



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

Monday, 21 January 2019

**TO: COUNCILLORS P COTTERILL, C WYNN, T ALDRIDGE, T BLANE, R COOPER,
C DERELI, J GORDON, N HENNESSY, J MEE, E POPE AND
A PRITCHARD**

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, 29 JANUARY 2019** 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**

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

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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 | 371 -
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| | 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 10.00am on Friday 25 January 2019. | |
| 5. | MINUTES | 375 -
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| | To receive as a correct record the minutes of the meeting held on the 30 October 2018. | |
| 6. | GRANT THORNTON - PROGRESS UPDATE | 379 -
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| | To consider the report of the Borough Treasurer. | |
| 7. | GRANT THORNTON - AUDIT PLAN | 387 -
404 |
| | To consider the report of the Borough Treasurer. | |
| 8. | RISK MANAGEMENT FRAMEWORK AND POLICY UPDATE | 405 -
418 |
| | To consider the report of the Borough Treasurer. | |
| 9. | INTERNAL AUDIT ACTIVITIES - QUARTERLY UPDATE | 419 -
424 |
| | To consider the report of the Borough Treasurer. | |
| 10. | PROPERTY SERVICES - ARRANGEMENTS RELATING TO THE ENGAGEMENT OF A CONTRACTOR | 425 -
440 |
| | To consider the report of the Borough Treasurer. | |
| 11. | RIPA ACT REGULAR 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 regularly from Officers on RIPA Activity. | |
| | There is no relevant activity to report since the last meeting of the Committee. | |
| 12. | WORK PROGRAMME | 441 -
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| | To consider the future Work Programme of the Committee. | |

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		
1.	I have a disclosable pecuniary interest.	<input type="checkbox"/>	You cannot speak or vote and must withdraw unless you have also ticked 5 below
2.	I have a non-pecuniary interest.	<input type="checkbox"/>	You may speak and vote
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>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"/> <input type="checkbox"/>	<p>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</p> <p>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</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"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<p>You may speak and vote</p> <p>You may speak and vote</p> <p>You may speak and vote</p> <p>You may speak and vote</p> <p>You may speak and vote</p> <p>You may speak and vote</p>
5.	A Standards Committee dispensation applies (relevant lines in the budget – Dispensation 20/09/16 – 19/09/20)	<input type="checkbox"/>	See the terms of the dispensation
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"/>	You may speak but must leave the room once you have finished and cannot vote

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

Interest

Prescribed description

Employment, office,
trade, profession or
vocation

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

Sponsorship

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

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

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

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

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

"relevant period" means the period of 12 months ending with the day on which M gives notice to the Monitoring Officer of a DPI; "relevant person" means M or M's spouse or civil partner, a person with whom M is living as husband or wife or a person with whom M is living as if they were civil partners;

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

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

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

'a connected person' means

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

'body exercising functions of a public nature' means

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

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

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

PUBLIC SPEAKING – PROTOCOL

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

1.0 Public Speaking

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

2.0 Deadline for submission

- 2.1 The prescribed form should be received by Member Services by 10.00am on the Friday of the week preceding the meeting. This can be submitted by e-mail to member.services@westlancs.gov.uk or by sending to:

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

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

3.0 Scope

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

4.0 Number of items

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

5.0 At the Meeting

- 5.1 Speakers will be shown to their seats. At the commencement of consideration of each agenda item the Leader/Chairman will invite members of the public to make their representations. Residents will have up to 3 minutes to address the meeting. The address must reflect the issue included on the prescribed form submitted in advance.
- 5.2 Members may discuss what the speaker has said along with all other information, when all public speakers on that item have finished and will then make a decision. Speakers should not circulate any supporting documentation at the meeting and should not enter into a debate with Councillors.
- 5.4 If residents feel nervous or uncomfortable speaking in public, then they can ask someone else to do it for them. They can also bring an interpreter if they need one. They should be aware there may be others speaking as well.
- 5.5 Speakers may leave the meeting at any time, taking care not to disturb the meeting.

(Please see attached form.)



REQUEST FOR PUBLIC SPEAKING AT MEETINGS

MEETING & DATE

NAME

ADDRESS

.....

Post Code

PHONE

Email

Please indicate if you will be in attendance at the meeting

YES/NO*

*delete as applicable

Note: This page will not be published.

(P.T.O.)

PLEASE PROVIDE DETAILS OF THE MATTER YOU WISH TO RAISE

Agenda Item Number

Title

Details

.....

.....

.....

.....

.....

.....

.....

.....

Name Dated

Completed forms to be submitted by 10.00am on the Friday of the week preceding the meeting to:-

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

If you require any assistance regarding your attendance at a meeting (including access) or if you have any queries regarding your submission please contact Member Services on 01695 585065.

Note: This page will be published.

Agenda Item 5

AUDIT & GOVERNANCE COMMITTEE

HELD: Tuesday, 30 October 2018

Start: 6.30 p.m.

Finish: 7.30 p.m.

PRESENT:

Councillor: P Cotterill (Chairman)
C Wynn (Vice-Chairman)

Councillors: T Blane F McKenna
R Cooper J Mee
C Dereli E Pope
J Gordon

Officers: Borough Solicitor – Mr T Broderick
Borough Treasurer – Mr M Taylor
Internal Auditor – Ms Joanne Guest
Member Services/Civic Support Officer - Mrs J A Ryan

In attendance: Georgia Jones (Grant Thornton)

26 APOLOGIES

Apologies for absence were received on behalf of Andrew Smith (Grant Thornton).

27 MEMBERSHIP OF THE COMMITTEE

In accordance with Council Procedure Rule 4, the Committee noted the termination of Councillor Aldridge and the appointment of Councillor McKenna for this meeting only, thereby giving effect to the wishes of the Political Groups.

28 DECLARATIONS OF INTEREST

There were no Declarations of Interest received.

29 PUBLIC SPEAKING

There were no items under this heading.

30 MINUTES

Consideration was given to the minutes of the last meeting, and in particular to Minute no. 21. Members indicated that they wished a full report to be brought back to a future meeting and it was noted that this is planned to be brought to the next meeting of this Committee.

