



Kim Webber B.Sc. M.Sc.  
Chief Executive  
52 Derby Street  
Ormskirk  
West Lancashire  
L39 2DF

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Monday, 19 June 2017

**TO: COUNCILLORS A YATES, N PRYCE-ROBERTS, T ALDRIDGE, T BLANE,  
P COTTERILL, J GORDON, N HENNESSY, P HUDSON, J MEE,  
R PENDLETON AND E POPE**

Dear Councillor,

A meeting of the **AUDIT & GOVERNANCE COMMITTEE** will be held in the **CABINET/COMMITTEE ROOM - 52 DERBY STREET, ORMSKIRK L39 2DF** on **TUESDAY, 27 JUNE 2017** at **6.30 PM** at which your attendance is requested.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Kim Webber', written over a horizontal line.

Kim Webber  
Chief Executive

**AGENDA**  
**(Open to the Public)**

**1. APOLOGIES**

**2. MEMBERSHIP OF THE COMMITTEE**

To be apprised of any changes to the membership of the Committee in accordance with Council Procedure Rule 4.

**3. DECLARATIONS OF INTEREST**

1 - 2

If a Member requires advice on Declarations of Interest, he/she is

advised to contact the Borough Solicitor in advance of the meeting. (For the assistance of members a checklist for use in considering their position on any particular item is included at the end of this agenda sheet).

- 4. PUBLIC SPEAKING** 3 - 6  

Residents of West Lancashire on giving notice, may address the meeting to make representations on any item on the agenda except where the public and press are to be excluded during consideration of the item. The deadline for submission is 5.00pm on Thursday 22 June 2017. A copy of the public speaking protocol and form to be completed is attached.
- 5. MINUTES** 7 - 10  

To receive as a correct record the minutes of the last meeting of the Committee held on 28 March 2017
- 6. GRANT THORNTON REPORTS** 11 - 28  

To consider the report of the Borough Treasurer
- 7. GRANT THORNTON ASSURANCE LETTER** 29 - 34  

To consider the report of the Borough Treasurer
- 8. ANNUAL GOVERNANCE STATEMENT 2016/2017** 35 - 42  

To consider the report of the Borough Treasurer
- 9. STATEMENT OF ACCOUNTS** 43 - 44  

To consider the report of the Borough Treasurer
- 10. INTERNAL AUDIT ACTIVITY - QUARTERLY UPDATE** 45 - 58  

To consider the report of the Borough Treasurer
- 11. INTERNAL AUDIT ANNUAL REPORT 2016-17** 59 - 64  

To consider the report of the Borough Treasurer
- 12. REGULATION OF INVESTIGATORY POWERS ACT QUARTERLY MONITORING OF USE OF POWERS**  

Improved monitoring of activity under the Regulation of Investigatory Powers Act 2000 (RIPA) introduced by the relevant Code of Practice, recommends that Members receive reports from Officers at least quarterly on RIPA activity.  
There is no relevant activity to report.

We can provide this document, upon request, on audiotape, in large print, in Braille and in other languages.

**FIRE EVACUATION PROCEDURE: Please see attached sheet.**

**MOBILE PHONES: These should be switched off or to 'silent' at all meetings.**

For further information, please contact:-

Sue Griffiths on 01695 585097

Or email [susan.griffiths@westlancs.gov.uk](mailto:susan.griffiths@westlancs.gov.uk)

**FIRE EVACUATION PROCEDURE FOR:  
COUNCIL MEETINGS WHERE OFFICERS ARE PRESENT  
(52 DERBY STREET, ORMSKIRK)**

**PERSON IN CHARGE:** Most Senior Officer Present  
**ZONE WARDEN:** Member Services Officer / Lawyer  
**DOOR WARDEN(S)** Usher / Caretaker

**IF YOU DISCOVER A FIRE**

1. Operate the nearest **FIRE CALL POINT** by breaking the glass.
2. Attack the fire with the extinguishers provided only if you have been trained and it is safe to do so. **Do not** take risks.

**ON HEARING THE FIRE ALARM**

1. Leave the building via the **NEAREST SAFE EXIT**. **Do not stop** to collect personal belongings.
2. Proceed to the **ASSEMBLY POINT** on the car park and report your presence to the **PERSON IN CHARGE**.
3. **Do NOT** return to the premises until authorised to do so by the **PERSON IN CHARGE**.

**NOTES:**

Officers are required to direct all visitors regarding these procedures i.e. exit routes and place of assembly.

The only persons not required to report to the Assembly Point are the Door Wardens.

**CHECKLIST FOR PERSON IN CHARGE**

1. Advise other interested parties present that you are the person in charge in the event of an evacuation.
2. Make yourself familiar with the location of the fire escape routes and inform any interested parties of the escape routes.
3. Make yourself familiar with the location of the assembly point and inform any interested parties of that location.
4. Make yourself familiar with the location of the fire alarm and detection control panel.
5. Ensure that the zone warden and door wardens are aware of their roles and responsibilities.
6. Arrange for a register of attendance to be completed (if considered appropriate / practicable).

**IN THE EVENT OF A FIRE, OR THE FIRE ALARM BEING SOUNDED**

1. Ensure that the room in which the meeting is being held is cleared of all persons.
2. Evacuate via the nearest safe Fire Exit and proceed to the **ASSEMBLY POINT** in the car park.
3. Delegate a person at the **ASSEMBLY POINT** who will proceed to **HOME CARE LINK** in order to ensure that a back-up call is made to the **FIRE BRIGADE**.
4. Delegate another person to ensure that **DOOR WARDENS** have been posted outside the relevant Fire Exit Doors.

5. Ensure that the **ZONE WARDEN** has reported to you on the results of his checks, **i.e.** that the rooms in use have been cleared of all persons.
6. If an Attendance Register has been taken, take a **ROLL CALL**.
7. Report the results of these checks to the Fire and Rescue Service on arrival and inform them of the location of the **FIRE ALARM CONTROL PANEL**.
8. Authorise return to the building only when it is cleared to do so by the **FIRE AND RESCUE SERVICE OFFICER IN CHARGE**. Inform the **DOOR WARDENS** to allow re-entry to the building.

**NOTE:**

The Fire Alarm system will automatically call the Fire Brigade. The purpose of the 999 back-up call is to meet a requirement of the Fire Precautions Act to supplement the automatic call.

**CHECKLIST FOR ZONE WARDEN**

1. Carry out a physical check of the rooms being used for the meeting, including adjacent toilets, kitchen.
2. Ensure that **ALL PERSONS**, both officers and members of the public are made aware of the **FIRE ALERT**.
3. Ensure that **ALL PERSONS** evacuate **IMMEDIATELY**, in accordance with the **FIRE EVACUATION PROCEDURE**.
4. Proceed to the **ASSEMBLY POINT** and report to the **PERSON IN CHARGE** that the rooms within your control have been cleared.
5. Assist the **PERSON IN CHARGE** to discharge their duties.

It is desirable that the **ZONE WARDEN** should be an **OFFICER** who is normally based in this building and is familiar with the layout of the rooms to be checked.

**INSTRUCTIONS FOR DOOR WARDENS**

1. Stand outside the **FIRE EXIT DOOR(S)**
2. Keep the **FIRE EXIT DOOR SHUT**.
3. Ensure that **NO PERSON**, whether staff or public enters the building until **YOU** are told by the **PERSON IN CHARGE** that it is safe to do so.
4. If anyone attempts to enter the premises, report this to the **PERSON IN CHARGE**.
5. Do not leave the door **UNATTENDED**.



# Agenda Item 3

## 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 <b>because</b> it affects my financial position or the financial position of a connected person or, a body described in 10.1(1)(i) and (ii) <b>and</b> 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"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i>
	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) <b>and</b> 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"/>	<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 20/09/16) 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>
5.	A Standards Committee dispensation applies (relevant lines in the budget – Dispensation 20/09/16 – 19/09/20)	<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.



## **PUBLIC SPEAKING – PROTOCOL**

**(For meetings of Cabinet, Overview & Scrutiny Committees, Audit & Governance Committee and Standards Committee)**

### **1.0 Public Speaking**

- 1.1 Residents of West Lancashire may, on giving notice, address any of the above meetings to make representations on any item on the agenda for those meetings, except where the public and press are to be excluded from the meeting during consideration of the item.
- 1.2 The form attached as an Appendix to this Protocol should be used for submitting requests.

