



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

Monday, 22 January 2018

**TO: COUNCILLORS P COTTERILL, R PENDLETON, T ALDRIDGE, T BLANE,
I DAVIS, J GORDON, N HENNESSY, P HUDSON, J MEE,
E POPE AND C WYNN**

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, 30 JANUARY 2018** 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

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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

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 Friday 26 January 2018.

5. MINUTES

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To receive as a correct record the minutes of the last meeting of the Committee held on 5 September 2017.

6. GRANT THORNTON ANNUAL AUDIT LETTER

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(To consider the report of the Borough Treasurer)

7. GRANT THORNTON - CERTIFICATION LETTER

281 -
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(To consider the report of the Borough Treasurer)

8. GRANT THORNTON - PROGRESS REPORT AND SECTOR UPDATE

287 -
304

(To consider the report of the Borough Treasurer)

9. GRANT THORNTON EXTERNAL AUDIT PLAN

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(To consider the report of the Borough Treasurer)

10. INTERNAL AUDIT ACTIVITY - QUARTERLY UPDATE

323 -
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(To consider the report of the Borough Treasurer)

11. RIPA 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.

12. RISK MANAGEMENT FRAMEWORK AND POLICY UPDATE

329 -
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(To consider the report of the Borough Treasurer).

13. WORK PROGRAMME

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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:-

Jill Ryan on 01695 585017

Or email jill.ryan@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			Notes
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.	<p>I have a pecuniary interest because</p> <p>it affects my financial position or the financial position of a connected person or, a body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest</p> <p style="text-align: center;">or</p> <p>it relates to the determining of any approval consent, licence, permission or registration in relation to me or a connected person or, a body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest</p>	<input type="checkbox"/>	<p><i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i></p> <p><input type="checkbox"/></p> <p><i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i></p>
4.	<p>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:</p> <p>(i) Housing where I am a tenant of the Council, and those functions do not relate particularly to my tenancy or lease.</p> <p>(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.</p> <p>(iii) Statutory sick pay where I am in receipt or entitled to receipt of such pay.</p> <p>(iv) An allowance, payment or indemnity given to Members</p> <p>(v) Any ceremonial honour given to Members</p> <p>(vi) Setting Council tax or a precept under the LGFA 1992</p>	<input type="checkbox"/>	<i>You may speak and vote</i>
		<input type="checkbox"/>	<i>You may speak and vote</i>
		<input type="checkbox"/>	<i>You may speak and vote</i>
		<input type="checkbox"/>	<i>You may speak and vote</i>
		<input type="checkbox"/>	<i>You may speak and vote</i>
		<input type="checkbox"/>	<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

Employment, office, trade, profession or vocation

Sponsorship

Prescribed description

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

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.

Agenda Item 5

AUDIT & GOVERNANCE COMMITTEE

HELD: Tuesday, 5 September 2017

Start: 6.30 P.M.

Finish: 7.10 P.M.

PRESENT:

Councillor: A Yates (Chairman)

Councillors: T Aldridge P Hudson
I Davis J Mee
J Gordon R Pendleton
N Hennessy E Pope
G Hodson

Officers: Borough Treasurer (Mr M Taylor)
Borough Solicitor (Mr T Broderick)
Audit Manager (Mr M Coysh)
Member Services/Civic Support Officer (Mrs J A Ryan)

In attendance: Karen Murray (Grant Thornton)
Georgia Jones (Grant Thornton)

14 APOLOGIES

There were no apologies for absence received.

The Chairman welcomed Councillor Ian Davis to his first Audit and Governance Committee.

15 MEMBERSHIP OF THE COMMITTEE

In accordance with Council Procedure Rule 4, the Committee noted the termination of membership of Councillor Cotterill and the appointment of Councillor Gail Hodson respectively for this meeting only, giving effect to the wishes of the Political Groups.

16 DECLARATIONS OF INTEREST

There were no declarations of interest.

17 PUBLIC SPEAKING

There were no items under this Heading.

18 MINUTES

RESOLVED: That the minutes of the meeting held on the 27 June 2017 be approved as a correct record and signed by the Chairman.

19 GRANT THORNTON - AUDIT FINDINGS REPORT

Consideration was given to the report of the Borough Treasurer as circulated and contained on pages 73 to 110 of the Book of Reports the purpose of which was to receive a report from the Council's External Auditors, Grant Thornton setting out their findings on the audit of the accounts and value for money.

The Chairman invited Karen Murray and Georgia Jones from Grant Thornton to present the Audit Findings Report to the Committee.

A question was asked in connection with the mis-calculation of lease payments.

Karen Murray provided a response to this question and replied that this was easy to miscalculate and was not an uncommon error and that this had been rectified.

RESOLVED: That the report be noted.

20 APPROVAL OF STATEMENT OF ACCOUNTS

Consideration was given to the report of the Borough Treasurer as circulated and contained on pages 111 to 220 of the Book of Reports the purpose of which was to approve a Letter of Representation and the Council's annual Statement of Accounts.

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

- Build-up of investment assets
- The whereabouts of the Ruff Public Park and Pleasure Ground

RESOLVED A. That the Letter of Representation set out in Appendix 1 of the report be endorsed.

B. That the Statement of Accounts set out in Appendix 2 of the report be approved.

21 INTERNAL AUDIT ACTIVITIES - QUARTERLY UPDATE

Consideration was given to the report of the Borough Treasurer as circulated and contained on pages 221 to 225 of the Book of Reports which advised of the progress against the 2017/18 Internal Audit Plan.

The Audit Manager reported that delivery of the Internal Audit Plan was progressing well and that the Plan was on track and should be delivered on time if current progress is maintained.

He also advised Members that a new temporary appointment was currently being filled to help with the issue identified in the Annual Governance Statement relating to the management of electronic records corporately.

A Member asked whether there were any significant issues in audit work completed to date that Members needed to be aware of in respect of the Internal Audit Activity, and it was confirmed that there were no such issues at this time.

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

(Note: Councillor Dowling arrived during consideration of this item and was present for the remainder of the meeting).

22 **REGULATION OF INVESTIGATORY POWERS (RIPA) ACT - ANNUAL SETTING OF THE POLICY AND REVIEW OF USE OF POWERS**

Consideration was given to the report of the Borough Solicitor as circulated and contained on pages 227 to 255 of the Book of Reports the purpose of which was to present an updated RIPA Policy document for approval.

RESOLVED: That the Council's RIPA activity and the updated RIPA Policy document be noted.

23 **WORK PROGRAMME**

Consideration was given to the Committee's Work Programme as set out on page 257 of the Book of Reports. It was noted that the dates of future meetings of the Audit and Governance Committee would need to be changed through the Council's usual processes due to the deadline for the annual audit moving forward.

RESOLVED: That the Work Programme be noted.

.....
- CHAIRMAN -



AUDIT AND GOVERNANCE:
30th January 2018

Report of: Borough Treasurer

Contact: Marc Taylor (Extn. 5092)
(E-mail: Marc.Taylor@westlancs.gov.uk)

SUBJECT: GRANT THORNTON ANNUAL AUDIT LETTER

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To consider the Grant Thornton Annual Audit Letter for the Year Ended 31st March 2017.

2.0 RECOMMENDATION

2.1 That the Letter be considered and that any questions on its contents be raised with the External Auditors at the meeting.

3.0 BACKGROUND

3.1 Each year our External Auditors produce an Annual Audit Letter. A copy of this year's Letter has been included as the Appendix to this report. The Letter provides an overall summary of the auditor's assessment of the Council, based on all of the work that they have undertaken over the last year.