RESOLVED: That the minutes of the meeting held on the 24 July 2018 be approved as a correct record and signed by the Chairman with the amendment of Minute no 21 to read as below:-

"RESOLVED (A) That the progress in the year to date be noted.

(B) That a full report covering the history of the issues with regard to Property Services be brought back to a future meeting of this Committee. "

(Note: Councillor McKenna arrived during the consideration of this item).

31 GRANT THORNTON - PROGRESS REPORT AND SECTOR UPDATE

Consideration was given to the report of the Borough Treasurer as circulated and contained on pages 307 to 312 of the Book of Reports the purpose of which was to receive an update from the Council's External Auditors, Grant Thornton on a range of different matters.

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

RESOLVED: That the Grant Thornton Progress Report and Sector Update be noted.

32 GRANT THORNTON ANNUAL AUDIT LETTER

Consideration was given to the report of the Borough Treasurer as circulated and contained on pages 313 to 326 of the Book of Reports including as an Appendix Grant Thornton's (External Auditors) Annual Audit Letter for the year ended 31 March 2018.

The Chairman invited Georgia Jones (Grant Thornton) to introduce the Annual Audit Letter.

A question was raised by a Member in relation to the prepayment of pension contributions.

RESOLVED: That the Grant Thornton Annual Audit Letter for the year ended 31 March 2018 be noted.

33 INTERNAL AUDIT ACTIVITY - QUARTERLY UPDATE

Consideration was given to the report of the Borough Treasurer as circulated and contained on pages 327 to 336 of the Book of Reports which advised of progress against the 2018/19 Internal Audit Plan.

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

- Disabled Facilities Grants, in particular referrals to LCC, and a Member asked that an update be reported back to the next meeting of this Committee with regard to progress made
- Audit Plan Progress

- Management of Electronic Records – storage and security of systems, and a Member asked if a training session could be delivered on this at a future training session for this Committee.

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

(B) That an update be provided at the next meeting with regard to progress on Disabled Facilities Grants.

(C) That a training session on Data Security and Storage be factored into this year's Work Programme for the Committee.

34 **RIPA ACT REGULAR MONITORING OF USE OF POWERS - ANNUAL SETTING OF THE POLICY**

Consideration was given to the report of the Borough Solicitor as contained on pages 337 to 365 of the Book of Reports on the Council's use of its powers under the Regulation of Investigatory Powers Act 2000 (RIPA) and presented an updated RIPA Policy document. He reported that there had been no relevant activity to bring to the attention of the Committee.

The Borough Solicitor also advised that there were non-consequential amendments needed to be made in respect of an Officer's title and service descriptions (at paragraphs 1.6 and Appendix 3 of the Report) and that these would be amended before presenting to Cabinet.

RESOLVED: That the Council's RIPA activity and the updated RIPA Policy, at Appendix 1, subject to the minor amendments mentioned be noted.

35 **WORK PROGRAMME**

Consideration was given to the Committee's Work Programme as set at page 367 of the Book of Reports.

RESOLVED (A) That the Work Programme be noted.

(B) The following training sessions were agreed:-

29 January 2019 - Data Security and Storage
28 May 2019 – Annual Accounts Training
July 2019 – The Development Company

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- CHAIRMAN -



AUDIT AND GOVERNANCE COMMITTEE:

29 January 2019

Report of: Borough Treasurer

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

SUBJECT: GRANT THORNTON - PROGRESS REPORT

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

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

2.0 RECOMMENDATION

2.1 That the Grant Thornton progress report be noted.

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

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

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

Audit Progress Report

West Lancashire Borough Council
Year ending 31 March 2019

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Introduction

Andrew Smith

Engagement Lead

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M 07960 214550

E andrew.j.smith@uk.gt.com

Georgia Jones

Engagement Manager

T 0161 214 6383

M 07880 456165

E georgia.s.jones@uk.gt.com

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

Members of the Audit and Governance Committee can find 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 www.grantthornton.co.uk ..

If you would like further information on any items on the website, 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 2019

2017/18 Audit

We have completed our audit of the Council's 2017/18 financial statements. Our audit opinion, including our value for money conclusion was issued on the 30 July 2018.

We issued:

- an unqualified opinion on the Council's financial statements; and
- an unqualified value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have issued all our deliverables for 2017/18 and have concluded our work on the 2017/18 financial year. Our Annual Audit Letter, summarising the outcomes of our audit was presented to the Audit and Governance Committee in October 2018.

2018/19 Audit

We have begun our planning processes for the 2018/19 financial year audit.

Our detailed work and audit visits will begin later in the year and we will discuss the timing of these visits with management. In the meantime we will:

- continue to hold regular discussions with management to inform our risk assessment for the 2018/19 financial statements and value for money audits;
- review minutes and papers from key meetings; and
- continue to review relevant sector updates to ensure that we capture any emerging issues and consider these as part of audit plans.

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 was concluded by the deadline of 30 November 2018.

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

Meetings

We met with Finance Officers in October as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in October to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our next event is the Local Government Accountants workshop in February.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	February 2019	In progress
2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	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 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	January 2020	Not yet due



AUDIT AND GOVERNANCE COMMITTEE:

29 January 2019

Report of: Borough Treasurer

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

SUBJECT: GRANT THORNTON - AUDIT PLAN

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To receive a report from our External Auditors setting out their plan for the audit of the Council's 2018/19 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 the Council's 2018/19 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 2019. 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

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

6.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendices

Appendix – Grant Thornton Audit Plan

External Audit Plan

Year ending 31 March 2019

West Lancashire Borough Council

January 2019

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Your key Grant Thornton
team members are:

Page 390

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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 Authority or all 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

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Purpose

This audit plan provides an overview of the planned scope and timing of the statutory audit of West Lancashire Borough Council ('the Authority') 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 out 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 :

- Authority's financial statements 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 Authority 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 Authority 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 Authority is fulfilling these responsibilities.

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

Significant risks

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

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

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 £1.483m (PY £1.449m) for the Authority, which equates to 2% of your prior year gross expenditure for the 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 £0.074m (PY £0.072m).