### **2.0 Deadline for submission**

- 2.1 The prescribed form should be received by Member Services by 5.00 pm on the Thursday of the week preceding the meeting. This can be submitted by e-mail to [member.services@westlancs.gov.uk](mailto:member.services@westlancs.gov.uk) or by sending to:

Member Services  
West Lancashire Borough Council  
52 Derby Street  
Ormskirk  
West Lancashire  
L39 2DF

- 2.2 Completed forms will be collated by Member Services and circulated via e-mail to relevant Members and officers and published on the Council website via Modgov. Only the name of the resident and details of the issue to be raised will be published.
- 2.3 Groups of persons with similar views should elect a spokesperson to speak on their behalf to avoid undue repetition of similar points. Spokespersons should identify in writing on whose behalf they are speaking.

### **3.0 Scope**

- 3.1 Any matters raised must be relevant to an item on the agenda for the meeting.
- 3.2 The Borough Solicitor may reject a submission if it:
- (i) is defamatory, frivolous or offensive;
  - (ii) is substantially the same as representations which have already been submitted at a previous meeting; or
  - (iii) discloses or requires the disclosure of confidential or exempt information.

#### **4.0 Number of items**

- 4.1 A maximum of one form per resident will be accepted for each Agenda Item.
- 4.2 There will be a maximum of 10 speakers per meeting. Where there are more than 10 forms submitted by residents, the Borough Solicitor will prioritise the list of those allowed to speak. This will be dependent on:
  - a. The order in which forms were received.
  - b. If one resident has asked to speak on a number of items, priority will be given to other residents who also wish to speak
  - c. If a request has been submitted in relation to the same issue.
- 4.3 All submissions will be circulated to relevant Members and officers for information, although no amendments will be made to the list of speakers once it has been agreed (regardless of withdrawal of a request to speak).

#### **5.0 At the Meeting**

- 5.1 Speakers will be shown to their seats. An item 'Public Speaking' will be included on the agenda to enable local residents to make their representations within a period of up to 30 minutes at the start of the meeting. Residents will have up to 3 minutes to address the meeting when introduced by the Chairman for that meeting. The address must reflect the issue included on the prescribed form submitted in advance.
- 5.2 Members may discuss what the speaker has said along with all other information, when the item is being considered later on the agenda and will make a decision then. Speakers should not circulate any supporting documentation at the meeting and should not enter into a debate with Councillors.
- 5.4 If residents feel nervous or uncomfortable speaking in public, then they can ask someone else to do it for them. They can also bring an interpreter if they need one. They should be aware there may be others speaking as well.
- 5.5 Speakers may leave the meeting at any time, taking care not to disturb the meeting.



## REQUEST FOR PUBLIC SPEAKING AT MEETINGS

**MEETING & DATE** .....

**NAME** .....

**ADDRESS** .....

Post Code .....

**PHONE** .....

**Email** .....

Please indicate if you will be in attendance at the meeting

**YES/NO\***

\*delete as applicable

Note: This page will not be published.

(P.T.O.)

PLEASE PROVIDE DETAILS OF THE MATTER YOU WISH TO RAISE

Agenda Item      Number .....

Title .....

Details .....

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Name .....

Dated .....

*Completed forms to be submitted by 5.00pm on the Thursday of the week preceding the meeting to:-*

*Member Services, West Lancashire Borough Council, 52 Derby Street, Ormskirk, Lancashire, L39 2DF or  
Email: [member.services@westlancs.gov.uk](mailto:member.services@westlancs.gov.uk)*

*If you require any assistance regarding your attendance at a meeting or if you have any queries regarding your submission please contact Member Services on 01695 585065 or 01695 585097*

Note: This page will be published.

**PRESENT:**

Councillor: J Bullock (Chairman)

Councillors: T Blane P Cotterill  
S Currie J Gordon  
J Mee R Pendleton  
E Pope

In attendance: Georgia Jones (Grant Thornton)

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

37 **APOLOGIES**

Apologies for absence were submitted on behalf of Councillor Hudson.

38 **MEMBERSHIP OF THE COMMITTEE**

In accordance with Council Procedure Rule 4, the Committee noted the termination of membership of Councillors Cooper and Pryce-Roberts the appointment of Councillor D Evans and Devine respectively for this meeting only, giving effect to the wishes of the Political Groups.

39 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

40 **PUBLIC SPEAKING**

There were no items under this Heading.

41 **MINUTES**

RESOLVED That the minutes of the last meeting of the Committee held on 31 January 2017 be approved as a correct record and signed by the Chairman.

42 **GRANT THORNTON PROGRESS UPDATE**

Consideration was given to the report of the Borough Treasurer as circulated and

contained on pages 333 - 350 of the Book of Reports the purpose of which was to receive a Progress Report and Update from Grant Thornton (External Auditors).

The Chairman invited Georgia Jones from Grant Thornton to present the Progress Report and Update.

Comments and questions were raised in respect of the following issues:-

- Changes in 2016/17 CIPFA code in relation to the Movement in Reserves Statement (MIRS)
- Local Government financial settlement – social care funding
- Pooling of Local Government Pension Schemes (LGPS)
- Apprentice levy

RESOLVED That the Progress Report and Update be noted.

#### 43 **GRANT THORNTON AUDIT PLAN**

Consideration was given to the report of the Borough Treasurer as contained on pages 351-374 of the Book of Reports which detailed Grant Thornton's Audit Plan in relation to the Council's 2016/17 financial statements and value for money issues.

The Chairman invited Georgia Jones from Grant Thornton (External Auditors) to present the Plan to the Committee.

Comments and questions were raised in respect of the following:

- Valuation of pension fund (Lancashire)
- Selling Council services
- Interpretation of Value for Money
- Materiality level – Disclosure of senior manager salaries and allowances

RESOLVED That the report be noted.

#### 44 **INTERNAL AUDIT ACTIVITY - QUARTERLY UPDATE**

Consideration was given to the report of the Borough Treasurer as circulated and contained on pages 375 - 379 of the Book of Reports which advised of progress against the 2016/17 Internal Audit Plan.

The Audit Manager reported that 81% of the items on the plan were in progress compared to 85% for the same period in the previous year.

RESOLVED That progress in the year to date be noted

**45 INTERNAL AUDIT PLAN 2017-18**

Consideration was given to the report of the Borough Treasurer as contained on pages 381 - 383 of the Book of Reports which provided information in relation to the Internal Audit Plan for 2017/2018.

Questions and comments were raised in relation to:-

- the number of days spent on each activity for 2016/17
- the national fraud initiative activity

RESOLVED (A) That the Internal Audit Plan (Appendix 1 to the report) be approved to take effect from 1 April 2017.

(B) That future reports include the number of days spent on each activity in the previous year (where appropriate).

**46 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 report be noted.

**47 WORK PROGRAMME**

Consideration was given to the Committee's Work Programme as set out at page 385 of the Book of Reports.

RESOLVED That the Work Programme be noted.

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**Chairman**







## AUDIT AND GOVERNANCE COMMITTEE:

27 June 2017

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**Report of:** Borough Treasurer

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

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**SUBJECT: GRANT THORNTON REPORTS**

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Wards affected: Borough wide

### **1.0 PURPOSE OF THE REPORT**

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

### **2.0 RECOMMENDATION**

2.1 That the Progress Report and Update and the Planned Audit Fee letter be considered and that any questions be raised with the Grant Thornton representatives who will be attending the meeting.

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### **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 GRANT THORNTON REPORTS**

4.1 The Grant Thornton Progress Report and Update sets out their progress in delivering their responsibilities against their audit plan as well as a range of other matters, while the Audit Fee letter provides details on the audit fee and works that are planned to take place for 2017/18.