4.0 CURRENT ISSUES

4.1 The Annual Audit Letter confirms that:

- An unqualified opinion has been given on the accounts, which means that they provide a true and fair view of the Council's income and expenditure for the year and its financial position as at 31 March 2017
- the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources

4.2 Our external auditors will be attending the meeting and will be able to answer any questions that Members may have on the Letter.

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 Annual Audit Letter is an integral part of the Council's internal control framework and provides assurance to Members that the Council is operating effectively.

Background Documents

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

Equality Impact Assessment

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

Appendix

Annual Audit Letter

The Annual Audit Letter for West Lancashire Borough Council

Year ended 31 March 2017

October 2017

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Karen Murray

Director

T 0161 234 6364

E karen.l.murray@uk.gt.com

Georgia Jones

Manager

T 0161 214 6383

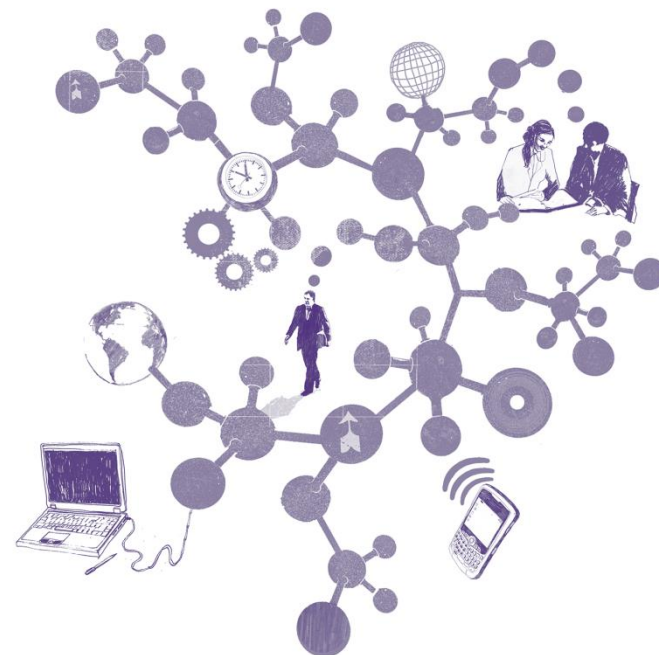
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Appendices

A Reports issued and fees

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at West Lancashire Borough Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit and Governance Committee (as those charged with governance) in our Audit Findings Report on 5 September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 5 September 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 5 September 2017.

Certificate

We certified that we had completed the audit of the accounts of West Lancashire Borough Council in accordance with the requirements of the Code on 5 September 2017.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit and Governance Committee in our Annual Certification Letter.

Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £1.449m, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for senior officer remuneration and related party transactions.

We set a lower threshold of £72k, above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by Borough Treasurer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council's and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The expenditure cycle includes fraudulent transactions Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition, especially where the body is required to meet targets.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • identified and documented the processes and controls in place around expenditure at the Council and undertaken walkthrough testing to confirm these operated in line with our understanding • tested a sample of non pay expenditure as set out within 'Operating Expenses' on page 6 • reviewed the accounts to identify any unusual significant transactions 	<p>Our audit work has not identified any significant issues in respect of expenditure recognition.</p>
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. • reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. • gained an understanding of the basis on which the valuation was carried out. • undertook procedures to confirm the reasonableness of the actuarial assumptions made • reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any issues in respect of the valuation of the pension liability.</p>

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Operating Expenses Year end creditors and accruals are understated or not recorded in the correct period.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 272</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • identified and documented the processes and controls in place around operating expenditure at the Council • completed walkthrough testing on a sample item to confirm our understanding • substantively tested a sample of non-pay expenditure • reconciled the accounts payable systems to general ledger and financial statements • reviewed the accruals process and tested a sample of manual accruals and creditor balances • sample tested payments around the year-end to confirm expenditure is charged to the correct year • reviewed and tested other items of expenditure and disclosures including the Minimum Revenue Provision (MRP) and members' allowances. 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<p>Employee Remuneration Employee remuneration accruals are understated</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • identified and documented the processes and controls in place around employee remuneration at the Council • walked through a sample item to confirm controls operate in line with our understanding • tested a sample of payroll transactions • reconciled the payroll data to general ledger and financial statements • performed a trend analysis of payroll costs for the year • tested senior officer remuneration disclosures back to source documents • reviewed and tested other pay disclosures including exit packages notes 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment</p> <p>The Council revalues its assets on a rolling basis over a five year period. The Council carried out a valuation of its housing stock during 2015/16. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate • reviewed of the competence, expertise and objectivity of the valuer as management's expert used for this estimate • reviewed the instructions issued to valuation experts and considered the scope of their work • discussed with the valuer the basis on which the valuation was carried out and challenged the key assumptions. • reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding. • tested a sample of revaluations made during the year to ensure they were input correctly into the Council's asset register. • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these were not materially different to current value. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Changes to the presentation of local authority financial statements</p> <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> documented and evaluated the process for recording the required financial reporting changes to the 2016/17 financial statements reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure they were in line with the Council's internal reporting structure reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>The CIPFA Code of Practice on Local Authority Accounting says that the Expenditure and Funding Analysis should be given 'due prominence' in the accounts.</p> <p>The Code also sets out that "An authority will be able to decide for itself taking into account the needs of its users"</p> <p>We would expect this note to be note 1 in the accounts rather than note 27. However, the Borough Treasurer has indicated he is content with the position of the note.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 5 September 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Audit and Governance Committee on 5 September 2017.

Annual Governance Statement and Narrative Report

We were required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We did not need to exercise these additional statutory duties.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Financial outlook</p> <p>The Council does not have a history of financial difficulty but the position is beginning to become more challenging.</p> <p>At the time of our vfm planning, the Council was forecasting a favourable variance on the GRA of £310k and a favourable variance on the HRA of £1m. A budget gap of £1.44m was originally forecast for 2017/18. Savings and efficiencies were identified to address this gap but the Council continues to face a challenging financial position going forward with a budget gap of around £2m - £2.5m over the two year period of 2018/19 to 2019/20.</p>	<p>We reviewed budget monitoring reports and updates to the Medium Term Financial Forecast.</p> <p>We discussed with officers plans to address future potential budget gaps and how the Council is identifying, managing and monitoring financial risks.</p> <p>We continued to review and monitor revenue and capital reports.</p>	<p>The Council continues to manage its finances well in order to deliver services aligned to the needs of the local community. In terms of overall financial performance the Council achieved a favourable variance of £391k (3%) on the GRA in 2016/17. This was a result of good performance on implementing savings, underspend on employee and running expenses and income exceeding budget in some areas. The Council intends to use most of this variance to support the 2018/19 financial position.</p> <p>The Council also achieved a favourable variance on the HRA of £1.4m (5%). This was the result of reduced staff costs, not using the contingency and more favourable interest rates than forecast.</p> <p>A balanced budget was set for 2017/18 including £1.18m of GRA savings measures which have been identified to help achieve this. The Council continues to look for ways to reduce costs and make the most of financial opportunities. For example green waste charging has been introduced from June with current forecasts of income above the estimated forecast income of £0.5m</p> <p>A revised Medium Term Financial Forecast was taken to Council in July. Budget gaps of £1.9m in 2018/19 rising to £2.7m in 2020/21 have been identified. A number of policy options were presented to Council around income generation, efficiency/better ways of working and service redesign, and some of surplus from 2016/17 - around £310k - will be used to support 2018/19. Early planning around efficiencies have identified around £450k and other options are being reviewed which amount to around £800k.</p> <p>The Council has a good record of identifying savings and is working to achieve those needed for 2017/18, and identify required efficiencies for 2018/19 onwards with a number of options already identified.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and other audit related services

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	43,746	43,746	43,746
Housing Benefit Grant Certification	10,920	10,920	11,195
Total fees (excluding VAT)	54,666	54,666	54,941

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The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Reports issued

Report	Date issued
Audit Plan	March 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services: <ul style="list-style-type: none">• Pooled Housing Capital Receipts	TBC

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

Reports issued and fees continued

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks.