Value for Money arrangements

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

- Financial sustainability – the Authority continues to face significant demand in services and financial pressures. The Authority has set a balanced budget for 2018/19 and at the half way point of the year was forecasting a favourable variance of £40k on the GRA and £1.146m on the HRA. The Authority needs to continue to deliver planned savings for the year and carefully monitor progress against this in order to meet their budget position.

Audit logistics

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

Our fee for the audit will be £33,684 (PY: £43,746) for the Authority, subject to the Authority meeting our requirements set out on page 12.

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..

Key matters impacting our audit

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External Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. West Lancashire Borough Council has a good track record of making the savings required in order to set and achieve a balanced budget. However, there is increasing pressure due to growing demands around services and rising financial pressures. At the mid way point of the year the Authority was forecasting a favourable variance of £40k on the GRA budget and £1.146m on the HRA budget. Whilst this is a positive picture, the Authority will need to deliver the savings identified in order to ensure budgets are met at the year end.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

Internal Factors

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

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 material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.
- We will follow up our recommendation in the 2017/18 Audit Findings Report that the information held by Estates in relation to land and buildings should be reconciled annually with the information held in the Fixed Asset Register.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 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 2018/19 CIPFA Code.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs
- We will be testing more of your controls within key systems relating to the production of the financial statements.
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

Significant risks identified

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Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Lancashire Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider this to be a significant risk for West Lancashire Borough Council.</p>
Management override of controls	<p>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. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority carries out a desktop revaluation to ensure that there is no material difference. GRA assets are due for a revaluation in 2018/19. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£207 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• evaluate the competence, capabilities and objectivity of the valuation expert• discuss with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding• test revaluations made during the year to see if they had been input correctly into the Authority's asset register.

Significant risks identified

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£55.495 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and• obtain assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

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 Report in July 2019.

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- 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 legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

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 Authority'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.

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

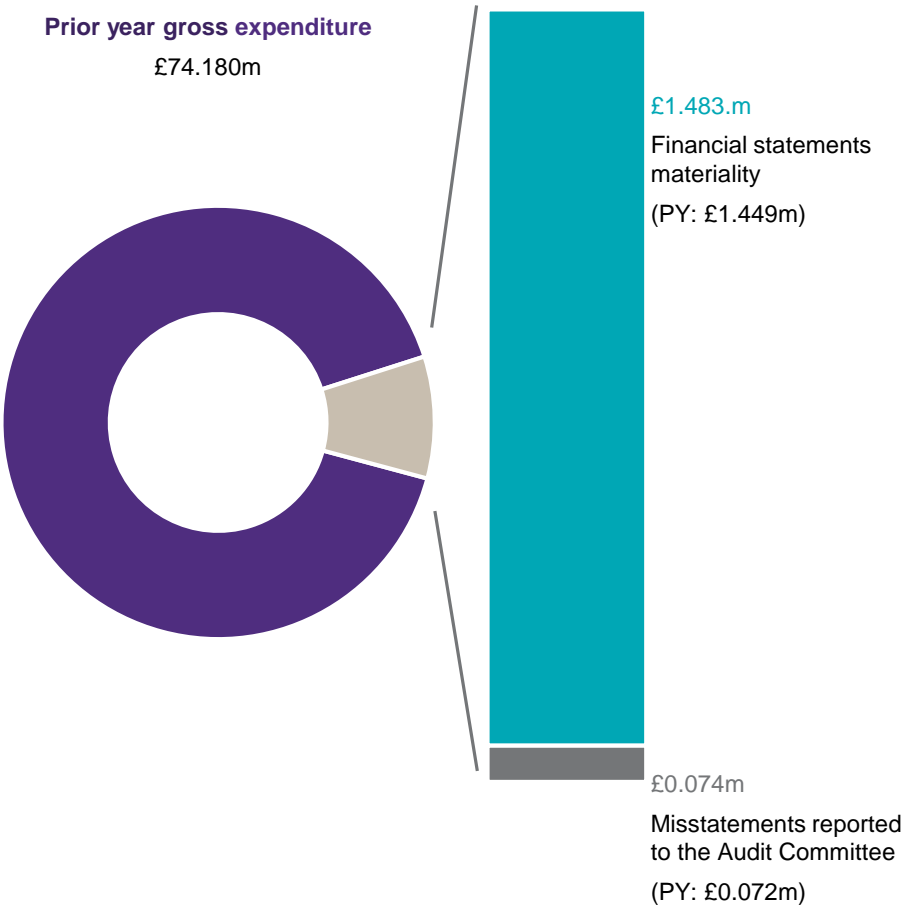
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.483m (PY £1.449m) which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision. For senior officer remuneration we have determined this to be 2% of total senior officer remuneration. For related party transactions we will assess whether transactions are material to either party

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 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 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 Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.074mm (PY £0.072m).

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 Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

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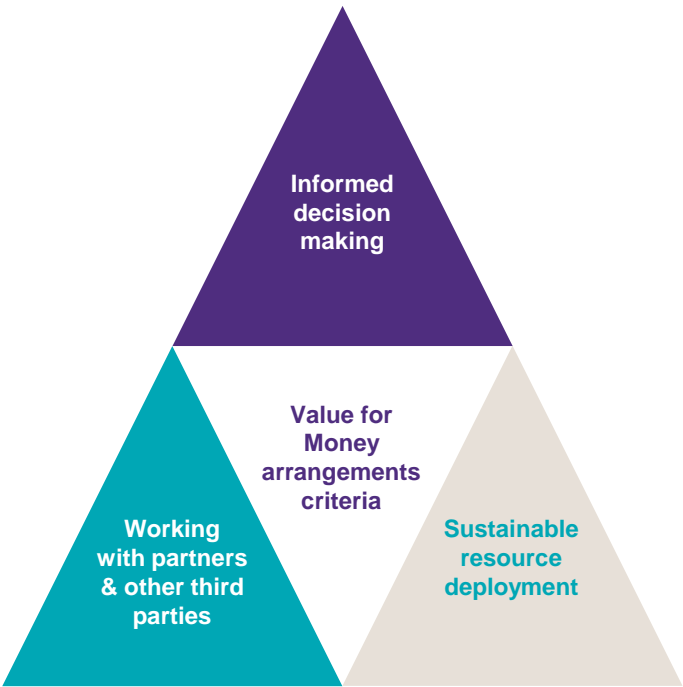
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

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:



Significant VFM risks

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



Financial Sustainability

West Lancashire Borough Council has a good track record of making the savings required in order to set and achieve a balanced budget. However, there is increasing pressure due to growing demands around services and rising financial pressures. At the mid way point of the year the Authority was forecasting a favourable variance of £40k on the GRA budget and £1.146m on the HRA budget Whilst this is a positive picture, the Authority will need to deliver the savings identified in order to ensure budgets are met at the year end.

