the data was extracted.

3.4.3 ASSURANCE

- The National Fraud Initiative is an externally commissioned compulsory work-stream and as such is independent from elements of the Internal Audit Plan designed primarily to provide assurance. It does however provide a tangible measure of effectiveness of controls in the systems from which data is submitted.
- The Council's Counter Fraud and Corruption Plan endorsed by this Committee in September 2014 identified participation in the NFI in accordance with national guidance and timely responses to data matches as key activities in the Councils arrangements to detect and investigate fraud.
- This item provides evidence that this element of the Council's Counter Fraud Plan is being progressed effectively and the results of the 2014/15 exercise will be reported back to this Committee in due course.

3.5.0 QL (HOUSING MANAGEMENT SOFTWARE)

The QL housing management system is used for most aspects of Housing operations. As working practices change work continues to ensure adequate controls are incorporated in areas falling outside the main rent accounting module itself.

3.5.1 OBJECTIVES

- To identify peripheral controls which are not an integral part of the rent accounting module and assess the implications for future audit activity.

3.5.2 OBSERVATIONS

KEY AREAS OF ENQUIRY

- Measures to ensure properties taken out of or returned to rental stock due to lease arrangements with third parties are adequately recorded as such. Housing have confirmed work on this has now been completed.
- Measures for reconciliation of QL and the Asset Register. The Housing Operations Manager now requires this task to be carried out on a regular basis.
- Measures to control user permissions on the wider QL system following potential changes to working practices. Housing consider that user rights are currently adequately controlled and mitigate risks to system security.

- The use of “notepad” entries on the system. These need to be reviewed on a regular basis and obsolete entries deleted. It is technically simple to delete data from the system automatically after a specific period but this would inevitably include information that was still current and relevant. To this end it is planned to introduce service specific retention policies to take account of circumstances that require notepad entries to be held for varying lengths of time.

3.5.3 ASSURANCE

- Work planned to identify controls in these areas of the QL system is now complete. Work to provide assurance on the operation of these controls in practice will be reported following testing work included in the 2015/16 Internal Audit Plan.

3.6.0 MAIN ACCOUNTING SYSTEM

Transactions in feeder systems are examined on a regular basis. This exercise examines controls outside feeder systems.

3.6.1 OBJECTIVES

- To review authorised users access to General Ledger ensuring that appropriate segregation of duties is in place.
- Test a sample of journals and ensure they contain sufficient detail and that the total of the journal voucher reconciles with the processed journal on GL.
- Examine the most recent bank reconciliations and ensure they are up to date and in balance.
- Review reconciliations to Debtors and Creditors and ensure they are completed regularly and that their respective control accounts balance to zero
- Select a sample of transactions from the general ledger from each source type, and trace back to documentation to confirm that details agree.

3.6.2 OBSERVATIONS

- Authorised users and their system privileges for General Ledger (GL) were reviewed. The user list was found to be up-to-date with appropriate segregation of duties in place in relation to the main system functions.
- Journals from each officer authorised to initiate them were selected at random from the General Ledger and checked to ensure that the total of the actual journal document reconciled to the processed journal total as per the ledger and that each contained the following:

Codes to be debited/credited
Amount involved
Reason for transfer and authority for it
Adequate narrative explanation
Unique serial number, year of account and week number

This was found to be the case for the entire sample.

- Bank reconciliations were found to be up-to-date and in balance.
- Debtor reconciliations are undertaken by BTLS on a monthly basis and Creditors weekly. These were up to date and had been submitted to the Principal Accountant (Central Services) to check against the respective control accounts.
- A sample of transactions was selected from the general ledger from different source types and traced back to originating documentation within sections. Details were found to agree for each transaction tested.

3.6.3 ASSURANCE

- Areas tested demonstrated a high level of compliance. This work provides **substantial** assurance that the controls in place to ensure that the General Ledger accurately reflects transaction streams in the feeder systems are operating as intended.

4.0 Action Points Outstanding From Previous Updates

4.1 Revenues and Benefits reconciliations

The lack of regular reconciliations of NNDR and Council Tax to the General Ledger following the implementation of the Northgate revenues system has been the subject of previous reports to this committee.

In January it was reported that officers from BTLS and WLBC were to carry out a joint investigation of the technical issues giving rise to the difficulties in reconciling the two systems.

Since that time a number of meetings have taken place between officers from BTLS Revenues and Benefits service business support team and West Lancashire's Accounting and Internal Audit teams and analysis has been carried out on reports available from the systems involved (Northgate revenues and benefits, Icon cash receipting and the General Ledger).

The current position is that the sources of the apparent variances have now been identified and an exercise successfully produced a test balance on movements in the systems over a three month period. The next step is to bring this exercise up to date to provide a year end balance to facilitate the closedown of the accounts.

Officers will then develop a procedure to replicate this one off manual balance on a daily basis. BTLS have agreed to implement these new procedures as soon as practicable and they should be in place during April 2015.

4.2 Benefits processing

Internal audit work in 2012/13 identified a raised level of errors in benefit processing. Subsequent Internal and external audit work has identified significant and sustained improvements in the accuracy of benefit processing and no further reports will be brought in relation to this issue.