	Service provided to	Fees	Threat identified	Safeguards
Audit related services	West Lancashire Borough Council Each year we provide the audit for the Pooled Housing Capital Receipts return. In 2015/16 the fee for this work was £1,750. The fee for 2016/17 is still to be agreed.	TBC	No specific threat identified	The fee is of a low amount compared to the overall audit fee of £43,746 so would not impact on our independence as auditors. An Ethical Standards form is completed prior to work commencing to ensure all threats have been identified and considered.
TOTAL		TBC		

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The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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AUDIT AND GOVERNANCE COMMITTEE:

30 January 2018

Report of: Borough Treasurer

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

SUBJECT: GRANT THORNTON CERTIFICATION LETTER

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To receive details of our External Auditor's findings from their certification of 2016/17 claims and returns.

2.0 RECOMMENDATION

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

3.0 BACKGROUND

3.1 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescales set by government departments. Our external auditor certified one claim for the financial year 2016/17 relating to Housing Benefit subsidy of £27.571m.

4.0 FINDINGS

- 4.1 Details of the external auditor's findings are included in their letter which is attached as an appendix to this report. There were no issues arising from the certification work that need to be highlighted for the attention of Members.
- 4.2 Our external auditors will be attending the meeting and will be able to answer any questions that Members may have on the letter.

5.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendix

Certification Letter



Grant Thornton

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9 January 2018

Dear Marc

Certification work for West Lancashire Borough Council for year ended 31 March 2017

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

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £27.571 million. Further details are set out in Appendix A.

We identified a number of issues from our certification work which we wish to highlight for your attention.

We identified one error from the initial testing we carried out for rent allowances on this year's subsidy return which recurred from 2015/16. We completed extended testing and identified one additional error.

We also completed extended testing in relation to another error type identified in our work on rent rebates on the 2015/16 claim, we found no further errors of this type.

The extrapolated financial impact on the claim, which we have reported to the DWP, was relatively insignificant to the total subsidy receivable.

As a result of the errors identified, the claim was qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £10,920. This is set out in more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP.

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£27,570,502	No	N/A	Yes	See below

Claimant income

We identified one error in relation to rent allowances where assessors had incorrectly calculated the claimants' average weekly earned income resulting in an overpayment of £25. We tested a further 40 cases and found one further error where the claimant had been underpaid. There were no further overpayments identified. However, because of the error, specific testing in this area will be required in 2017/18. Similar errors were reported in 2015/16.

In 2015/16 we identified 2 rent rebate errors in relation to incorrect earned income figures and working tax credits and as a result, this year an additional random sample of 40 cases was selected for testing from the headline cell. The additional testing identified no errors.

Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£14,450	£10,920	£10,920	£0	
Total	£14,450	£10,920	£10,920	£0	



AUDIT AND GOVERNANCE COMMITTEE:

30 January 2018

Report of: Borough Treasurer

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

SUBJECT: GRANT THORNTON - PROGRESS REPORT AND SECTOR UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

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

2.0 RECOMMENDATION

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

3.0 BACKGROUND

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

4.0 PROGRESS REPORT

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

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

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

6.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendices

Appendix – Grant Thornton - Progress Report and Sector Update

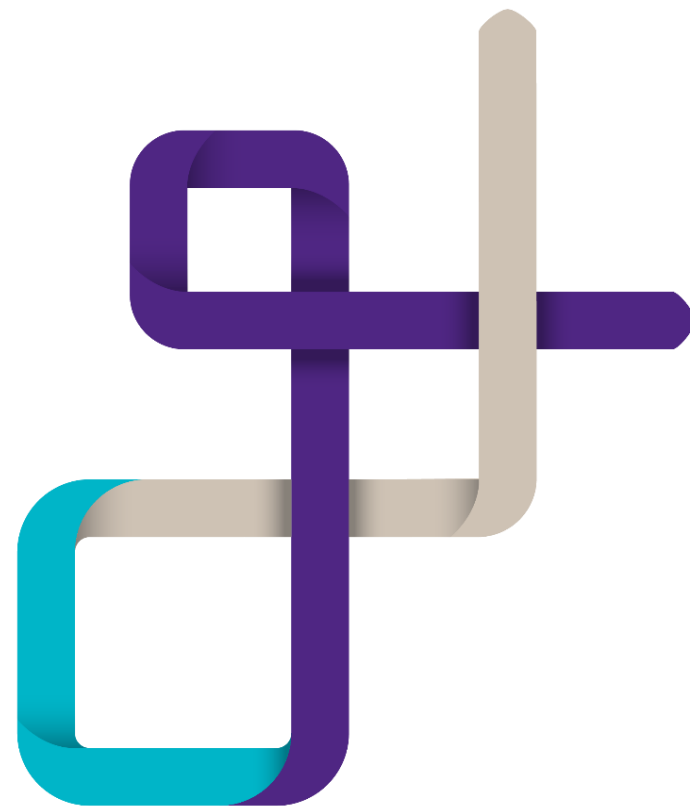
External Audit

Progress Report and Sector Update

West Lancashire Borough Council

January 2018

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Introduction

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority and
- includes a number of challenge questions in respect of these emerging issues which the Audit & Governance Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit & Governance Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo below to be directed to the website.

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.



Progress at January 2018

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We are due to commence our interim audit in February 2018. Our interim fieldwork visit will include:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at the March Audit and Governance committee.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We discuss our plan and timetable with officers.

The final accounts audit is due to begin in June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. 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".

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".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in January 2018 and report this to you in our Audit Plan

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We have met with the Chief Executive and Borough Treasurer as part of our liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. We expect the first workshop of the year to be our annual financial reporting workshop that proves popular with council finance teams.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit and Governance Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Sector update



Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Combined Authorities: Signs of Success



In her foreword to 'Building our Industrial Strategy' the Prime Minister states that the initiative "will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East."

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the leveraging in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

[Click on the report cover to download and read more.](#)



Grant Thornton Publication

Challenge question:

Is your Authority considering how the combined authority model may evolve?



Setting up a successful social enterprise



Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

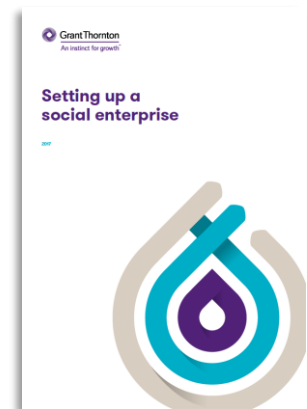
Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended.

The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

Key findings from the report:

- Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre
- The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so
- Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice
- Some local authorities have converted exiting models into social enterprises; for example where a greater focus on social outcomes has been identified

[Click on the report cover to download and read more](#)



Grant Thornton Publication

Challenge question:

Is your local authority looking to transition a public service to a social enterprise model, and if so are you familiar with this report?



Code of Practice on Local Authority Accounting and IFRS 9 and IFRS 15



CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18 which specifies the principles and practices of accounting required to prepare a Statement of Accounts.