The latest Medium Term Financial Plan update issued in October, sets out that the Authority estimates there will be a budget gap of £1.53m for 2019-20, £1.77m for 2020-21 and £1.91m for 2021-22. In order to help address these gaps going forward the Authority is undertaking a Sustainable Organisation Review. It is anticipated that the savings produced from this review combined with use of Authority reserves will close the gaps identified.

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 including the progress of the Sustainable Organisation Review and assess how the Authority is managing and monitoring financial pressures. We will continue to review and monitor revenue and capital reports.

Audit logistics, team & fees

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Andrew Smith, Engagement Lead

Andrew 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 Authority.

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 In-charge

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 fees are £33,684 (PY: £43,746) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA.

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

Where additional audit work is required to address risks relating to the application of changes to International Financial Reporting Standard (IFRS) 15 – Revenue from contracts with customers and IFRS 9 – Financial instruments, we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management in advance.

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.

Any proposed fee variations will need to be approved by PSAA.

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced 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

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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.

We confirm that we have implemented policies and procedures to meet the requirements of 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 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified:

Service	£	Threats	Safeguards
Audit related			
Pooled capital receipts return	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 £33,684 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.
Housing Benefit Subsidy Form	12,000	Self-Interest (because this is a recurring fee)	The level of this fee is set by Public Sector Audit Appointments and the work undertaken follows DWP requirements. 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 £12,000 in comparison to the total fee for the audit of £33,684 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 Authority's policy on the allotment of non-audit work to your auditors. All services require approval by the Audit and Governance Committee. 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.

Appendix 1: Audit approach

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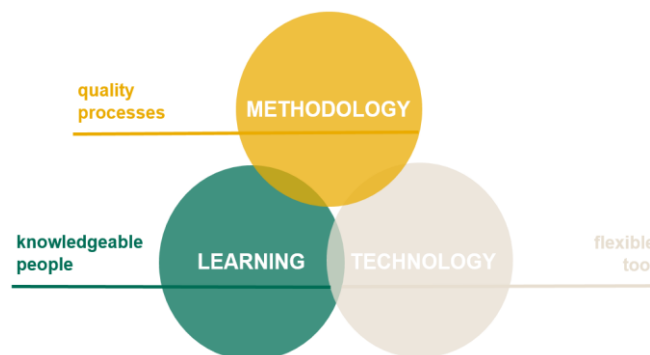
Use of audit, data interrogation and analytics software

LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

APPIAN

Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on



INFLO



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.

Request & share

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring

Assess & scope

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment

Verify & review

- Automate sampling requests
- Download automated work papers

Interrogate & evaluate

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs

Focus & assure

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance

Insights

- Detailed visualisations to add value to meetings and reports
- Demonstrate own performance and benchmark comparisons

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AUDIT AND GOVERNANCE COMMITTEE:

29th January 2019

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 propose a number of minor 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, and public image (reputation).
- 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 and vision. 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. At the meeting in July 2018 Officers discussed training requirements for staff, subsequently training on the Pentana Risk system was provided in August 2018. Also discussed was the assigning of categories to record different levels of risk, the advantage being that it allows for several risks to be recorded on the Pentana Risk system without key and service risk registers becoming cluttered. At the next meeting planned for February there are a number of matters that will be discussed including the risk management work programme for the next year and the use and scoring of internal controls to give a more informed view on the effectiveness of controls.
- 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 continues to be 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, and a Sustainable Organisational Review Process is 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 A webpage dedicated to Risk Management is available via the staff 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 Risk User Guide and a summary of the roles of Officers in the Risk Management Process.
- 4.5 Risk Management and Pentana Risk system 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 2019.

- 4.6 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 continues to be reviewed by Officers to ensure that it reflects best practice, new developments and organisational change.
- 5.2 A tracked changes version of the Policy is included in the appendix, which incorporates a number of minor wording amendments. 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 Risk 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 vision and priorities. 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

Appendix A - 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
- To assist in the achievement of the Council's vision to be a Council which is ambitions for West Lancashire
- To aid the achievement of the Council's priorities

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 Pentana ~~Performance~~ Risk 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~~ deactivated 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 risks 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 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-westlanecs-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 operations in the short term with no loss of service to citizens.• No injuries sustained.• No reputational damage to service or WLBC.• Low financial loss 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 resolved by first aid treatment.• Minimal reputational damage (single adverse article in local press/ social media).• Medium financial loss. (Requiring virement at the level delegated to Heads of Service, currently up to £10k).
3	<ul style="list-style-type: none">• Short term disruption to a critical service 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 /radio /social media.• 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">• Sustained disruption to a critical service or multiple non critical services - Circumstances defined in the Business Continuity Plan as requiring notification of the Emergency Planning and Business Continuity Manager.• Injury requiring longer term hospitalisation or resulting in permanent damage.• Adverse article in national press, radio, TV or social media.• 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.• Multiple injury / loss of life.• Extensive coverage in national media.• Enormous financial loss 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 AND GOVERNANCE COMMITTEE:

29 January 2019

Report of: Borough Treasurer

Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@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 2018/19 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 2018/19 Internal Audit Plan and reports on progress against this plan are presented to each meeting of the Committee.

3.2 This report summarises progress to date. This work will inform the overall opinion in the Internal Audit Annual Report 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.

4.2 The Internal Audit Manager, Mike Coysh, retired at the end of August 2018. A recruitment process was undertaken to fill this post but unfortunately it was not possible to appoint a suitable replacement at that time. A second recruitment process has now been completed and a new Manager appointed, although it will be some time before she starts in her post. In the mean time I am working with the internal audit team to ensure that good progress continues to be made against the audit plan.