4.2 Representatives of Grant Thornton will introduce and explain 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.

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### **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 1 - Grant Thornton Progress Report and Update

Appendix 2 - Grant Thornton Planned Audit Fee Letter

# Audit and Governance Committee West Lancashire Borough Council Progress Report and Update Year ended 31 March 2017

Page 13 June 2017

**Karen Murray**

Engagement Lead

T 0161 234 6364

E [karen.l.murray@uk.gt.com](mailto:karen.l.murray@uk.gt.com)

**Georgia Jones**

Manager

T 0161 214 6383

E [georgia.s.jones@uk.gt.com](mailto:georgia.s.jones@uk.gt.com)



# Introduction

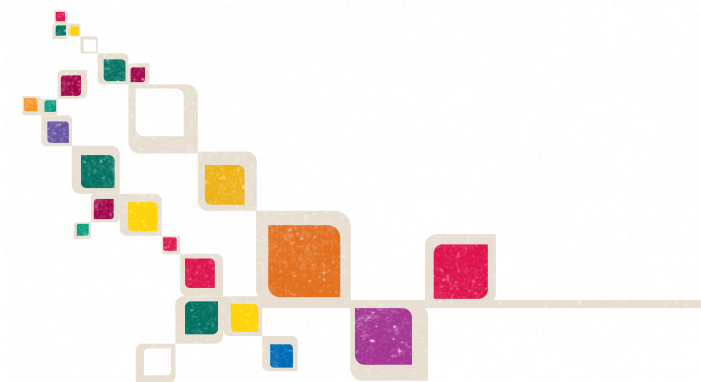
This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit and Governance Committee can find further useful material on our website [www.grant-thornton.co.uk](http://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:

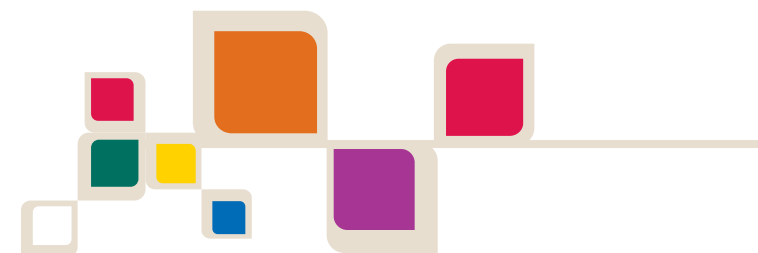
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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 Engagement Manager.

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.

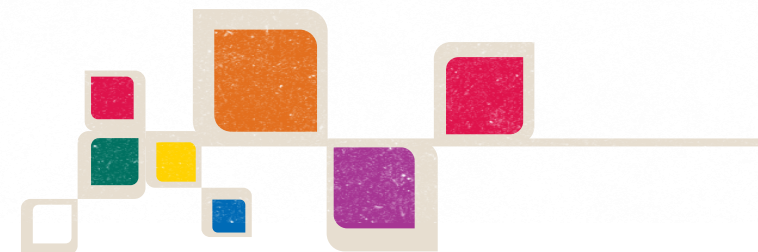


# Progress at June 2017



2016/17 work	Planned Date	Complete?	Comments
<p><b>Fee Letter</b></p> <p>We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>	April 2016	Yes	The fee letter was sent on 12 April 2016. It confirmed the 2016/17 scale audit fee of £43,746 for West Lancashire Borough Council
<p><b>Accounts Audit Plan</b></p> <p>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 the Council's 2016/17 financial statements.</p>	March 2017	Yes	The audit plan was presented to the March Audit and Governance committee.
<p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> <li>• updated review of the Council's control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Value for Money conclusion risk assessment.</li> </ul>	February to March 2017	Yes	We have completed our interim work at the Council. As reported in our audit plan in March, we did not identify any significant issues that we needed to bring to your attention.
<p><b>Final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2016/17 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> <li>• review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16</li> </ul>	July 2017	No	<p>The Audit Findings Report will be presented to the September meeting of the Audit and Governance Committee and the Auditor's Report will be given by the deadline of 30 September.</p> <p>We are working with officers with a view to bringing forward the audit of the accounts in line with the revised deadline of 31 July with is a requirement for the 2017/18 financial statements.</p>

# Progress at June 2017



2016/17 work	Planned Date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	May – July 2017	In progress	<p>We have carried out an initial risk assessment to determine our approach and reported this in our Audit Plan.</p> <p>We will report our work in the Audit Findings Report and give our value for money conclusion by the deadline in September 2017.</p>
<p><b>Housing Benefit Subsidy claim</b></p> <p>We are required to review and certify the claim by 30 November 2017</p>	August – September 2017	No	We will report the results of our certification work in a separate report to the Audit and Governance Committee.
<p><b>Annual Audit Letter</b></p> <p>Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the year ended 31 March 2017.</p>	October 2017	No	We will issue an Annual Audit Letter to the Council in line with specified deadlines after the audit of the 2016/17 financial statements.

# Technical Matters

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## Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures

## Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.



# Sector issues and developments

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# Integrated Thinking and Reporting

## Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders*.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

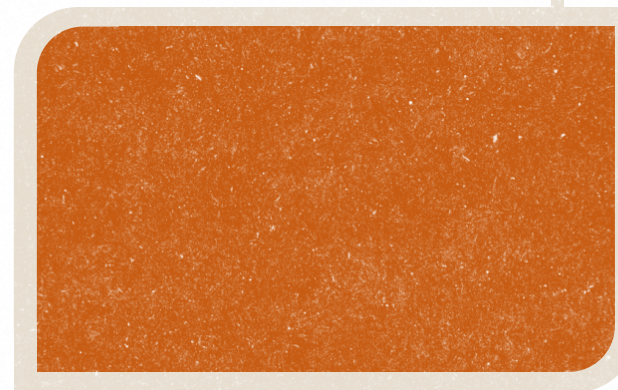
The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

## CIPFA Publications



# Grant Thornton



# The Income Spectrum

## Helping local authorities to achieve revenue and strategic objectives to create vibrant economies

Local government is under immense financial pressure to do more with less. The 2015/16 spending review is forecast to result in a £13 billion funding hole by 2020/21 that requires councils to make savings of up to 29 per cent.

Despite this challenge, most councils continue to manage their finances proficiently and have become lean and many local authority chief financial officers (CFOs) are confident they can continue to balance the books.

Income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency. Our report gives local authorities the tools needed to maximise their ability to do so.

Our latest report shares insights on this evolution process and how and why local authorities are reviewing and developing their approach to income generation.

The report draws on:

- learning from public and private sector stakeholders
- Grant Thornton's own experience as an advisor to local government
- analysis from the Grant Thornton/CIPFA CFO Insights tool
- insight from roundtables we convened on the topic in Leeds, Bristol and Exeter.

The key messages arising from the report are:

- councils are increasingly using income generation to diversify their funding base and are commercialising in a variety of ways. This ranges from fees and charges, asset management and company spin-offs, through to treasury investments
- the ideal scenario is investing to earn with a financial and social return. Councils are striving to generate income in a way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.
- stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. While there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development.

## Grant Thornton report

### Questions to help ensure success

- Have all your options to maximise use of revenue and assets been explored?
- Do you understand what your strengths are and what you are less good at compared to the market place?
- How does each department and service compare on net income and cost recovery against neighbours and peers?
- Is it clear how generating income delivers both a financial and social return that is aligned to your local political priorities?
- Are governance processes robust enough to scrutinise business case proposals for new income generation?



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**[grantthornton.co.uk](http://grantthornton.co.uk)**



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5 April 2017

Dear Marc

### **Planned audit fee for 2017/18**

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

### **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no changes to the overall work programme for local government audited bodies for 2017/18, following the recent CIPFA/LASAAC announcement that their planned introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities in 2017/18 will no longer proceed. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £43,746.

The audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2017/18 will be undertaken

under this Code, on the basis of the [2017/18 work-programme and scales of fees](#) set out on the PSAA website. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

### **Value for Money conclusion**

The Code requires us to consider 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.

The NAO issued its guidance for auditors on value for money work in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

### **Certification of grant claims and returns**

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work has yet to be set by PSAA. We will write to you to confirm the fee when this has been confirmed.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2017	10,936
December 2017	10,936
March 2018	10,937
June 2018	10,937
<b>Total</b>	<b>43,746</b>
<hr/>	
<b>Housing Benefit Certification</b>	<b>TBC</b>



### Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to March 2018. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June to July 2018 and work on the whole of government accounts return in July 2018.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	January to March 2018	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2018	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	June to July 2018	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2018	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August 2018	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	September 2018	Grant certification report	A report summarising the findings of our housing benefit certification work

### Our team

The key members of the audit team for 2017/18 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Karen Murray	0161 234 6364	<a href="mailto:karen.l.murray@uk.gt.com">karen.l.murray@uk.gt.com</a>
Engagement Manager	Georgia Jones	0161 214 6383	<a href="mailto:georgia.s.jones@uk.gt.com">georgia.s.jones@uk.gt.com</a>
In Charge Auditor	Amber Banister	0161 953 6468	<a href="mailto:amber.j.banister@uk.gt.com">amber.j.banister@uk.gt.com</a>

**Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Public Sector Assurance regional lead partner, via [sarah.howard@uk.gt.com](mailto:sarah.howard@uk.gt.com).

Yours sincerely

Karen Murray

Engagement Lead

For Grant Thornton UK LLP



## AUDIT AND GOVERNANCE COMMITTEE:

27 June 2017

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**Report of:** Borough Treasurer

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

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**SUBJECT: GRANT THORNTON ASSURANCE LETTER**

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Wards affected: Borough wide

### **1.0 PURPOSE OF THE REPORT**

1.1 To consider a response to a letter from our external auditors asking for information on how this Committee gains assurance over management processes and arrangements.