The main changes to the Code include:

- amendments to section 2.2 for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 to introduce key reporting principles for the Narrative Report
- updates to section 3.4 covering the presentation of financial statements to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 affecting the Housing Revenue Account, to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)
- amendments to section 6.5 relating to the Accounting and Reporting by Pension Funds, to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Alongside the Code, CIPFA has also published Guidance Notes for Practitioners and a Disclosure Checklist for 2017/18 Accounts.

These publications may be obtained from CIPFA and are available [here](#).

CIPFA/LASAAC has issued a companion publication 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'.

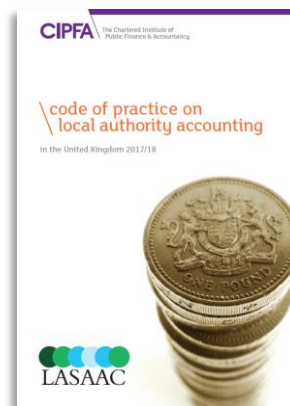
Looking further ahead, this sets out the changes to the 2018/19 Code in respect of [IFRS 9 Financial Instruments](#) and [IFRS 15 Revenue from Contracts with Customers](#). It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

An Early Guide for Local Authority Practitioners covering IFRS 9 Financial Instruments is to be published in December 2017.



CIPFA Publication

Challenge question:

Is your Borough Treasurer aware of the changes affecting the preparation of the financial statements for 2017/18 and the forthcoming changes to financial instruments and revenue recognition.



Overview of General Data Protection Regulation (GDPR)



What is it?

GDPR is the most significant regulatory data protection development in 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that might reasonably be used to identify a living individual, either directly or indirectly. Various unique identifiers (including online cookies and IP addresses) will likely fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify relevant incidents to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- Privacy regulators can impose penalties of up to €1 million on public sector organisations, for the most serious violations
- Individuals and representative organisations may be able to seek compensation for infringements of data protection rights

Challenge question:

Can your authority effectively erase Personally Identifiable Data?

Have you appointed a Data Protection Officer?

How will your authority ensure citizens' data isn't duplicated across different information siloes without their knowledge?

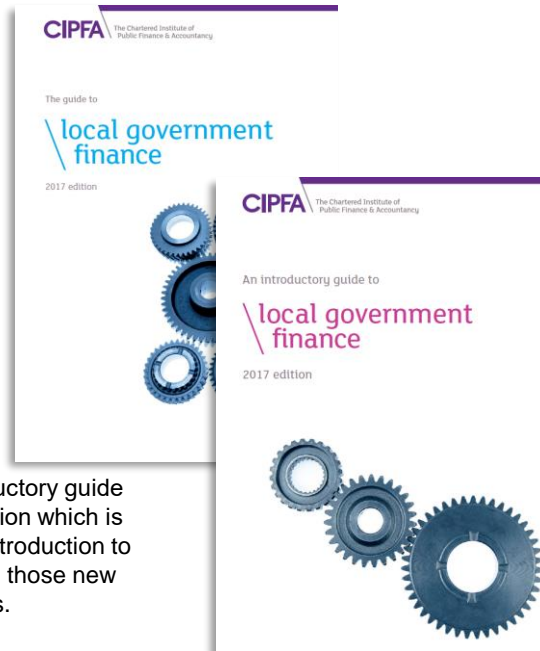
CIPFA publications



CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.



CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.

CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

CIPFA Publication

Challenge question:

Are these publications of use to you?



DCLG Consultation



DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The Government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed [here](#).

Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining "why" not just "what" they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

DCLG consultation

Challenge question:

- Is your Borough Treasurer planning to respond to the consultation?



Local Authority 2016/17 Revenue Expenditure and Financing



DCLG has produced a summary of Local Authorities' 2016/17 final outturn for revenue spending and financing. It notes that local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure.

The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.6 billion for all local authorities in England in 2016-17. This was 1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. The 2016-17 financial year was the first year where local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.4 billion of this increase is due to the Greater London Authority.

The full report is available [here](#).

Did you know....

This data set and many others are included in CFO Insights.

CFO Insights, is the Grant Thornton and CIPFA online analysis tool.

It gives those aspiring to improve the financial position of their organisation, instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

CFO Insights

Links



Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

<http://www.cfoinsights.co.uk/>

CIPFA website links

<http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition>

DCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn>



AUDIT AND GOVERNANCE COMMITTEE:

30 January 2018

Report of: Borough Treasurer

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

SUBJECT: EXTERNAL AUDIT PLAN

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To receive a report from our External Auditors setting out their plan for the audit of our 2017/18 financial statements and consideration of value for money issues.

2.0 RECOMMENDATION

2.1 That the report be noted.

3.0 BACKGROUND

3.1 It is a statutory requirement that the Council's accounts are audited each year by an external auditor. The appendix to this report sets out the plan that our external auditors, Grant Thornton, intend to use to complete the audit of our 2017/18 financial statements.

4.0 THE AUDIT PLAN

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

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

4.2 Key dates for the audit are included in the plan, and the end outcome of this process will be a report on the findings from the audit to this Committee in July 2018. This report will include an opinion on whether the accounts provide a true and fair view of the financial position and performance of the Council and whether there are effective arrangements in place for securing value for money.

4.3 Representatives of Grant Thornton will present their report at the Committee meeting and will be able to answer any questions that Members may have on their audit plan.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

6.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendices

Appendix – External Audit Plan

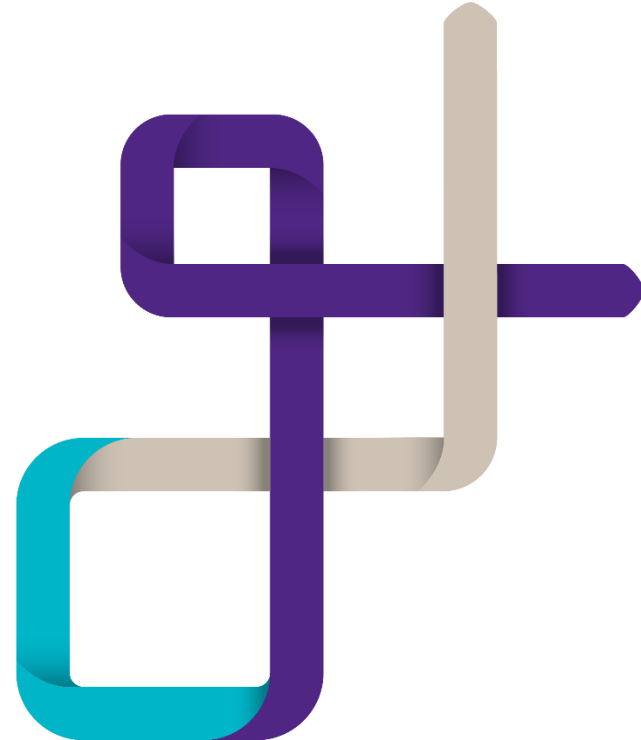
External Audit Plan

Year ending 31 March 2018

West Lancashire Borough Council

January 2018

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

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of West Lancashire Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of West Lancashire Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit and Governance committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of pension fund liability
- Valuation of land and buildings

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.449m (PY: £1.449m), which equates to 2% of your gross expenditure for the 2016/17 year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £72k (PY: £79k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial position and sustainability

Audit logistics

Our interim visit will take place in February and our final visit will take place in June / July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £43,746 (PY: £43,746) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery

Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version is due to be published in December 2017.