- 4.3 Progress against the revised plan to date is satisfactory with 64% of audits commenced or completed, compared to 66% for the same period in 2017/18, and 62% for the same period on 2016/17.

5.0 SUSTAINABILITY IMPLICATIONS

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

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 in relation to the risk management, control and governance processes the Council has in place to secure its objectives.

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 2018/19 plan.

Progress against the plan to date is satisfactory with 64% of audits commenced or completed, compared to 66% in the same period for 2017/18, and 62% for the same period in 2016/17.

AUDIT PLAN PROGRESS

Title	Position
General Data Protection Regulations	Work in progress
Contract and Procurement	Work in progress
Off Street Parking	Work in progress
Main Accounting	Work not commenced
Treasury Management	Work not commenced
Payroll	Work in progress
Property Management	Work not commenced
Home Care Link	Work completed
Business Rates	Work completed
Anti-fraud review	Work completed
Insurance	Work completed
Risk Management	Work not commenced
Sheltered housing	Work not commenced
Housing Rents	Work not commenced
Performance indicators	Work in progress
ICT	Work not commenced
Benefits	Work in progress
Creditors	Work in progress
Debtors	Work in progress
Cashiers - Income Management	Work not commenced
Council Tax	Work in progress
Right to Buy Sales	Work completed
Caretaking	Work in progress
Homefinder	Work in progress
Commercial waste	Work not commenced
National Fraud Initiative	Work in progress
Annual Governance Statement	Work completed
Money Laundering Reporting Officer	Work not commenced
Summary	
Work complete	6
Work in progress	12
Work not commenced	10
Total	28

It should be noted that 3 audits are now planned to be deferred into 2019/20 following discussions with service managers. This is because the Service Now and Sustainable Organisation Review initiatives are at too early a stage to warrant a review at this time, and the Bulky Household Waste Service has recently been reorganised.

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 Insurance

The Insurance section has two members of staff who are responsible for arranging the insurance of the Council's assets, administering the Council's tenant home contents insurance scheme, and undertaking investigation into claims submitted to the Council.

3.1.1 Objectives

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Adequate cover is in place for the council's assets
- A register of insurance policies is maintained
- Insurance is procured in line with contract procedure rules

- An adequate claims register is maintained and there are procedures in place for dealing with claims
- Claim patterns and trends are reviewed so procedures and policies can be implemented to reduce claims
- The tenants home contents scheme is managed and promoted effectively

3.1.2 Observations

Review and testing found that there were no significant issues within the areas that were considered.

The insurance section works closely with Insurance brokers to ensure that adequate cover is place for all the Council's assets and operations. A proactive approach is taken to obtaining the best deals on insurance cover and the team work closely with the Procurement Executive to ensure compliance with contract procedure rules.

A register of all potential insurance claims is held and maintained. The team thoroughly investigate any claim made against the Council to ensure that they are genuine and to assess whether the Council is liable. Trends and patterns on insurance claims are investigated to ensure that procedures can be reviewed and updated to mitigate claims risks.

The tenant home contents scheme is administered effectively and initiatives are undertaken to promote this scheme to tenants. Consideration is currently being given to whether a new insurance provider should be procured for this scheme.

3.1.3 Assurance

This Internal Audit work provides **substantial assurance** that appropriate controls are in place in this service area.

3.2 Right to Buy (RTB) Sales

The Right to Buy Team are responsible for managing applications from tenants who wish to purchase their council house. It has been 6 years since the last internal audit review of this service area.

3.2.1 Objectives

The main purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Current legislation and regulations are being applied and that the service has the appropriate procedures in place
- Applications meet relevant timeframes and checks are completed to ensure the Council's legal obligations are being met.
- Controls are in place to safeguard the Council's interests as the application progresses
- Access is limited both electronically and on paper files to the appropriate staff, that the service has appropriate backup of systems, and has

appropriate entries in the corporate catalogue, and changes necessary for compliance with GDPR have been made to privacy notices

3.2.2 Observations

The audit found that legislation and regulations are followed as the RTB application progresses through the process. Substantial checks are carried out on the eligibility for the RTB discount and checks are made that there are no outstanding arrears or works to be completed. The process also highlights that a RTB has been received so that planned programmed works can cease.

It was identified that arrangements for fraud checks could be developed and it was recommended that a tenancy fraud policy and checklist should be introduced to ensure that all checks are being undertaken to protect the Council's interests. A number of other minor recommendations were made concerning updating procedures and processes.

3.2.3 Assurance

This Internal Audit work provides **Substantial assurance** that appropriate controls are in place on Right to Buy Council House sales.

4.0 **Other matters of note.**

4.1 Update on the Management of Electronic Records

Following on from the more comprehensive update to the last meeting, the Council is pursuing comprehensive testing of improved governance arrangements with live data in Property Services, engaging with the ICT contractor for this purpose, and will update further on the position once this has been undertaken.

5.0 **Conclusion**

- 5.1 The 2018/19 Internal Audit Plan is designed to fulfil 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. Good progress is being made in delivering the 2018/19 plan, which is expected to be substantially completed by the year end.



AUDIT AND GOVERNANCE COMMITTEE:

29 January 2019

Report of: Borough Treasurer

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

**SUBJECT: PROPERTY SERVICES ARRANGEMENTS RELATING TO THE
ENGAGEMENT OF A CONTRACTOR**

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To set out details of the issues arising from an internal audit examination of Property Services arrangements with a contractor.

2.0 RECOMMENDATIONS

- 2.1 That progress against the action plan be noted.
- 2.2 That a follow up audit of Property Services procurement is undertaken during 2019/20 to confirm that the new arrangements are working effectively.
-

3.0 BACKGROUND

- 3.1 A report entitled "Property Services Arrangements Relating to the Engagement of a Contractor" was presented to the Audit and Government Committee in March 2018. A copy of this report is enclosed at Appendix 1, which highlighted a number of issues in relation to this contract and an action plan to address them.
- 3.2 At this meeting it was resolved:
- (A) That the actions agreed by management to strengthen controls on procurement payments, accountability, transparency and custody of documents following internal audit's examination of property services use of a contractor be noted;

- (B) That a further report be brought back to Audit and Governance Committee to further update on the position.
- 3.3 Updates on the progress made in implementing the action plan were then reported to the Audit and Governance Committee meetings in May 2018, July 2018 and October 2018.
- 3.4 At the October 2018 Audit and Governance Committee meeting it was then resolved:
- (B) That a full report covering the history of the issues with regard to Property Services be brought back to a future meeting of this Committee.