### **2.0 RECOMMENDATION**

2.1 That the proposed response to the letter set out in Appendix 2 be approved.

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### **3.0 BACKGROUND**

3.1 To comply with International Auditing Standards our external auditors have requested information to be supplied so that they can consider how Members gain assurance over a range of different matters. A copy of the letter received from Grant Thornton has been included in Appendix 1.

### **4.0 PROPOSED RESPONSE**

4.1 Details on the proposed response to each of the questions that have been raised are set out in Appendix 2. Members are now asked to consider this position, so that relevant matters can be considered at the meeting, prior to the response being submitted.

- 4.2 Following consideration of the issues raised in the Letter, if Members feel that there are any areas where additional information should be reported to this Committee, then this can be considered further and built into the future work programme as appropriate.

## **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.

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### **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 1 – Grant Thornton Assurance Letter
- Appendix 2 – Proposed Response

Councillor John Bullock  
Chair of the Audit and Governance Committee  
West Lancashire Borough Council  
52 Derby Street  
Ormskirk  
L39 2DF

11 April 2017

Dear Councillor Bullock

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**West Lancashire Council Financial Statements for the year end 31 March 2017**  
**Understanding how the Audit and Governance Committee gains assurance from management**

To comply with International Auditing Standards, each year we need to refresh our understanding of how the Audit and Governance Committee, as the council's audit committee, gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as Chair of the Audit and Governance Committee with your responses to the following questions.

- 1 How does the Audit and Governance Committee oversee management's processes in relation to:
  - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
  - identifying and responding to the risk of breaches of internal control
  - identifying and responding to risks of fraud in the organisation ( including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
  - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 What are the Audit and Governance Committee's views about the risks of fraud? Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 Does the Audit and Governance Committee have any knowledge of whistle blower tips or complaints? If so, please provide details.
- 4 How does the Audit and Governance Committee gain assurance that all relevant laws and regulations have been complied with?
- 5 Are you aware of any actual or potential litigation or claims that would affect the financial statements?
- 6 How has the Audit and Governance Committee satisfied itself that it is appropriate to adopt a going concern basis in the preparation of the financial statements?
- 7 How does the Audit and Governance Committee provide oversight of the council's risk management processes?

We are hopeful that the Audit and Governance Committee could co-ordinate responses in time for discussion at the next meeting in June. If you are in agreement with this I would be grateful for a formal response by the end of June.

Yours sincerely

Georgia Jones  
Manager  
For Grant Thornton UK LLP

T 0161 214 6383  
E [georgia.s.jones@uk.gt.com](mailto:georgia.s.jones@uk.gt.com)

## APPENDIX 2 – PROPOSED RESPONSE

Item	Question	Proposed Response
1	<p>How does the Audit and Governance Committee oversee management's processes in relation to:</p> <ul style="list-style-type: none"> <li>- carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error</li> <li>- identifying and responding to the risk of breaches of internal control</li> <li>- identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)</li> <li>- communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?</li> </ul>	<p>Reports on fraud, bribery and corruption issues are presented to this Committee on a regular basis and the next report is due in September 2017. The Anti-Fraud, Bribery And Corruption Policy sets out the Council position in relation to those matters.</p> <p>The Council continues to follow the Acknowledge, Prevent and Pursue principles set out in the Local Government Fighting Fraud Locally strategy.</p> <p>Benefits continues to be the main risk area for fraud. No fraud issues have been identified that would have a significant impact on the financial statements.</p> <p>The Internal Audit Annual Report 2016-17 presented to this Committee concludes that there is an effective system of internal control in place.</p> <p>This system of internal control is designed to minimise risk to a reasonable level but cannot eliminate all risk.</p> <p>The statement of accounts is produced by qualified and experienced accountancy staff in accordance with professional standards, and consequently the risk of override of controls or misreporting is low.</p> <p>The Council has an Officer Code of Conduct in place that is used to encourage ethical behaviour in staff. This Code is periodically reviewed and updated and an annual reminder of its importance is sent to all staff.</p>
2	<p>What are the Audit and Governance Committee's views about the risks of fraud? Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.</p>	
3	<p>Does the Audit and Governance Committee have any knowledge of whistleblower tips or complaints? If so, please provide details.</p>	<p>The Council has a Whistleblowing Code in place, and staff are encouraged to report any concerns through these arrangements. These documents are periodically reviewed and updated and re-issued to staff.</p> <p>There are no current Whistleblower tips or complaints.</p>

4	How does the Audit and Governance Committee gain assurance that all relevant laws and regulations have been complied with?	<p>The Council has Monitoring Officer arrangements in place to meet the obligations imposed by the Local Government and Housing Act 1989. The Monitoring Officer protocol securing the delivery of this requirement is embedded as an Article in the Council's Constitution.</p> <p>Fulfilment of requirements is further assisted by the other reports, policies and codes referred to elsewhere in this response. An annual reminder is issued to officers by the Monitoring Officer highlighting the role and gaining assistance in reporting relevant matters.</p> <p>Internal audit review compliance with legislation in relation to areas subject to audit. This can be explicit and targeted specifically in a brief or part of the general requirement under Public Sector Internal Audit Standards for audit evaluation of risks to include consideration of compliance with laws and regulations.</p>
5	Are you aware of any actual or potential litigation or claims that would affect the financial statements?	This area is subject to a specific review by the Borough Solicitor and Borough Treasurer as part of the process for producing the statement of accounts and no significant claims were identified.
6	How has the Audit and Governance Committee satisfied itself that it is appropriate to adopt the going concern basis in the preparation of the financial statements?	<p>A strong financial performance was delivered in the 2016/17 financial year with favourable budget variances being achieved on both the GRA and the HRA.</p> <p>The Policy Options process will continue to be used to manage the financial challenges facing the Council over the medium term.</p>
7	How does the Audit and Governance Committee provide oversight of the council's risk management processes?	Reports on the risk management framework and its operation are presented to the Audit and Governance Committee on a periodic basis. The latest report to the Committee was in January 2017.





## AGENDA ITEM:

**AUDIT & GOVERNANCE COMMITTEE: 27 June 2017**

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**Report of: Borough Treasurer**

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

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**SUBJECT: ANNUAL GOVERNANCE STATEMENT 2016/2017**

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Borough wide interest

### **1.0 PURPOSE OF THE REPORT**

1.1 To consider the Council's Annual Governance Statement.

### **2.0 RECOMMENDATION**

2.1 That the Annual Governance Statement 2016/2017, set out in Appendix 1, be approved and commended to the Leader and Chief Executive for signature.

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### **3.0 BACKGROUND**

3.1 The Accounts and Audit Regulations require the Council to publish an Annual Governance Statement with its financial reports.

3.2 The terms of reference of this Committee include responsibility for approving the Annual Governance Statement and commending it for signature by the Leader and Chief Executive.

### **4.0 CURRENT POSITION**

4.1 The Annual Governance Statement provides a summary of the Council's internal control environment and a review of its effectiveness. This year's Statement confirms that the framework is adequate and that it is working effectively. This continues the Council's track record of demonstrating solid financial and governance arrangements.

- 4.2 The main governance issue that has been identified relates to the financial challenges facing local authorities as a result of reductions in government grant funding. This risk is included on the Council's Key Risk Register and the primary mechanism for addressing it will continue to be the Policy Options process. A further governance issue that has been identified is in relation to the management of electronic records and an action plan is being developed to address this matter.
- 4.3 The Authority has consistently received positive feedback from its external auditors on its arrangements for internal control, and the most recent Annual Audit Letter has concluded the same. In the Annual Internal Audit Report, elsewhere on this agenda, the Council's Internal Audit Manager has summarised the findings from Internal Audit activity over the year and these findings are incorporated into the Annual Governance Statement.
- 4.4 All Heads of Service and Senior Managers have considered and signed a Certificate on Internal Control to confirm that governance arrangements and internal controls have not been compromised during the past year in their areas of responsibility. As it is Managers who are charged with embedding governance systems in their areas, this is an integral part of the annual review process.

## **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 Failure to publish an Annual Governance Statement with the Statement of Accounts would breach one of the Council's statutory obligations.