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Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

Housing Revenue Account (HRA)

DCLG has issued revised guidance on the calculation of the Item 8 Determination for 2017/18, which :

- extends transitional arrangements for reversing impairment charges and revaluation losses on dwelling assets and applies this principle to non-dwelling assets from 2017/18,
- confirms arrangements for charging depreciation to the HRA and permitting revaluation gains that reverse previous impairment and revaluation losses to be adjusted against the HRA.

Key challenges

Financial pressures

The Council set a balanced budget for 2017/18 and the mid year review of performance against budget forecast a favourable variance of £90,000 on the GRA. The HRA budget also showed a favourable variance of around £875k.

In July, the Council identified forecast budget gaps of £1.925m for 2018/19, £0.590m for 2019/20 and £0.210m for 2020/21. The Council has identified around £1m of savings for 2018/19 via the policy options process and are planning to support the remainder of the budget gap via one off use of reserves and any favourable variance from 2017/18.

Impacts of Grenfell Tower fire

The Grenfell Tower fire disaster in 2017 has led to the identification of approximately 150 high rise buildings in local authority ownership that have failed fire safety tests. Local authorities are expected to make these buildings fire safe. DCLG are reviewing the current restrictions on the use of the financial resources that prevent local authorities from making essential fire safety upgrades.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, revised stock valuation guidance for the HRA and the impact of impairment assessments and the adequacy of provisions in relation to essential work on any high rise buildings.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• The culture and ethical frameworks of local authorities, including West Lancashire Borough Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for West Lancashire Borough Council.
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.	We will: <ul style="list-style-type: none">• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness• evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▪ identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement ▪ evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out ▪ undertake procedures to confirm the reasonableness of the actuarial assumptions made. ▪ check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary
Valuation of land and buildings	<p>The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▪ review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work ▪ consider the competence, expertise and objectivity of any management experts used. ▪ discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions. ▪ review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding. ▪ test revaluations made during the year to ensure they are input correctly into the Council's asset register ▪ evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Completeness of employee remuneration</p>	<p>Payroll expenditure represents a sizeable percentage (16%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • obtain year-end payroll reconciliation and ensure amount in accounts can be reconciled to ledger and through to payroll reports. Investigate significant adjusting items. • agree payroll related accruals (e.g. unpaid leave accrual) to supporting documents and review any estimates for reasonableness • perform substantive analytical review
<p>Completeness of non-pay operating expenses</p>	<p>Non-pay expenses on other goods and services also represents a significant percentage (58%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • obtain and review the year-end reconciliation, and investigate any significant reconciling items • test a sample of non-pay payments made in April to test whether they are accounted for in the correct year • test a sample of non pay expenditure to confirm it is accurately accounted for in the financial statements

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

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Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

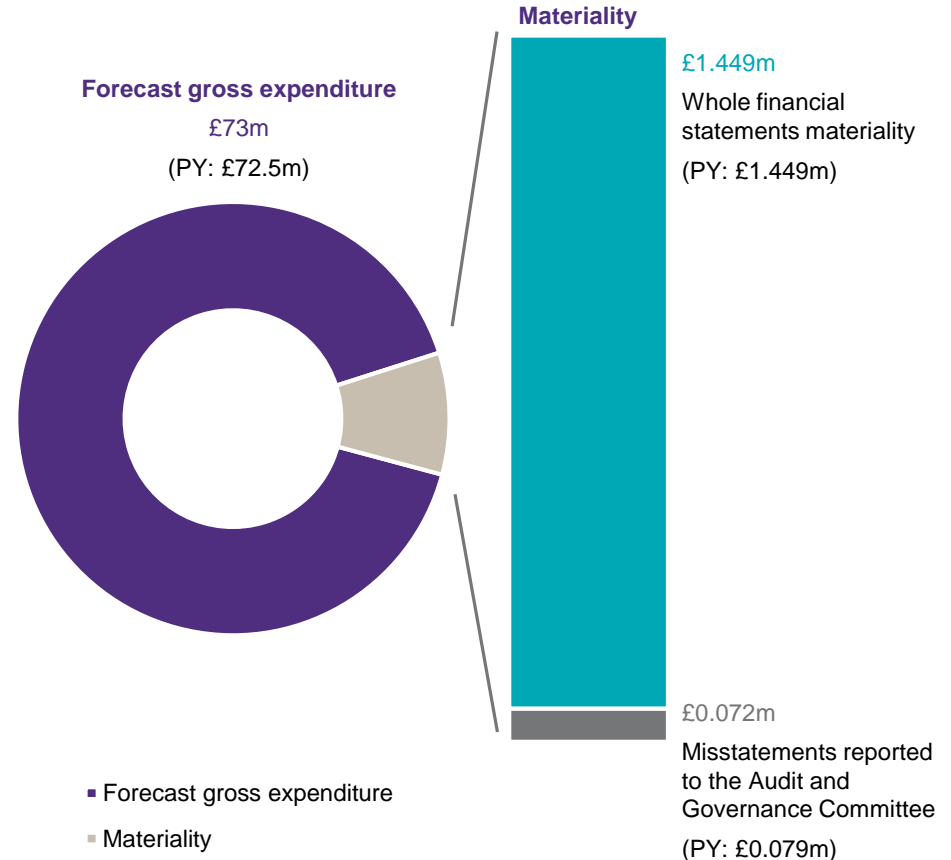
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £1.449m (PY £1.449m), which equates to 2% of your gross expenditure in 2016/17. We design our procedures to detect errors in specific accounts at a lower level of precision - for Senior Officer Remuneration and Related Party transactions our level of materiality will be £20k

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £72k (PY £79k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

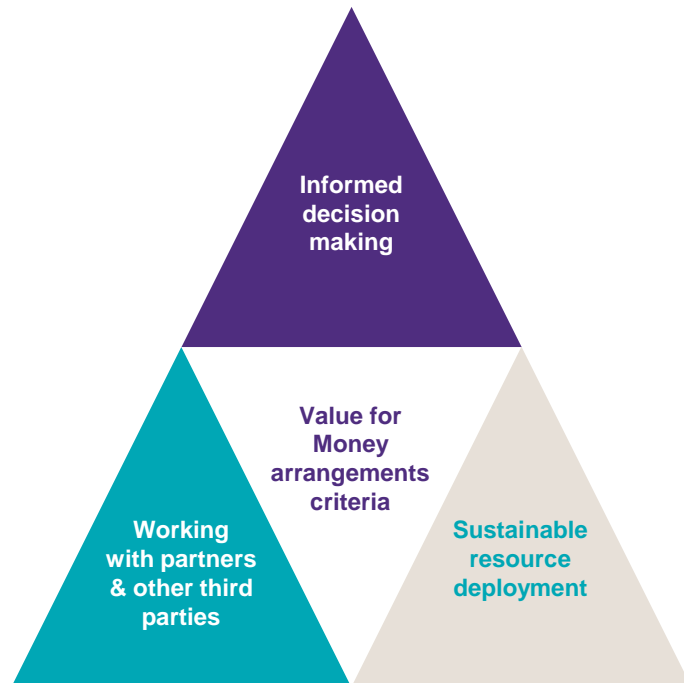
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

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Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Financial position and sustainability

The Council does not have a history of financial difficulty but the position is beginning to become more challenging.

At the mid-year review budget performance, the Council was forecasting a favourable variance on the GRA of £90k and a favourable variance on the HRA of £875k.

In July, the Council identified a forecast budget gap of £1.925m for 2018/19. The Council has identified around £1m of savings for 2018/19 via the policy options process and are planning to support the remainder of the budget gap via one off use of reserves and any favourable variance from 2017/18. The Council continues to face a challenging financial position going forward with a budget gap of around £0.800m over the two year period of 2019/20 to 2020/21.