4.0 CURRENT POSITION

- 4.1 An update on progress against each of the action points in the action plan is contained in Appendix 2. This shows that all of the actions have been completed, with the exception of Item 5 on compliance with the Council's Document Retention requirements, which is being progressed as part of a wider corporate process.
- 4.2 The completion of the action plan provides assurance that there should now be an effective set of controls in place that will ensure that procurement matters are managed properly within Property Services. I have met with the Director of Housing and Inclusion and the Property Services Manager to discuss this report and to confirm that the new control framework has been embedded into management processes. Funding of £70,000 has also been requested through the HRA budget setting process for 2019/20 for staffing resources for procurement compliance on mechanical and electrical support systems, and this demonstrates that a more structured approach is now being taken.
- 4.3 To provide further assurance it is intended that a follow up audit of Property Services procurement is undertaken in the next financial year. This will test whether the new arrangements are working effectively and provide a check on whether there are any outstanding issues that have yet to be resolved.

5.0 SUSTAINABILITY IMPLICATIONS

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

6.0 RISK ASSESSMENT

- 6.1 This report summarises the risks which internal audit work had identified as not being adequately addressed by the Council's previous framework of controls and the measures that have been taken by management to address those risks.

Background Documents

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

Equality Impact Assessment

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

Appendices

Appendix 1 – Property Services Arrangement Relating to the Engagement of a Contractor – Report to Audit and Governance Committee March 2018

Appendix 2 – Property Services Contractor Engagement Action Plan



AUDIT AND GOVERNANCE COMMITTEE:

27 March 2018

Report of: Borough Treasurer

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

**SUBJECT: PROPERTY SERVICES ARRANGEMENTS RELATING TO THE
ENGAGEMENT OF A CONTRACTOR.**

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To advise members of Audit and Governance Committee of matters relevant to their oversight of the Council's framework of control arising from an internal audit examination of property services arrangements with a contractor.

2.0 RECOMMENDATION

- 2.1 That the actions agreed by management to strengthen controls on procurement, payments, accountability, transparency and custody of documents following internal audit's examination of property services use of a contractor be noted.
-

3.0 BACKGROUND

- 3.1 This Committee's terms of reference include monitoring of Contract Procedure Rules and Financial Regulations in so far as they contribute to the effectiveness of the Council's internal controls. This includes consideration of the Council's compliance with its own and other published standards and controls in so far as these contribute to the adequacy of its framework of internal control.
- 3.2 They also permit consideration of matters arising from internal audit work where requested by the Audit Manager.
- 3.3 Members are asked to consider the report at appendix 1 arising from internal audit's examination of property services' engagement with a contractor which summarises matters relevant to this Committee's responsibilities.

- 3.4 Other activity arising from the examination which are not within the remit of this committee have been progressed through the appropriate channels in accordance with Council Policy in the usual way.
- 3.5 Progress against the action plan that has been put in place will be reported back to each future meeting of this committee until such time as it has been completed.
- 3.6 The Council's External Auditors have been briefed on the content of this report.

5.0 SUSTAINABILITY IMPLICATIONS

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

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 risks which internal audit work has identified as not being adequately addressed by the Council's existing framework of controls and measures proposed by management to address those risks for members information.

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. Audit Manager's Report: Arrangements relating to property services engagement of a contractor.

Report of the Audit Manager:

Arrangements relating to property services' engagement of a contractor (Valueworks).

1.0 Background

- 1.1 When a contractor engaged on the capital works programme went into liquidation the Council submitted a claim to the administrators.
- 1.2 When the Council received its final distribution of funds, another company, Valueworks, requested settlement of an amount included in the claim on their behalf.
- 1.3 The officer dealing with the liquidation left and the officer newly responsible for processing this request approached the Audit Manager for advice.
- 1.4 During initial exploration of the matter it became evident that property services arrangement with Valueworks had a number of unusual features.
- 1.5 It was agreed with the Borough Treasurer and the Director of Housing and Inclusion that internal audit would examine this arrangement further.
- 1.6 During the course of the examination the arrangement with Valueworks has reached its specified end date and has not been renewed.

2.0 General observations on records arising from the examination.

- 2.1 It proved impossible to establish a comprehensive account of the procurement and commissioning process for the Council's arrangement with Valueworks due to a lack of adequate documentation.
- 2.2 The records of day to day transactions maintained by property services were also incomplete. After the arrangement had become operational only a fraction of the large volume of standard documents generated by this arrangement, mostly in electronic format, e.g. invoices submitted by Valueworks, were retained. Those documents that had been retained were found in unstructured groups in various locations with no proper arrangements established for their custody.
- 2.3 The arrangement entered into had not used established procedures to transact business with Valueworks.
- 2.4 Property Services had not initiated an acceptable alternative process incorporating adequate audit trails, in fact no alternative procedures had been documented.
- 2.5 Property Services had not sought approval for the alternative approach adopted as required by Financial Regulations.

3.0 Services commissioned from Valueworks.

- 3.1 Valueworks provided services to a number of social landlords and offered a menu of services to clients (the company has since re-focused its activities under revised management).
- 3.2 While their service offerings included support for procurement, this option was not taken up by West Lancashire, the arrangement Property Services made with Valueworks mainly centred on the provision and ongoing maintenance and support of an e-marketplace software application and liaison with suppliers of materials used on the kitchen and bathroom contracts included in the capital programme.
- 3.3 The main deliverable was a system to administer the purchase-to-pay cycle for WLBC and their suppliers covering financial transactions – orders, delivery notes and invoices created within the e-marketplace system. A basic version of this was already achievable using our pre-existing housing management software.
- 3.4 The available evidence suggests that Valueworks performance was in accordance with the service specification outlined to the Council in their standard Terms and conditions as modified by the Council's choice of services.
- 3.5 Fees charged were in accordance with the rates specified in those terms and conditions.
- 3.6 No documented business case has been provided relating to the decision to bring Valueworks on board part way through the contract procurement process at West Lancashire.