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### **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 – West Lancashire Borough Council 2016/17 Annual Governance Statement

## WEST LANCASHIRE BOROUGH COUNCIL

### 2016/17 ANNUAL GOVERNANCE STATEMENT

#### SCOPE OF RESPONSIBILITY

West Lancashire Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

To discharge this overall responsibility, the Council must have in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

West Lancashire Borough Council has approved and adopted a Local Code of Corporate Governance, and this statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations, in relation to the production of an Annual Governance Statement.

#### THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled and the mechanisms through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at West Lancashire Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

## THE GOVERNANCE FRAMEWORK

The Council has in place a comprehensive governance framework designed to regulate, monitor and control its various activities in its pursuit of its vision and objectives.

The key elements of the framework include:

The principal statutory obligations and functions of the Authority are identified in the Constitution and reflected in the Budget and Policy Framework which is approved by Council.

The Council reviews its vision and priorities regularly. A statement of the current vision, values and priorities is available in a number of formats and, together with a number of other documents referred to in this Annual Governance Statement, can be viewed online on the Council's [website](#). There is also a Council Plan in place that contains details of the priority delivery projects that are designed to drive forward progress against priorities.

The Council's Covalent Performance Management System is used to monitor achievement of the Council's objectives and progress against priority delivery projects. Information from this system is presented to Management and Members on a regular basis.

The Council has 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 provide a high quality of customer service. They include response times for letters and emails, telephone calls, complaints, visits to our offices, visits to customers' homes and out of hours emergencies. They cover targets and the attitude and behaviour of staff and customers.

The Council has in place Codes of Conduct which set out the standards of behaviour expected of all members and officers. These are provided to all members and officers on appointment and are also available on the Council's website. The Council also has a Standards Committee whose role is to promote and maintain high standards of conduct.

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". Committee meetings are open to the public, except where personal or confidential matters may be disclosed.

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

The Council's Monitoring Officer Protocol sets out how the Council deals with issues of concern including legality, probity and constitutional issues.

The Council's professionally qualified Chief Finance Officer (the Borough Treasurer) is responsible for the proper administration of its financial affairs. The Officer attends Council, Cabinet and Corporate Management Team meetings and has a direct reporting line to the Chief Executive. Financial advice is provided for all the key decisions that are made.

A Medium Term Financial Forecast and Treasury Management Strategy, which fully assesses the potential financial risks to the Authority, are in place and are reviewed regularly. Standing orders and financial regulations, that detail the Authority's financial management arrangements, are also maintained and reviewed and updated periodically.

The Council has a comprehensive Risk Management process in place which is fully embedded throughout the Authority and forms an integral part of the management process. This includes a dedicated resource committed to this area of work to ensure consistency and compliance throughout the Authority. In addition all reports to Council and Cabinet have a risk assessment section.

The Council's Audit and Governance Committee undertakes the core functions of an audit committee as identified in CIPFA's publication *Audit Committees – Practical Guidance for Local Authorities*. The Committee receives regular reports on governance issues from both officers and the Council's external auditors. The Council has an objective and professional relationship with its external auditors and statutory inspectors, together with other agencies such as the Local Government Association.

The Council is committed to the highest possible standards of openness, probity and accountability and has in place a formal Complaints Procedure, Anti-Money Laundering Policy, Whistleblowing Code and Anti-Fraud, Bribery and Corruption Policy. The Council has a zero tolerance policy towards fraud and corruption. The Council's Whistleblowing Code provides the opportunity for anyone to report their concerns confidentially and enable them to be investigated properly.

In accordance with best practice the Council has in place Senior Information Risk Owners arrangements. The arrangements ensure suitable allocation of responsibilities for information systems through a network led by the Borough Solicitor.

Recruitment Procedures are in place to ensure the appointment of appropriately skilled employees. An induction process is also in place for employees along with guidance for Managers on how to induct new employees into their teams. Ongoing training needs are identified through a Development Appraisal Scheme.

The Council is committed to consulting local people and a 'Your Views' section is available on the Council's website dedicated to engaging the public.

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. The Council is committed to working in partnership with public, private and voluntary sector organisations where this will enhance its ability to achieve its identified aims.

## FINANCIAL MANAGEMENT ARRANGEMENTS

The Authority's Financial Management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

## REVIEW OF EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

West Lancashire Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Service and Senior Managers within the Authority who have responsibility for the development and maintenance of the governance environment, by the Head of Internal Audit's annual report, and also by the work undertaken by the External Auditors and other review agencies and inspectorates.

The Council is ultimately responsible for maintaining an up to date governance framework which is chiefly contained in its Constitution and is made up of its standing orders, financial regulations and scheme of delegation together with various associated policies and procedures.

Our most recent Annual Audit Letter from Grant Thornton concluded that the Council has effective arrangements in place for internal control.

As part of the procedure for producing this statement, the Council's Heads of Service and Senior Managers are required to review whether there are any significant control or governance issues that require addressing. No significant issues have been identified in this year's review.

The Borough Treasurer, who has overall responsibility for the Authority's financial framework, has not identified any significant governance or internal control issues in relation to financial matters. In carrying out a continuous audit of the Council's business, the Internal Audit Section review the effectiveness of key elements of the Council's governance arrangements and report to the Audit and Governance Committee accordingly. The Internal Audit Manager's Annual Report for 2016/17 does not identify any serious deficiencies in the Council's internal control mechanisms.

The Audit and Governance Committee are charged with monitoring Contract Procedure Rules, Financial Regulations and other provisions of the Constitution. This Committee also considers how well the Council has complied with its own and other published standards and controls in so far as these contribute to the adequacy of its framework of internal control.

We have been advised on the implications of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and plans to address development issues and ensure continuous improvement of the system are in place.

**PROGRESS ON ISSUES IDENTIFIED IN THE LAST ANNUAL GOVERNANCE STATEMENT**

**FINANCIAL CHALLENGES AND THE BUSINESS PLAN**

Due to robust financial monitoring and management the Council has achieved a favourable budget variance for 2016/17 and has set a balanced budget for 2017/18. Consequently, the Council is taking appropriate action to ensure a stable financial standing and this position has been confirmed in our latest Annual Audit letter.

**CURRENT SIGNIFICANT GOVERNANCE ISSUES**

**FUTURE FINANCIAL CHALLENGES**

Further significant savings will be required to ensure a balanced budget position is achieved over the next three years. The latest Medium Term Financial Forecast identifies the scale of the savings required and this will primarily be addressed through the Council's Policy Option process. Implementing this savings programme may create significant risks in the governance framework that will need to continue to be managed and reviewed effectively.

**ELECTRONIC RECORDS**

The Council is reviewing its management of electronic records in light of the large volumes of information currently held on systems. An action plan is being developed for implementation to improve governance to ensure compliance with the Corporate Retention and Disposal Schedule through an officer based project group.

On the basis of the work carried out, which has been reviewed by the Audit and Governance Committee, we are satisfied that the Governance Framework is generally effective. We propose over the coming year to address the above matters to further enhance our governance arrangements and to prepare for change. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

**SIGNED:** .....

Date .....

**LEADER**

**SIGNED:** .....

Date .....

**CHIEF EXECUTIVE**

On behalf of West Lancashire Borough Council







## AUDIT AND GOVERNANCE COMMITTEE:

27 June 2017

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**Report of: Borough Treasurer**

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

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### **SUBJECT: STATEMENT OF ACCOUNTS**

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Borough wide interest

#### **1.0 PURPOSE OF THE REPORT**

1.1 To provide details on the preparation of the Statement of Accounts for the year ended 31st March 2017.

#### **2.0 RECOMMENDATIONS**

2.1 That this report be noted.

2.2 That a further report to approve the audited statement of accounts be produced for the next meeting of the Committee.

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#### **3.0 BACKGROUND**

3.1 It is part of the terms of reference of this Committee that it will approve the Council's Statement of Accounts by the 30<sup>th</sup> September each year.

## **4.0 AUDIT PROCESS**

- 4.1 The Accounts and Audit Regulations require that by the 30<sup>th</sup> June each year that the Council's Chief Finance Officer must sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position and performance of the body for that year. At the time of writing this report, the accounts are being reviewed and verified, and are on course to be produced by the due date.
- 4.2 Once the accounts are finalised it is intended that they will be published on the Council's website and a link sent to all Council Members, with paper copies being made available on request. I will also provide a presentation on the key issues from the Statement in the training session immediately prior to the Committee meeting.
- 4.3 Over the course of the summer our external auditors – Grant Thornton – will conduct an audit of the accounts. The summer period will also provide Members with the opportunity to scrutinise the accounts in detail and request any additional information or raise any issues.
- 4.4 Regulations require that our external auditors report on their findings from the audit directly to Members before the end of September. This report will be presented to the next meeting of the Audit and Governance Committee, and at that time the Committee will be asked to approve the audited accounts.