We will review budget monitoring reports and updates to the Medium Term Financial Plan. We will discuss with officers plans to address future potential budget gaps and how the Council is identifying, managing and monitoring financial risks. We will continue to review and monitor revenue and capital reports.

Audit logistics, team & audit fees



Our team

Andrew Smith, Engagement Lead

Andy leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.

Georgia Jones, Audit Manager

Georgia plans, manages and leads the delivery of the audit, is your key point of contact for your Finance team and is your the first point of contact for discussing any issues.

Lucinda Highfield, Audit Incharge

Lucinda's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on-site audit team

Audit fees

The planned audit fee is £43,746 (PY: £43,746) for the financial statements audit. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

The following non-audit services were identified:

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	1,750 (TBC)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,750 in comparison to the total fee for the audit of £43,746 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Revised ISAs

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Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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AUDIT AND GOVERNANCE COMMITTEE:

30 January 2018

Report of: Borough Treasurer

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

SUBJECT: INTERNAL AUDIT ACTIVITY – QUARTERLY UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To advise of progress against the 2017/18 Internal Audit Plan.

2.0 RECOMMENDATION

2.1 That Members note progress in the year to date.

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 with 66% of audits in progress is an improvement over the same period in 2016/17 when it was 62%.

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.

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.

INTERNAL AUDIT QUARTERLY UPDATE

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 66% of assignments in progress compared to 62% for the same period in 2016/17. The Audit Manager will provide a verbal update on the latest position at the meeting.

Title	Position
Cashiers	Work in progress
Creditors	Work in progress
Debtors	Work in progress
NNDR	Work complete
Council Tax	Work complete
Benefits	Work in progress
Housing Rents	Work complete
Treasury Management	Work complete
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 in progress
Customer Services	Work not yet commenced
ICT	Work not yet commenced
Property Services – housing maintenance	Work in progress
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 in progress
Anti-fraud work	Work not yet commenced
Money Laundering reporting Officer	Work in progress
National Fraud Initiative	Work in progress
Summary	
Work complete	4
Work in progress	12
Work not yet commenced	8
Total	24

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 test a sample of 60 rent accounts to ensure that transactions have been processed and recorded correctly. To review the collection of rent in advance, mobile working, developments in tenants using their own devices to access their rent account and progress on payment methods.

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 Treasury Management

Treasury management policies, practices and procedures are an integral part of the Council's financial control framework and provide assurance to Members that this function is operating effectively. The Treasury Management process and procedures are executed by the Financial Management Service through the Treasury Management and Service Accountant and the Borough Treasurer.

3.2.1 Objectives

To examine systems, procedures and records relating to the execution of the Treasury Management policy to ensure processes are operated effectively.

To test a sample of investments in the year to date to confirm transactions have been processed and recorded accurately and reconciliation is performed in accordance with approved procedures.

To ensure all payments are made in line with system controls and supported by corresponding documentary evidence.

3.2.2 Observations

The review concluded that there are appropriate controls in place and that these were operating as intended. The individual investments examined had transactions processed and recorded correctly.

3.2.3 Assurance

This Internal Audit work provides **full assurance** that appropriate controls are in place on the administration and execution of Treasury Management processes.

4.0 **Other matters of note.**

4.1 Update on Management of Electronic Records

Background

The Council's Annual Governance Statement approved by this Committee identified the management of electronic records as a significant governance issue for the Council in the light of the volume of information currently held on systems. It also made reference to the development of an action plan to improve governance in this area.

Current developments include the following:

- A report informing members of the necessary work was taken to the meeting of Council on 19 July 2017.

- A temporary Data Access and Storage Governance Project Officer has been appointed from October 2017.
- A new structure for storage and revised access permissions for the Council's network has been agreed in principle in consultation with BTLS.
- The Data Access and Storage Governance Project Officer is developing improved procedures for the governance of data storage and access.
- The Data Access and Storage Governance Project Officer is currently working with one service with the aim of implementing a pilot conversion to the new structure and trialling the revised governance procedures in preparation for their roll out corporately.

In line with this Committee's resolution in June a further report on the position will be brought to a future meeting.

Monitoring of the key risks associated with the project will continue through the Council's regular risk assessment process.

4.2 Update on review of conformance with Public Sector Internal Audit Standards (PSIAS)

There is a requirement for internal audit's conformance with the PSIAS to be externally assessed every five years. Members resolved not to participate in the Lancashire District's peer review and in February 2017 Council agreed budget provision to commission an assessment from an organisation providing such services on a commercial basis.

The review has now been commissioned and the Chartered Institute of Public Finance and Accountancy has been engaged as the assessor to carry out the work.

The review is due to commence in late February and the results of the assessment will be reported back to this committee in due course.

5.0 Conclusion

- 5.1 Performance is improving as the section's new structure beds in and on the basis of current progress is capable of satisfying the Council's duty under the Accounts and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and the service is now on track to deliver adequate coverage in relation to the 2017/18 plan.



AUDIT AND GOVERNANCE COMMITTEE:

30th January 2018

Report of: Borough Treasurer

Contact for further information: Rebecca Spicer (Extn. 5098)
(E-mail: rebecca.spicer@westlancs.gov.uk)

SUBJECT: RISK MANAGEMENT FRAMEWORK AND POLICY UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To set out details of the operation of the Risk Management Framework over the last twelve months.
- 1.2 To recommend changes to the current Risk Management Policy.

2.0 RECOMMENDATIONS

- 2.1 That the continuing effective operation of the Risk Management Framework be noted.
 - 2.2 That the proposed amendments to the Risk Management Policy set out in the appendix be endorsed for approval by Cabinet.
-

3.0 BACKGROUND

- 3.1 West Lancashire Borough Council continues to recognise the importance of identifying, evaluating and managing all Key and Service Risks that could affect the Council. Risk Management covers the whole spectrum of risks and not just those associated with finance, business continuity, insurance and health and safety. It also considers risks associated with service provision, compliance with legislation, public image (reputation) and environment.
- 3.2 Risk Management is not about being 'risk averse' – it is about being 'risk aware'. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives. Risk Management is about effectively managing risks

that could affect the Council. It is also about making the most of opportunities and achieving objectives. By being 'risk aware' the Council is in a better position to avoid threats and take advantage of opportunities.

- 3.3 The terms of reference of the Audit and Governance Committee include monitoring the effectiveness of the Risk Management Framework and corporate governance processes within the Council. This report assesses the operation of the Risk Management Framework over the last twelve months, the main developments that have occurred during that time, and considers proposed amendments to the Risk Management Policy.

4.0 DEVELOPMENTS OVER THE LAST TWELVE MONTHS

- 4.1 The Risk Management Officer Working Group has continued to meet twice a year. At the meeting in July 2017 Officers reviewed the Risk Management Policy, specifically the Corporate Risk Assessment, and identified a number of changes that should be made to make the Assessment a more useful tool in the scoring of risk. At the latest meeting earlier this month there were a number of matters discussed including the risk management work programme for the next year, the use of risk impact tables, and the training of Officers.
- 4.2 It is a best practice requirement that the Key Risk Register be reported to Cabinet every six months and this has continued to take place over the last year. The Key Risk Register provides a useful summary of the main issues facing the Council and provides assurance to Members that these risks are being effectively managed. Arguably the most important risk facing Councils at this time is the financial challenge of dealing with significant and on-going reductions in government grant funding and other external income. This risk is being effectively managed by the Council, and elsewhere on the agenda our external auditors have concluded that there are proper arrangements in place to secure the financial resilience of the Council. However the challenging medium term financial position facing the Council over the next few years means that this will continue to be a key risk.
- 4.3 Service Risk Registers continue to be reviewed on a quarterly basis but in practice will be more regularly reviewed for significant risks, and Heads of Service are responsible for ensuring that these registers are comprehensive, accurate and up to date.
- 4.4 This year Covalant has been rebranded as Pentana Performance. The use of Pentana Performance (our performance and risk management IT system) is reviewed on an ongoing basis across the Council to ensure that the software is being utilised to its full potential. Pentana Performance training is available to Officers upon request.
- 4.5 A webpage dedicated to Risk Management is available via the intranet and offers a central location for all documents relating to Risk Management to be stored. Contained on the webpage is a copy of the Risk Management Policy, the Corporate Risk Assessment framework, a Pentana User Guide and a summary of the roles of Officers in the Risk Management Process.