4.0 Commissioning decision.

- 4.1 A partial account of events surrounding the commissioning process has been constructed from correspondence gathered from various sources, supplemented from memory by various members of staff in property services and by contact with representatives of Valueworks. The narrative is incomplete and its accuracy cannot be fully verified.
- 4.2 In 2012/13, part way through the procurement process for contracts to fulfil the Capital Programme for Kitchen and Bathroom replacements, property services entered into an arrangement with Valueworks.
- 4.3 The documentation available does not clearly record precisely when the decision to incorporate the use of Valueworks into the procurement process was made or how or who by.

5.0 Procurement

- 5.1 Valueworks fees from the start of the arrangement in 2013 up to January 2017 were approximately £382,160 net, £458,592 Gross.
- 5.2 Expenditure with Valueworks in relation to this engagement therefore exceeds the upper threshold in Contracts Procedure Rules (CPR) where tenders must be invited.
- 5.3 This level of expenditure exceeds the EU procurement threshold for Services Contracts. In 2016/17 this was £164,176 (this applies to all contracts which are neither “works” nor “supplies”). These thresholds are the total value of the contract over its full duration, excluding VAT.
- 5.4 No tender exercise was undertaken before entering into this arrangement.
- 5.5 While payments appear to have been made in accordance with the arrangement entered into by property services no evidence has been provided to demonstrate that proper consideration was given to how this arrangement would secure value for money.

6.0 Use of alternative arrangements to make creditor payments to Valueworks.

- 6.1 The process set up in property services to administer this arrangement was that Valueworks' fees would be collected through an arrangement with contractors and suppliers engaged on the kitchen and bathroom replacement programmes.
- 6.2 The process bypassed controls in the Council's regular corporate systems and no compensating controls were incorporated. Under this arrangement contractors were required to transfer part of the fee paid to them by the Council on to Valueworks. Consequently no payments were made direct from the Council to Valueworks.

7.0 Contract matters

- 7.1 Valueworks sent a copy of their standard terms and conditions modified to reflect their engagement with WLBC to Property Services as an e-mail attachment 28/2/2013.
- 7.2 Valueworks requested return of a signed copy of this agreement (contract) on more than one occasion.
- 7.3 A later e-mail dated 30/4/13 proposed that in the absence of a signed agreement they would use these standard terms until such time as one was put in place.
- 7.4 The Council's Contract Procedure Rules require a signed contract to be in place for contracts of this value.
- 7.5 No signed contract has ever been in place for the Council's engagement of Valueworks.

8.0 Budget for the services provided under the agreement

- 8.1 This engagement is not identified separately in the Capital Programme and no other explicit budget approval has been identified for this expenditure.
- 8.2 Capital expenditure is approved with the intention of acquiring or enhancing fixed assets with a long-term value to the Council.
- 8.3 Expenditure on the Valueworks arrangement has been coded to the Capital Programmes for replacement kitchens and bathrooms.

9.0 Failure to process invoices correctly

- 9.1 Invoices have been submitted by Valueworks throughout their engagement. Those invoices have not been processed, authorised or paid by property services.
- 9.2 No arrangements were made for safe custody of these invoices by Property Services who were unable to produce a complete set for inspection (duplicate copies were provided by Valueworks on request).
- 9.3 The failure to secure invoices submitted by Valueworks contravenes the requirement in the Council's Retention and Disposal Schedule to retain invoices for 6 years after the conclusion of the financial transaction that they support.

10.0 Alternative Payment process.

- 10.1 Payments have not been processed through the regular creditor payment process.
- 10.2 It was instead arranged between Property Services, Valueworks and the contractors that 2.5% would be added to all invoices for works and materials paid to the contractors and suppliers on the WLBC Kitchen and Bathroom Replacement Programme and passed on to Valueworks.
- 10.3 Valueworks net off payments received against the fees they charged to the Council.
- 10.4 While VAT has been processed at the correct overall value, property services did not establish viable processes for ensuring payment was only made where a VAT invoice had been received, checked, coded and certified for payment.
- 10.5 The payment arrangements in place are unclear and inadequate to ensure the treatment of invoices complied with official invoice processing instructions, Financial Regulations and HMRC requirements.
- 10.6 This alternative system has not been documented by Property Services.

11.0 Transparency and accountability

- 11.1 As the Council's official financial creditor payments processes and systems have been bypassed these have not recorded any of the payments made to Valueworks and so these transactions will not be disclosed by any search of the Council's regular financial systems.
- 11.2 This expenditure would not be identified during regular sampling of the creditor system for audit testing.
- 11.3 The payments to Valueworks have not been explicitly identified separately anywhere in the accounting system.
- 11.4 This activity and expenditure would not be identified in response to any Freedom of Information request.
- 11.5 The arrangement has not been recorded on the Contracts Register which is verified against payments made through the creditor system.
- 11.6 The payments have not appeared in the published list of payments over £500 produced through the creditor system (a regulatory requirement).
- 11.7 Property Services did not comply with Financial Regulations by consulting with the Borough Treasurer and informing Internal Audit before introducing this alternative system which would not have met the basic requirements to gain approval.

12.0 Conclusions and Recommendations

- 12.1 The procurement process for the engagement of Valueworks is not adequately documented.
- 12.2 The procurement process for the engagement of Valueworks did not comply with Contracts Procedure Rules and other purchasing requirements.
- 12.3 Financial regulations have not been complied with.
- 12.4 Transactions have not been adequately recorded.
- 12.5 The alternative arrangements were put into place without proper authority and without consultation with Financial Services.
- 12.6 No formal contract was put in place to secure adequate governance arrangements for the Council's use of Valueworks.
- 12.7 The Council's document retention rules have not been complied with.
- 12.8 The arrangements in place for this engagement did not meet the standards of transparency and accountability required by the Council in its business transactions.
- 12.9 To address this position an action plan has been agreed and put in place as shown below. Work to implement this action plan will be prioritised and regularly reported back to members.