## **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 formal reporting of the Council's financial performance and position is part of the overall control framework that is designed to minimise the financial risks facing the Council.

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### **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**

None



## AUDIT AND GOVERNANCE COMMITTEE:

27 June 2017

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**Report of:** Borough Treasurer

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

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**SUBJECT: INTERNAL AUDIT ACTIVITY – QUARTERLY UPDATE**

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Wards affected: Borough wide

### **1.0 PURPOSE OF THE REPORT**

1.1 To advise of progress against the 2017/18 Internal Audit Plan and further assurance reports from the 2016/17 Internal Audit Plan.

### **2.0 RECOMMENDATION**

2.1 That Members note progress in the year to date.

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### **3.0 BACKGROUND**

3.1 This committee approved the 2017/18 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 summarises progress to date. This work will inform the overall opinion in the Internal Audit Annual Report that will be presented to this Committee following the end of the financial year.

### **4.0 INTERNAL AUDIT ACTIVITY TO DATE**

4.1 An appendix 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 an improvement over that of the previous year with 17% of audits in progress compared to 15% for the same period in 2016/17 and almost on par with the position in the previous year 2015/16, 18% in the last quarter where the section was fully staffed in line with the establishment.

4.3 The restructure of the section is now complete with the final vacancy filled as from 12<sup>th</sup> June and while there are still some temporary residual effects from the reduced resource levels over the last 12 months the new establishment is now in place to enable delivery of the 2017/18 plan. The Audit Manager will provide a verbal update on the latest position at the meeting.

## **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 The financial and resource implications arising from activity identified in this report are included in 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.

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### **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 Update.

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## INTERNAL AUDIT QUARTERLY UPDATE

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### 1.0 Summary of Progress against the 2017/18 plan.

- 1.1 Progress against the plan to date is an improvement over that of the previous year with 17% of audits in progress compared to 15% for the same period in 2016/17 and almost on par with the 18% position in the previous year 2015/16, the last quarter where the section was fully staffed in line with establishment.
- 1.2 The restructure of the section is now complete with the final vacancy filled as from 12<sup>th</sup> June and while there are still some temporary residual effects from the reduced resource levels over the last 12 months the new establishment is now in place to enable delivery of the 2017/18 plan. The Audit Manager will provide a verbal update on the latest position at the meeting.

Title	Position
Cashiers	Work not yet commenced
Creditors	Work not yet commenced
Debtors	Work not yet commenced
NNDR	Work not yet commenced
Council Tax	Work not yet commenced
Benefits	Work not yet commenced
Housing Rents	Work not yet commenced
Treasury Management	Work not yet commenced
Contracts and Procurement	Work in progress
Accounting Controls	Work not yet commenced
Payroll	Work in progress
Annual Governance Statement	Work not yet commenced
Performance Management	Work not yet commenced
Customer Services	Work not yet commenced
ICT	Work not yet commenced
Property Services – housing maintenance	Work not yet commenced
Rent and Money Advice	Work not yet commenced
Leisure	Work not yet commenced
Homelessness	Work not yet commenced
Disabled Facilities Grants	Work in progress
Refuse and Recyclables	Work not yet commenced
Anti-fraud work	Work not yet commenced
Money Laundering reporting Officer	Work not yet commenced
National Fraud Initiative	Work in progress
<b>Summary</b>	
Work complete	0
Work in progress	4
Work not yet commenced	20
<b>Total</b>	<b>24</b>

## 2.0 Assurance rating system

2.1 This report records the levels of assurance provided by Internal Audit's 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 in each area examined defines the limits of the assurance which can be provided and to give context to the assurance provided work is summarised in the reports set out below.

## 3.0 Assurance reports:

### 3.1 Housing Rents

The Income Management and Financial Inclusion Services team in Housing are responsible for the collection of rent from tenants occupying council owned dwellings.

#### 3.1.1 Objectives

To examine the systems, procedures and records relating to rent collection. To review the monthly reconciliation. To test a sample of rent accounts to ensure that transactions have been processed and recorded correctly.

#### 3.1.2 Observations

The review concluded that there are appropriate controls in place for housing rent collection. The individual accounts examined had transactions processed

and recorded correctly. Some minor issues were identified to management and an action plan was agreed to address these.

### 3.1.3 Assurance

This Internal Audit work provides **substantial assurance** that appropriate procedures are in place for the administration of rents and that the QL system is operating effectively in this area.

## 3.2 Member Services

3.2.1 Member Services administer the committee management system and service meetings of the Council and committees. They provide advice to Members in order to maintain democratic processes which are effective and lawful. They also provide secretarial support, administer civic functions and undertake ancillary administrative tasks to support Members in discharging their roles in respect of decision making and their civic functions.

### 3.2.2 Objectives

The exercise reviewed the operation of controls in place to mitigate operational risks for which the service is responsible and examined the implementation of the ModGov system to administer committee activity.

### 3.2.3 Observations

The review concluded that Member Services had appropriate controls in place to control the risks assigned to them on the Covalent system and that the ModGov system had been implemented effectively.

### 3.2.4 Assurance

This Internal Audit work provides **substantial assurance** that appropriate procedures are in place for the administration of the service and that the ModGov system is operating effectively.

## 3.3 Economic Development

3.3.1 The economic development team are responsible for progressing the West Lancashire Economic Development Strategy (WLEDS) which is designed to provide clear direction for economic development and regeneration activity in the Borough. The Strategy underpins the Council's commitment to sustainable regeneration and growth by supporting businesses, creating opportunities, improving skill levels and retaining good quality jobs for local people. Objectives

### 3.3.2 Objectives

To determine whether appropriate governance arrangements are in place to identify and manage risks to the delivery of the key aspects of the WLEDS.

### 3.3.3 Observations

The Economic Development Strategy sets out eight core strategic themes acting as enablers for growth for the Borough and incorporates an Action Plan setting out specific activities for delivery of key elements of the Economic Development Strategy and Ormskirk Town Centre Strategy.

There is a direct correlation between the strategy and the actions identified as a means of achieving the objectives within the strategy themes.

While the service is not responsible for the system a number of issues were noted with automated functions of the Covalent system relating to management of the service. These have been corrected and the system is now operating correctly.

Performance Indicators in use are linked to the WLEDS objectives and should not be considered to be direct measures of performance for work undertaken by the section itself.

A 'Year One Progress Report' was published for Members in June 2016, setting out progress against action plans within the Economic Development Strategy and Ormskirk Town Centre Strategy. A similar report is to be produced on an annual basis.

The arrangements in place regarding reporting and scrutiny are appropriate at all levels.

### 3.3.4 Assurance

This Internal Audit work provides substantial assurance that appropriate governance arrangements are in place to manage risks to the delivery of the key aspects of the WLEDS.

## 3.4 Main Accounting System Controls

3.4.1 The main accounting system comprises of the Civica Financials system which is an integrated system that consists of the creditors and debtors systems in addition to the ledger which supports the Council's financial reporting requirements.

### 3.4.2 Objectives

To examine controls on users of the general ledger system to ensure that there is appropriate segregation of duties in the initiation and authorisation of journal entries.

To confirm that bank reconciliations are undertaken regularly, are in balance and certified appropriately.



That journals are supported by adequate narrative description, relevant accounting codes and that systems incorporate an adequate audit trail back to source documentation.

### 3.4.3 Observations

The register of users was up to date and users permitted to initiate journals were restricted appropriately.

The internal controls may be strengthened by consideration of a defined financial limit where transactions over a certain value must be separately authorised by another officer.

There are regular bank reconciliations and reconciliations of creditors and debtors control accounts. However there is no independent authorisation/certification of these reconciliations. In order to comply more fully with the Constitution's financial regulations, it is considered appropriate that bank reconciliations be independently certified as accurate.

### 3.4.4 Assurance

This Internal Audit work provides substantial assurance that the internal controls in place to control user access, journal entries and reconciliations in the Council's accounting system are adequate. Some recommendations were made to further enhance control through increased segregation of duties, strengthening authorisation requirements and increasing independent scrutiny.

## 3.5 Contracts and Procurement

The Councils Contracts Procedure Rules are designed to secure best value, evidence probity and ensure compliance with Policy & Statute.

They are the cornerstone of corporate procurement activity regulating significant expenditure.

### 3.5.1 Objectives

To promote good standards of control in procurement practice corporately.

To review controls to secure compliance of procurement activity with Contract Procedure Rules and legislative requirements.

To determine whether the arrangements in place for the administration of contracts provide reasonable assurance that the Council's objectives will be met.