4.6 Risk Management training courses were provided to Officers in December 2017 and focused on the scoring of risk and the importance of identifying controls to manage risk. Training continues to be offered to new Officers when they start at the Council and refresher training has and will continue to be conducted for existing Officers when requested. It is intended that the next Risk Management training session for Members will take place in November 2018.

4.7 Risk Management is an area that is regularly considered by Internal Audit and there are no significant control issues that have been identified as a result of these reviews.

5.0 CHANGES TO THE RISK MANAGEMENT POLICY

5.1 The Risk Management Policy has been reviewed by Officers to ensure that it reflects best practice, new developments and organisational change. This review has identified that the Corporate Risk Assessment needs to be updated to better suit the structure of the Council and provide a more useful tool in the scoring of risk.

5.2 A tracked changes version of the Policy is included in the Appendix. It is recommended that this Policy is endorsed for consideration and approval by Cabinet at its meeting in March.

6.0 REVIEW OF EFFECTIVENESS

6.1 The Risk Management Framework has once again operated effectively over the last year. The arrangements in place include the Key and Service Risk Registers, a Risk Management Policy, and a Risk Management work programme, incorporating a training programme. The Risk Registers continue to be maintained on the Pentana Performance system and are subject to regular review and updating.

7.0 RISK ASSESSMENT

7.1 The continued review of the Risk Management Framework is essential to ensure the successful achievement of the Authority's objectives, demonstrate effective provision of its services and the maximisation of opportunities. If we are unable to maintain an effective Risk Management Framework, we could endanger the achievement of our primary objectives. By continually monitoring and reviewing the Authority's Risk Management Framework it should continue to improve, develop and meet best practice requirements.

Background Documents

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

Equality Impact Assessment

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

Appendix

Proposed Amendments to the Risk Management Policy.



Risk Management Policy

1.0 Introduction

Risk is a part of everyday life. The Authority recognises that there are risks involved in everything it does and that it has a duty to manage these risks. This duty is to employees, residents and people working in the Borough, service users, partners and other stakeholders.

The Authority defines risk as the possibility that an action or event will adversely or beneficially affect its ability to achieve its planned objectives. The effective identification, assessment, monitoring, management and reporting of risk will help to ensure that:

- Planned objectives are more likely to be achieved
- Opportunities are recognised
- Adverse risks are less likely to happen
- The impact of adverse risks which are realised is reduced

Effective risk management is therefore regarded as a critically important part of the work of the Authority.

This policy aims to ensure that we have a planned and systematic approach to identify, evaluate and manage the whole range of risks and opportunities facing the Authority. This policy also informs the approach to the Risk Management framework which is the established process by which the Authority identifies, assesses and manages risk in order that it should succeed in its planned objectives.

2.0 Aims of the Risk Management Policy

The Risk Management Policy has the following aims and objectives:

- To integrate Risk Management into the culture of the Authority
- To raise awareness of the need for Risk Management with all those connected with the delivery of services
- To enable the Authority to anticipate and respond to changing social, environmental and legislative conditions
- Minimisation of injury, damage, loss and inconvenience to residents, employees, service users, assets etc. arising from or connected with the delivery of Council services
- To maximise the rewards that can be gained through risk management

- To maintain and develop a robust framework and procedures for the identification, analysis, assessment and management of risk

3.0 Risk Assessment

Risk arises naturally and directly from the implementation of corporate and service aims and objectives. Therefore risk assessment is an integral part of all Council activity. It is the Authority's policy that all substantive activities should be subject to risk assessment. This includes all significant projects, for example, financial developments, legislative developments, human resource initiatives, health and safety, communication upgrades, partnerships and IT developments. Risks must be regularly monitored and actively managed until the objectives have been achieved (or the risk realised).

Risks should be assessed using the standard approach set out at the end of this policy. This requires the impact and likelihood of a risk to be evaluated and then scored on a risk matrix. This score then determines the level of concern associated with that risk and the action that is required to be taken. The Authority's risk appetite is determined by Cabinet and can be defined as the level of risk that the Authority is willing to take in pursuit of its objectives and values.

4.0 Service Risk Registers

Heads of Service are responsible for ensuring that all significant risks are included in Service Risk Registers using the **Covalent Pentana Performance** system. This risk register should describe the risk event, who is responsible for managing the risk, planned and completed actions, potential effects, internal controls and a current and target risk assessment. Risk events should be removed when the objective has been reached (or the risk realised) and new risk events added as soon as they are identified.

5.0 Risk Ownership and Management

Every risk should be assigned to a risk owner who is identified on the Risk Register. The risk owner is the designated member of staff (or management group) who carries the ultimate responsibility for ensuring that the risk is effectively managed. The risk owner is responsible for agreeing and delivering the action plan to control the risk and monitoring progress against it. This is a key element in the risk management process as it is crucial that risks are not just identified and assessed but that they are also effectively controlled.

Internal control is key to effective risk management and plays a significant part in the management of risks. Actions, procedures and operations undertaken to either

contain a risk to an acceptable level, or to increase the probability of a desirable outcome should be detailed on the Risk Register.

6.0 Risk Reporting

Monitoring reports on Service Risk Registers will be produced as a minimum on a quarterly basis for the formal consideration of Heads of Service.

Monitoring reports on Key Risks (the most significant risks facing the Council) will be produced on a six monthly basis for the consideration of CMT and Cabinet.

7.0 Risks and the Decision Making Process

Risks need to be addressed at the point at which decisions are being taken. Where Members and Officers are asked to make decisions they should be advised of the risks associated with the recommendations being made. Consequently, the Authority needs to be able to demonstrate that it has taken reasonable steps to consider the risk involved in a decision.

All reports requiring key decisions, including new and amended policies and strategies, must therefore include a section to demonstrate that risks have been addressed. This ~~doesn't~~ **does not** guarantee that decisions will always be right but the important point is to demonstrate that risks have been considered and to have evidence that will support this.

8.0 Role of Risk Management Working Group

Although every member of staff carries some responsibility for the management of risk, the Authority identifies the Risk Management Working Group (RMWG) as responsible for maintaining and developing the Risk Management Framework. Heads of Service should nominate a Risk Co-ordinator to represent each Service area on the RMWG.

The Risk Management Working Group will meet twice yearly to consider the following types of area:

- Issues and improvements to the Risk Management Framework
- Risk Management training for both Members and Officers
- Reviewing and recommending changes to the Risk Management Policy
- Reviewing the Key Risk Register and recommending changes
- Disseminating good practice requirements across the Authority

9.0 Role of the Risk Co-ordinators

The Risk Co-ordinator is responsible for maintaining and developing the Risk Management Framework within their Service, supported by the Risk Management Working Group.