Action Plan

	<u>Issue</u>	<u>Action</u>	<u>Responsible</u>	<u>Timescale</u>
1.	Lack of adequate documentation of the procurement process.	Since the procurement process referred to in this report the Council has implemented an e-procurement system. The system records all steps in procurement exercises administered through it. Its use is now mandatory for all contracts over £50,000 under the Council's current Contracts Procedure Rules.	Procurement Executive	Complete
2.	Failure to comply with Contracts Procedure Rules and Financial Regulations and to record transactions adequately.	Non-compliance cannot be corrected retrospectively. Further training will be provided for staff in property services on the requirements of Contract Procedure Rules, Financial Regulations and in relation to transaction processing to clarify requirements for clearing invoices and to ensure that staff understand the conditions for exceptions to established creditor payment procedures.	Director of Housing and Inclusion	In progress
3.	Failure to seek authority to make changes to financial systems.	All staff to be reminded that changes should not be made to financial systems without consultation with internal audit (and where necessary the approval of the Borough Treasurer)	Borough Treasurer	30 th March 2018
4.	Absence of a signed agreement governing the arrangement.	Non-compliance cannot be corrected retrospectively. Internal Audit will carry out a review comparing property services expenditure over the threshold at which a contract is required to agreements held by legal services to evidence levels of compliance in other contracts.	Internal Audit Manager	30 th March 2018

5.	Non-compliance with Council's Document retention requirements.	A corporate programme of review and cataloguing of records is in progress. It has been agreed that Property Services will be included early in the programme to ensure appropriate document retention criteria are developed and implemented.	Information Asset Owners in consultation with Data Access and Storage Governance Project Officer	In progress
6.	Establish transparency and accountability in payment procedures adopted.	All officers authorising payments to be instructed that no invoices including "premium payments" to third parties are to be authorised and any presented for payment are to be referred immediately to the Internal Audit Manager	Borough Treasurer	30 th March 2018
7.	Issues relating to transparency and accountability due to alternative payment procedure adopted.	Internal Audit to carry out a programme of checks to identify whether this practice has been employed on any other existing contracts in property services.	Internal Audit Manager	30 th March 2018
8.	To establish that there are no other unauthorised amendments to established creditor payment procedures in use.	Examination by internal audit of payments made by property services through creditors (including the D100 process) to ensure these comply with corporate requirements.	Internal Audit Manager	30 th March 2018

Appendix 2 - Property Services Contractor Engagement Action Plan

	<u>Issue</u>	<u>Action</u>	<u>Responsible</u>	<u>Progress</u>
1.	Lack of adequate documentation of the procurement process.	Since the procurement process referred to in this report the Council has implemented an e-procurement system. The system records all steps in procurement exercises administered through it. Its use is now mandatory for all contracts over £50,000 under the Council's current Contracts Procedure Rules.	Procurement Executive	Complete
2.	Failure to comply with Contracts Procedure Rules and Financial Regulations and to record transactions adequately.	Non-compliance cannot be corrected retrospectively. Further training will be provided for staff in property services on the requirements of Contract Procedure Rules, Financial Regulations and in relation to transaction processing to clarify requirements for clearing invoices and to ensure that staff understand the conditions for exceptions to established creditor payment procedures.	Director of Housing and Inclusion	Complete
3.	Failure to seek authority to make changes to financial systems.	All staff to be reminded that changes should not be made to financial systems without consultation with internal audit (and where necessary the approval of the Borough Treasurer)	Borough Treasurer	Complete
4.	Absence of a signed agreement governing the arrangement.	Non-compliance cannot be corrected retrospectively. Internal Audit will carry out a review comparing property services expenditure over the threshold at which a contract is required to agreements held by legal services to evidence levels of compliance in other contracts.	Internal Audit Manager	Complete

5.	Non-compliance with Council's Document retention requirements.	A corporate programme of review and cataloguing of records is in progress. It has been agreed that Property Services will be included early in the programme to ensure appropriate document retention criteria are developed and implemented.	Information Asset Owners in consultation with Data Access and Storage Governance Project Officer	This action is being progressed through the management of electronic records process
6.	Establish transparency and accountability in payment procedures adopted.	All officers authorising payments to be instructed that no invoices including "premium payments" to third parties are to be authorised and any presented for payment are to be referred immediately to the Internal Audit Manager	Borough Treasurer	Complete
7.	Issues relating to transparency and accountability due to alternative payment procedure adopted.	Internal Audit to carry out a programme of checks to identify whether this practice has been employed on any other existing contracts in property services.	Internal Audit Manager	Complete
8.	To establish that there are no other unauthorised amendments to established creditor payment procedures in use.	Examination by internal audit of payments made by property services through creditors (including the D100 process) to ensure these comply with corporate requirements.	Internal Audit Manager	Complete

Audit & Governance Committee Work Programme – 19 January 2019

Date	Training (commencing 6.00pm)	Items
28 May 2019	Annual Accounts Training	<ol style="list-style-type: none"> 1. Grant Thornton – Progress Update 2. Grant Thornton – Certification Letter 3. Internal Audit Annual report 4. Internal Audit Activities – Quarterly Update 5. Annual Governance Statement 6. Statement of Accounts 7. RIPA Act regular monitoring of use of powers 8. Anti-Fraud Bribery and Corruption Activities 9. Internal Audit Plan 2019/20 10. Management of Electronic Records
July 2019	The Development Company	<ol style="list-style-type: none"> 1. Grant Thornton – Audit Findings Report 2. Approval of Statement of Accounts 3. Internal Audit Activities – Quarterly Update 4. Regulation of Investigatory Powers (RIPA) Act - Annual Setting of the policy and review of use of powers
October 2019		<ol style="list-style-type: none"> 1. Grant Thornton – Progress Report 2. Internal Audit Activities – Quarterly Update 3. RIPA Act regular monitoring of use of powers – annual setting of the policy 4. Grant Thornton Annual Audit Letter 5. Anti-Money Laundering Policy
January 2020		<ol style="list-style-type: none"> 1. Grant Thornton – Progress Update 2. Risk Management Framework 3. Internal Audit Activities – Quarterly Update 4. Internal Audit Plan 2020/21 5. RIPA Act regular monitoring of use of powers 6. Local Code of Governance 7. Anti-Money Laundering Policy 8. Grant Thornton – Certification Letter