### 3.5.2 Observations

During the year internal audit has promoted improvements to procurement arrangements, provided advice to officers engaged in procurement activity and contributed to the latest revision of Contract Procedure Rules approved by Council in April 2016 to facilitate the use of an electronic tendering system for selected contracts.

Internal audit continue to monitor compliance with Contacts Procedure Rules.

Various systems and procedures associated with the administration of works under contract were examined to ensure they are fit for purpose and meet statutory requirements such as inclusion in the transparency register etc.

### 3.5.3 Assurance

This Internal Audit work provides **substantial** assurance that corporate procedures provide a sound framework for the control of risks in the procurement process. These are generally embedded in the local procurement procedures implemented in each service however audit's work identified some potential weakness in controls in some areas which will be the subject of further work in the near future.

## 3.6 NDR

Non-domestic rates (NDR) are administered and collected by BTLS Revenues and Benefits Service through the Northgate system.

There have been moves away from centralised pooling arrangements nationally to incentivise Councils to promote business growth in their local areas. This shift makes any variations in NDR collected more significant for the Council.

### 3.6.1 Objectives

To review the effectiveness of processes to maintain the property database and records of liable parties

To identify the method of data collection and calculation of Performance indicator BTLS3 and confirm the accuracy of the figure

To review the latest reconciliation for NDR- Northgate system / Icon Cash Receipting System / General Ledger

### 3.6.2 Observations

Processes for the identification of vacancies, occupations and changes to the parties responsible for commercial properties incorporate reasonable measures for establishing liability on a timely basis underpinned by procedures for the identification of new or altered commercial property e.g. links to planning applications.

Processes supporting the reporting of performance indicator BTL3 (BV10) operate effectively.

Routines for reconciliation of the Northgate system to ICON and the General ledger are operating satisfactorily.

### 3.6.3 Assurance

This Internal Audit work provides substantial assurance that the procedures in place to maintain records of property and liable parties, calculate and report Performance Indicator BTL3 and to reconcile the NNDR system to feeder systems and the General Ledger operate as intended.

## 3.7 Housing Benefits

The Housing Benefits service delivered by BTL3 assess claims and administer payments to tenants on low income to help with the payment of rent.

### 3.7.1 Objectives

To review the systems (Northgate and Civica), procedures and records relating to the processing of 60 housing benefit claims in payment, to ensure that they have been correctly assessed. Review the Fraud and Error Reduction Incentive Scheme (FERIS) and the procedures for CIS checks.

### 3.7.2 Observations

Testing of the 60 cases did not identify any system issues.

Some minor issues with processing and assessment were identified and an action plan to address these has been agreed with management

No issues were identified with FERIS or CIS procedures.

### 3.7.3 Assurance

This Internal Audit work provides **substantial assurance** that appropriate procedures are in place for the administration of the service and that the Northgate and Civica systems are operating effectively.

## 3.8 Council Tax

BTL3 Revenues and Benefits Service administer council tax on behalf of the Council. They are responsible for all aspects of its day to day administration from billing through to collection and recovery.

### 3.8.1 Objectives

To examine a sample of accounts to confirm bills are correct, transactions have been recorded accurately on the council tax system and that individual account balances are recalculated correctly. To establish that processes work in accordance with legislation and local collection procedures and have satisfactory audit trails supporting them.

### 3.8.2 Observations

The review concluded that the council tax system is generally operating effectively, with bills produced in a timely manner, in accordance with legislation. Individual accounts had been updated accurately to reflect adjustments such as Council Tax Support and payments from receipting systems and this was reflected by corresponding entries in the general ledger. Minor improvements were agreed to some manual processes supporting the system.

### 3.8.3 Assurance

This Internal Audit work provides **substantial** assurance that the council tax system is operating effectively and that appropriate procedures are in place for the day to day administration of council tax generally.

## 3.9 Communications and Consultation Service

The Communications and consultation service are responsible for the production of press releases, and other communications intended for general public consumption. They are also involved in maintaining the Councils website and intranet and with public consultations.

### 3.9.1 Objectives

To review the systems, procedures and records in relation to communications and consultation service, record the department's main functions, review risks relevant to the team and the production of performance indicators.

### 3.9.2 Observations

The review concluded that there are no significant issues with systems and procedures in the service which control the risks they are responsible for. Action on a minor point relating to the calculation of one performance indicator was agreed with management.

### 3.9.3 Assurance

This Internal Audit work provides **substantial assurance** that appropriate procedures are in place for the administration of the service.

#### **4.0 Summary of other Internal Audit work 2016/17**

##### **4.1 Risk Management**

The Audit Manager is a member of the Risk Management Working Group. A previous audit of risk management processes recommended that amendments be made to the practical arrangements for maintaining the risk registers through the Covalent System and that the Risk Management Policy should be reviewed. The revised Risk Management Policy was agreed at the January meeting of this Committee.

##### **4.2 Health and Wellbeing Strategy**

As previously reported to this Committee this item from the 2016/17 plan could not be completed in the year as the Strategy had not been finalised. It was agreed with senior management that the Strategy will be reviewed and any significant work streams identified will be completed as part of Internal Audit's work in 2017/18 as required.

##### **4.3 Street Scene Strategy**

As previously reported to this Committee this item from the 2016/17 plan could not be completed in the year as the Strategy had not been finalised. It was agreed with senior management that the Strategy will be reviewed and any significant work streams identified will be completed as part of Internal Audit's work in 2017/18 as required.

##### **4.4 Data Protection and ICT**

Internal audit are actively engaged with the Information Data Protection Governance working group, the ICT strategy board, and also attend ICT partnership meetings and ICT user group as appropriate,

Internal audit has been involved in reviews of governance arrangements for data held in both electronic and paper based systems during the year. Resulting from the current review an officer based project group has now been set up to establish and arrange implementation of an action plan to further develop governance arrangements relating to electronic storage of data in accordance with the Council's Data Quality Protocol, Data Protection Policy, Retention and Disposal Schedule and ICT and Data Security Policy.

##### **4.5 Payroll (implementation of self-service module)**

The 2014/15 payroll audit identified issues with the system for initiating payroll variations. Since then internal audit have reviewed the self service module in the payroll system during its implementation and improved controls have been incorporated into the new system. These will be formally tested as part of the 2017/18 audit of payroll.

#### 4.6 Voids

Report being finalised, no significant issues identified.

#### 4.7 Leisure

Report being finalised, no significant issues identified.

#### 4.8 Response maintenance

Following some initial work the scope of this exercise was reviewed. It has been amended and expanded following discussion with the Director of Housing and Inclusion and a larger exercise will be completed as part of the current years planned work on housing maintenance and reported on later this year.

#### 4.9 CRM / digital inclusion

The Council is implementing a new Customer Relationship Management system which will potentially require changes to a number of back office systems. Internal audit are providing support to the CRM Project Board and liaising with the Digital executive in relation to a number of potential changes to income systems resulting from improvements planned for improved website service offerings to the public.

#### 4.10 National Fraud Initiative

Internal audit are responsible for administering the National Fraud Initiative (NFI), a Cabinet Office exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

The Council is required to submit data on a regular basis and the exercise returned 3,369 matches in the year.

Matches returned mainly related to: housing benefit, payroll, housing tenancies, insurances and creditor payments. All matches for which WLBC were the lead authority under the NFI protocols were screened and risk assessed. The service also dealt with enquiries relating to matches where another body was the lead.

Responsibility for investigation of housing benefit fraud has transferred from local authorities to the DWP Single Fraud Investigation Service. With the caveat that the results of investigations into data matches relating to housing benefits transferred to the DWP's Single Fraud Investigation Service are not known, no significant fraudulent activity or erroneous payments were discovered in WLBC as a result of the NFI data matching exercise during the year.

While this exercise is not primarily designed as assurance work the exercise did not identify any significant issues arising from control weaknesses in any of the systems submitting data and thus provides general affirmation of the fitness for purpose of the systems in question.

#### 4.11 Money Laundering Reporting

Time is included in the Audit Plan for the Audit Manager's role of Money Laundering Reporting Officer. No incidents of money laundering were disclosed during the year.

#### 4.12 Antifraud systems

The section is involved in a variety of anti-fraud, bribery and corruption activity. While these fall outside planned formal assurance activity they may inform consideration of controls. No significant control issues were identified during this year's anti-fraud work

#### 4.13 Annual Governance Statement

Internal audit work supports the production of the Annual Governance Statement presented elsewhere on this agenda and time is included in the plan for a review of audit findings and other sources of assurance to inform its preparation and review of the final draft of the document before publication.