5.0 Internal Audit Third Quarter Activity Update

Title	Position
Benefits	Work in progress
Contract Audit	Work in progress
Performance Monitoring System (BTLS)	Work complete
Community Safety (CCTV)	Work complete
National Fraud Initiative	Work complete
Home Care Link	Work in progress
Council Tax	Work in progress
Debtors	Work in progress
NNDR	Work complete
Creditors	Work in progress
Transport	Work in progress
Main accounting	Work complete
Electoral registration	Work complete
Business continuity	Work in progress
Payroll	Work in progress
Bacs	Work in progress
ICON cash receipting	Work in progress
Counter-Fraud Arrangements	Work complete
Treasury Management	Work in progress
ICT	Work in progress
Data Protection / SIRO	Work in progress
Housing QL system controls	Work complete
Money Laundering Reporting System	Work complete
Annual Governance Statement	Work in progress

Summary	
Work complete	9
Work in progress	15
Work not yet commenced	2
Total	26

6.0 Conclusion

Progress against the 2014/15 plan to date has been satisfactory and it is anticipated that internal audit coverage will be maintained at levels which will enable an adequate assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.



AGENDA ITEM: 8

AUDIT AND GOVERNANCE COMMITTEE:

24 March 2015

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 2015/16

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide Members with the background to the preparation of the 2015/16 Internal Audit Plan and present it for approval.

2.0 RECOMMENDATION

2.1 That the attached 2015/16 Internal Audit Plan be approved to take effect from 1/4/2015.

3.0 BACKGROUND

3.1 The Public Sector Internal Audit Standards require the preparation of a risk based Internal Audit Plan.

3.2 The plan has been prepared taking into account the Council's objectives and considering local and national influences on risks to their achievement.

3.3 The programme is designed to evaluate and improve the effectiveness of the risk management, control and governance processes the Council has in place to secure its objectives and provide assurance in relation to their effectiveness to both management and this Committee.

3.4 The Audit Manager considers that the coverage proposed will support an adequate and effective internal audit of the Council's accounting records and system of internal control for the period in accordance with proper practice

4.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

4.1 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.

5.0 FINANCIAL AND RESOURCE IMPLICATIONS

5.1 There are no significant financial or resource implications arising from this report as Internal Audit activity is included in existing budget provisions.

6.0 RISK ASSESSMENT

6.1 Approval of the Internal Audit Plan is necessary to comply with the Council's statutory duty to undertake an adequate and effective internal audit of its accounting records and system of internal control in accordance with the Accounts and Audit Regulations 2011.

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. 2015/16 INTERNAL AUDIT PLAN

INTERNAL AUDIT PLAN 2015 / 16

<i>Activity</i>	<i>Days</i>
Financial Audits - probity, procurement and income collection	
Treasury Management	8
Main Accounting	7
Benefits	20
Council Tax	15
NNDR	15
Rents	15
Contract Audit	25
Creditors	15
Debtors	15
Payroll	10
Icon Cash Receipting	10
Corporate Governance and Performance Management	
Annual Governance Statement	2
Data protection (SIRO)	10
ICT	20
Operational Audits - service delivery, economy, efficiency, effectiveness	
Customer Services	15
Housing Management	10
Leisure, Arts & Culture services	15
Q.L. housing system	10
Building Control	15
Refuse and Recyclables	15
Grounds Maintenance	15
Licensing	15
Technical Services	10
Housing - Programmed Works	20
Corporate anti-fraud initiatives	
Counter Fraud Strategy	5
National Fraud Initiative	20
Money Laundering Reporting Activity	12
Single Fraud Investigation Service	10
<i>Total</i>	374

Audit & Governance Committee Work Programme – 24 March 2015

Date	Training (commencing 6.30pm)	Items
June 2015	Financial Annual Accounts	<ol style="list-style-type: none">1. Internal Audit Activities – Annual report2. Internal Audit Activities – Quarterly Update3. Annual Governance Statement4. Statement of Accounts5. Regulation of Investigatory Powers Act Quarterly Monitoring of Use of Powers6. Risk Management Framework
September 2015	Procurement Training	<ol style="list-style-type: none">1. Grant Thornton – Audit Plan Findings Report2. Internal Audit Activities – Quarterly Update3. Approval of Statement of Accounts4. Regulation of Investigatory Powers Act Annual and Quarterly monitoring of Use of Powers5. Annual Review - Anti-Fraud, Bribery and Corruption Policy
January 2016	Housing Options Process	<ol style="list-style-type: none">1. Internal Audit Activities – Quarterly Update2. Regulation of Investigatory Powers Act quarterly monitoring of use of powers3. Grant Thornton Annual Audit Letter4. Grant Thornton Certification Letter5. Treasury Management
March 2016		<ol style="list-style-type: none">1. Local Code of Governance2. Internal Audit Activities – Quarterly Update3. Internal Audit Plan 2016/174. Regulation of Investigatory Powers Act quarterly monitoring of use of powers5. Grant Thornton – Audit Plan6. Risk Management Framework