The Risk Co-ordinator's role is to:

- Represent their Service's interest in the management of the Council's risks and act as a Service lead officer on risk management issues including risk issues in relation to service plans.
- Support their Head of Service in implementing the Risk Management Policy within their Service
- Co-ordinate the risk process in their Service by monitoring and maintaining a Service Risk Register on behalf of their Service Managers.
- Monitor and review the status of service risks and action plans implemented to reduce or control those risks.
- To attend the twice yearly meetings of the Risk Management Working Group (or nominate a suitable substitute when unable to attend).
- Give advice and guidance to Managers/Officers within their Service on preparing risk assessments for committee reports.

10.0 Role of Heads of Service

The role of Heads of Service is to:

- Implement policies on risk management within their Services including ensuring that an up to date Service Risk Register is maintained
- Review Service Risks on a quarterly basis and Key Risks on a six monthly basis
- Review the risk management system to ensure that it is functioning effectively

11.0 Governance Arrangements

The Authority's Risk Management Framework is critically important in the context of governance and the Audit and Governance Committee has responsibility for ensuring that the Framework operates effectively. An annual report will be produced for this Committee on the operation of the Risk Management Framework so that its Members can assess its effectiveness.

12.0 Role of Audit

Internal Audit evaluate risk management processes continuously in order to provide assurance to Members and Senior Management that significant business risks are being managed appropriately and that the Risk Management and Internal Control framework is operating effectively. Our External Auditors may also conduct separate, independent reviews of the Risk Management Framework from time to time. The findings from this work will be included in the annual report to the Audit and Governance Committee.

13.0 Skills, Expertise and Guidance

Having established roles and accountabilities for risk management, the Authority must ensure that it has the necessary skills and expertise to deliver this framework. This will be accomplished through an on-going programme of risk management training and development for both Officers and Members.

More detailed procedures for Officers are available via the Council intranet at <http://intranet-westlancs-gov-uk-liveadmin/rules-and-regulations/risk-management.aspx>, which contains appropriate guidance to enable them to carry out their duties effectively.

14.0 Making Others Aware of Risk Management

The Authority recognises the potential for benefits and rewards from partnership working and it also recognises the risks involved. Whilst this risk can be managed by the Authority through formal contracts and partnership agreements that clearly allocate risks to the appropriate parties, failure by either or any one of those parties to manage their risks can have serious consequences for the other(s).

Consequently, before entering into the partnership, joint working or business contract arrangements, prospective partners and contractors should be asked to state their approach to risk management and to provide certain minimum evidence to support their response.

15.0 Maintenance and Development of the Risk Management Policy

This Risk Management Policy will be reviewed on an annual basis. The results of this review will initially be reported to the Audit and Governance Committee for detailed consideration before being submitted to Cabinet for formal approval.

CORPORATE RISK ASSESSMENT

Impact

Score	What's the worst that could happen?
1	<ul style="list-style-type: none"> • Disruption to back office function operations in the short term with no loss of service to citizens. • No harm to life or limb injuries sustained. • No reputational damage to service or WLBC • No environmental damage. • Low financial loss. One which can readily be met from existing budget provision.
2	<ul style="list-style-type: none"> • Some short term disruption to a non-critical service to citizens. • Minor injury to third party resolved by first aid treatment. • Minimal reputational damage (single adverse article in local press/ social media). • Minor damage to the environment likely to recover within one year without intervention. • Medium financial loss. (Requiring virement at the level delegated to Heads of Service, currently up to £10k).
3	<ul style="list-style-type: none"> • Limited temporary Short term disruption to a critical service (i.e. those services identified in the Council's Business Continuity Plan). Noticeable to customers but not exceeding 48 hours duration, or substantial disruption to a non-critical service noticeable to customers. • Injury requiring visit to A&E / short term hospitalisation. • Persistent adverse coverage in local press or /radio / social media. • Damage to the environment which will recover within a year following remedial action. • High Significant financial loss (Can be met by virement at the level delegated to Cabinet, currently up to £50k).
4	<ul style="list-style-type: none"> • Serious-Sustained disruption to a critical service to citizens or loss or reduction of more than one service likely to last more than 48 hours or multiple non critical services - Circumstances defined in the Business Continuity Plan as requiring notification of the Emergency Planning and Business Continuity Manager. • Serious Injury requiring longer term hospitalisation or resulting in permanent damage. • Adverse article in national press, radio or TV, TV or social media. • Damage to the environment, which will not recover within one year even with remedial action or one which requires notification of other agencies. • Major financial loss. (Requiring virement to be approved by Council, currently anything over £50k).
5	<ul style="list-style-type: none"> • Events leading to Central Government intervention in running of a WLBC service. • Loss of critical service to citizens for more than 7 days. Circumstances requiring the Business Continuity or other major incident management plans to be invoked. • Multiple injury or /loss of life. • Extensive coverage in national media. • Damage to the environment likely to persist for many years despite remedial action or requiring intervention from other agencies. • Enormous financial loss Page 340s at a level which would impact on the Council's financial capacity to carry out its business).

Note, these are examples to indicate the level of risk within each category and do not include every conceivable type of risk. **This is meant as general guidance only and not precise criteria. If you have any specific queries then please contact the Borough Treasurer or Insurance & Risk Management Officer.**

Likelihood

Score	Descriptors
5	Almost certain. Occurs frequently or expected to occur within one year.
4	Likely. Expected to occur more than once in 10 years.
3	Possible. Expected to occur once in 10 years.
2	Unlikely. Not expected to occur over a 10 year period.
1	Remote. Not expected to occur. Has not occurred or may only be expected to occur in exceptional circumstances.

WLBC Impact / Likelihood Matrix

		Impact				
		1	2	3	4	5
Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5

Level of Concern	Action Required
Very concerned	Urgent attention required at highest level to ensure risk is reduced to an acceptable level. Action planning should start without delay. Progress on actions should be reported to the Chief Executive and / or the Leader.
Concerned	Requires mitigation, contingency plan and identification of early warning indicators. Progress reported to CMT.
Uneasy	Acceptable. Requires mitigation. Reviewed at Head of Service Level.
Content	Acceptable. Keep under review but no action required unless changes occur.

Audit & Governance Committee Work Programme – 30 January 2018

Date	Training (commencing 6.00pm)	Items
27 March 2018	General Data Protection Regulation	<ol style="list-style-type: none"> 1. Grant Thornton – Progress Update 2. Local Code of Governance 3. Internal Audit Activities – Quarterly Update 4. Internal Audit Plan 2018/19 5. RIPA Act quarterly monitoring of use of powers 6. Anti Money Laundering Policy 7. Anti-Fraud, Bribery & Corruption Policy
May 2018	Pensions	<ol style="list-style-type: none"> 1. Grant Thornton – Progress Update 2. Internal Audit Annual report 3. Internal Audit Activities – Quarterly Update 4. Annual Governance Statement 5. Statement of Accounts 6. RIPA Act Quarterly Monitoring of Use of Powers
July 2018		<ol style="list-style-type: none"> 1. Grant Thornton – Progress Update 2. Grant Thornton – Audit Findings Report 3. Approval of Statement of Accounts 4. Internal Audit Activities – Quarterly Update 5. Regulation of Investigatory Powers (RIPA) Act - Annual Setting of the policy and review of use of powers
January 2019		<ol style="list-style-type: none"> 1. Grant Thornton – Progress Report 2. Internal Audit Activities – Quarterly Update 3. RIPA Act quarterly monitoring of use of powers 4. Grant Thornton Annual Audit Letter 5. Grant Thornton Certification Letter 6. Risk Management Framework