Taking into account the annual review of West Lancashire Borough Council's internal controls, as outlined in its Local Code of Governance, there are no issues arising from Internal Audit's work in year 2016/17 which require disclosure in the Annual Governance Statement in addition to those already contained in it.

### **5.0 Other matters of note.**

#### 5.1 Review of Quality Assurance and Improvement Programme (QAIP)

The Public Sector Internal Audit Standards require internal audit's QAIP to be externally assessed at least every five years. Members resolved that the review be undertaken by an external assessment rather than joining the Lancashire District's peer review programme. February meeting of Council agreed budget provision for this and work will now begin on commissioning the review.

### **6.0 Conclusion**

6.1 At the time of writing progress against the 2017/18 plan to date is nearly back to levels achieved when the service was last at full strength and arrangements are now in place to secure sufficient coverage to allow an adequate assessment of the adequacy and effectiveness of the Council's overall framework of governance, risk management and control for the year. The Audit manager will provide an update on the latest position at the meeting.







## AUDIT AND GOVERNANCE COMMITTEE:

27 June 2017

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**Report of:** Borough Treasurer

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

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**SUBJECT:** INTERNAL AUDIT ANNUAL REPORT 2016-17

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Wards affected: Borough wide

### **1.0 PURPOSE OF THE REPORT**

1.1 To present the 2016-17 Internal Audit Annual Report for consideration.

### **2.0 RECOMMENDATION**

2.1 That the Internal Audit Annual Report for 2016-17 be noted.

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### **3.0 BACKGROUND**

3.1 The United Kingdom Public Sector Internal Audit Standards require the Audit Manager to deliver an annual opinion and report. Consideration of the report is included in this Committee's Terms of Reference.

3.2 The report identifies matters which the Audit Manager considers relevant to Member's consideration of the Annual Governance Statement and Statement of Accounts presented elsewhere on this agenda.

### **4.0 SUMMARY OF FINDINGS**

4.1 The Internal Audit Annual Report concludes that West Lancashire Borough Council's risk management systems and framework of governance and control are adequate and effective.

## **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 Annual Report is a key element of assurance to this Committee that risks are being properly managed to increase the likelihood that the Council will achieve its overall objectives.

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### **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 - Internal Audit Annual Report 2016-17.

# **INTERNAL AUDIT SERVICE ANNUAL REPORT 2016-17**

## **1.0 INTRODUCTION**

- 1.1 The Council is required by the Accounts and Audit Regulations 2015 to undertake an effective internal audit of its risk management, control and governance processes, taking into account public sector auditing standards or guidance.
- 1.2 For 2016/17 those standards were defined in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 The PSIAS require the Audit Manager to deliver an annual internal audit opinion that can be used to inform the Council's Annual Governance Statement.
- 1.4 The work streams set out in the Internal Audit Plan approved by this Committee are the primary source of assurance upon which that opinion is based.
- 1.5 This report summarises internal audit activity during 2016-17, any matters relevant to the Annual Governance Statement and presents the annual internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

## **2.0 CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 2.1 A report was brought to this Committee setting out the requirements of the Public Sector Internal Audit Standards (PSIAS) adopted from April 2013.
- 2.2 Since the introduction of the PSIAS internal audit has kept its systems and procedures under review to ensure that it operates in accordance with the standards.
- 2.3 For 2016/17 our internal assessment of our compliance with the standards was based on the "Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note" published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.4 The assessment re-confirmed that the work performed by the section in the year was conducted in conformance with the PSIAS with one minor matter requiring attention which will be addressed in 2017/18.

2.5 We are currently in the process of commissioning an external assessment of conformance with the PSIAS which will be reported to this Committee in due course.

### **3.0 INTERNAL AUDIT ACTIVITY 2016-17**

3.1 The 2016-17 Internal Audit Plan was prepared using a risk based approach taking into account the Council's objectives and considering known local and national influences on risks to their achievement. It was approved by this Committee in March 2016.

3.2 The 2016/17 Internal Audit Plan set out 26 work-streams. Performance against the plan, summaries of internal audit activity and the level of assurance it provides are reported to this Committee in detail on a quarterly basis.

3.3 This has been another challenging year for the section with pressure on resources resulting from unplanned changes of staff and agency workers as well as a restructuring impacting on the normal pattern of work throughout the financial year. It is anticipated that staffing will return to full strength in accordance with the revised permanent establishment from June 2017.

3.4 Sufficient audit coverage has been achieved in the year to enable me to provide my opinion on the control environment.

3.5 Progress against the annual risk based Internal Audit Plan is reported quarterly to this committee and those reports set out the work undertaken during the year to support the opinion in this report.

3.6 Assurance work undertaken in the year confirmed that the Council has appropriate controls in place to manage significant risks to its operations as reflected in the substantial assurance ratings given in the majority of the areas examined.

3.7 Non-assurance work is activity undertaken by internal audit not primarily designed to provide assurance. An example is the National Fraud Initiative which the Council is required to participate in. Such work may still provide useful evidence of the effectiveness of controls in operation and work completed in these areas during the year did not disclose any evidence of significant areas of weakness in controls.

3.8 In addition to planned activity, internal audit have a role in investigation of potential fraud and irregularity, responding to items referred to it in accordance with established procedures. In 2016/17 no initial referrals were progressed to the formal investigation stage.

#### **4.0 MANAGEMENT RESPONSES TO INTERNAL AUDIT REPORTS**

- 4.1 During the year improvements to controls in various systems have been agreed between internal audit and management.
- 4.2 Responses from auditees have been satisfactory and recommendations have been implemented in agreed timescales.

#### **5.0 ANNUAL GOVERNANCE STATEMENT**

- 5.1 Internal audit work supports the production of the Annual Governance Statement presented elsewhere on this agenda. There are no issues arising from Internal Audit's work in 2016/17 which require disclosure in the Annual Governance Statement in addition to those already contained in it.

#### **6.0 OVERALL OPINION**

- 6.1 The Internal Audit Plan was prepared without any limitations on scope. No issues were identified during the course of the audit work in 2016/17 that would be likely to have a material effect on the Council's Financial Statements.
- 6.2 Based on the work which internal audit have carried out and taking into account other sources of assurance available, such as the Council's external auditor's Annual Audit Letter it is my opinion that West Lancashire Borough Council has in place a sound overall framework of governance and effective risk management and control systems.

M.A.Coysh  
Internal Audit Manager  
West Lancashire Borough Council



## Audit & Governance Committee Work Programme – 27 June 2017

Date	Training (commencing 6.00pm)	Items
5 September 2017	Role of External Auditors (Grant Thornton)	<ol style="list-style-type: none"> <li>1. Grant Thornton – Progress Update</li> <li>2. Grant Thornton – Audit Findings Report</li> <li>3. Approval of Statement of Accounts</li> <li>4. Internal Audit Activities – Quarterly Update</li> <li>5. Anti-Fraud, Bribery &amp; Corruption Policy</li> <li>6. Anti Money Laundering Policy</li> <li>7. Local Code of Governance</li> <li>8. RIPA Act Annual and Quarterly Monitoring Use of Powers</li> </ol>
30 January 2018		<ol style="list-style-type: none"> <li>1. Grant Thornton – Progress Update</li> <li>2. Internal Audit Activities – Quarterly Update</li> <li>3. RIPA Act quarterly monitoring of use of powers</li> <li>4. Grant Thornton Annual Audit Letter</li> <li>5. Grant Thornton Certification Letter</li> <li>6. Annual Review – Anti-Fraud, Bribery and Corruption Policy</li> <li>7. Risk Management Framework</li> </ol>
27 March 2018		<ol style="list-style-type: none"> <li>1. Grant Thornton – Progress Update</li> <li>2. Local Code of Governance</li> <li>3. Internal Audit Activities – Quarterly Update</li> <li>4. Internal Audit Plan 2017/18</li> <li>5. RIPA Act quarterly monitoring of use of powers</li> <li>6. Grant Thornton – Audit Plan</li> </ol>
27 June 2018		<ol style="list-style-type: none"> <li>1. Grant Thornton – Progress Update</li> <li>2. Internal Audit Annual report</li> <li>3. Internal Audit Activities – Quarterly Update</li> <li>4. Annual Governance Statement</li> <li>5. Statement of Accounts</li> <li>6. RIPA Act Quarterly Monitoring of Use of Powers</li> <li>7. Anti-fraud, Bribery &amp; Corruption Policy</li> <li>8. Anti-money laundering policy</li> <li>9. Local Code of Governance</li> </ol>

