



Jacqui Sinnott-Lacey  
Chief Operating Officer

52 Derby Street  
Ormskirk  
West Lancashire  
L39 2DF

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Monday, 22 May 2023

**TO: COUNCILLORS     M ANDERSON (CHAIR), M PARLOUR, E POPE, D DANIELS,  
S PATEL, J FILLIS, D WEST AND D WHITTINGTON**

Dear Councillor,

A meeting of the **AUDIT & GOVERNANCE COMMITTEE** will be held in the **CABINET/COMMITTEE ROOM - 52 DERBY STREET, ORMSKIRK L39 2DF** on **TUESDAY, 30 MAY 2023 at 7.00 PM** at which your attendance is requested.

Yours faithfully

A handwritten signature in black ink, appearing to be "JS", written over a horizontal line.

Jacqui Sinnott-Lacey  
Chief Operating Officer

**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. URGENT BUSINESS**  
Note, no other business is permitted unless, by reason of special circumstances, which shall be specified at the meeting, the Chairman is of the opinion that the item(s) should be considered as a matter of urgency.

<b>4.</b>	<b>DECLARATIONS OF INTEREST</b> If a Member requires advice on Declarations of Interest, he/she is advised to contact the Legal and Democratic Services Manager 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).	529 - 530
<b>5.</b>	<b>MINUTES OF PREVIOUS MEETING</b> To receive as a correct record, the minutes of the meeting held on Tuesday, 31 January 2023.	531 - 536
<b>6.</b>	<b>PUBLIC SPEAKING</b> 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, 26 May 2023.	537 - 542
<b>7.</b>	<b>GRANT THORNTON - AUDIT PROGRESS REPORT</b>	543 - 560
<b>8.</b>	<b>INTERNAL AUDIT CHARTER 2023/24</b> To consider the report of the Corporate Director of Transformation, Housing & Resources.	561 - 582
<b>9.</b>	<b>EXTERNAL REVIEW OF INTERNAL AUDIT</b> To consider the report of the Corporate Director of Transformation, Housing & Resources.	583 - 604
<b>10.</b>	<b>INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2023/24</b> To consider the report of the Corporate Director of Transformation, Housing & Resources.	605 - 616
<b>11.</b>	<b>INTERNAL AUDIT ACTIVITIES - PROGRESS REPORT</b> To consider the report of the Corporate Director of Transformation, Housing & Resources.	617 - 628
<b>12.</b>	<b>PROCUREMENT POLICY</b>	629 - 646
<b>13.</b>	<b>REGULATION OF INVESTIGATORY POWERS ACT - ANNUAL SETTING OF THE POLICY</b> To consider the report of the Legal and Democratic Services Manager.	647 - 676
<b>14.</b>	<b>WORK PROGRAMME</b>	677 - 678

**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:-

Chloe McNally on 01695585207

Or email [chloe.mcnally@westlancs.gov.uk](mailto:chloe.mcnally@westlancs.gov.uk)

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

<b>PERSON IN CHARGE:</b>	Most Senior Officer Present
<b>ZONE WARDEN:</b>	Member Services Officer / Lawyer
<b>DOOR WARDEN(S)</b>	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 4

## 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 <b>because</b></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) <b>and</b> the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest</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) <b>and</b> the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest</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>
5.	A Standards Committee dispensation applies (relevant lines in the budget – Dispensation 15/09/20 – 14/09/24)	<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.

Page 529

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

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

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

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

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

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

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

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

**'a connected person'** means

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

**'body exercising functions of a public nature'** means

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

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

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



# Agenda Item 5

## AUDIT & GOVERNANCE COMMITTEE

**HELD:** Tuesday, 31 January 2023

**Start:** 7.00 pm

**Finish:** 8.43 pm

### PRESENT:

Councillor: E Pope (Chairman)

Councillors:	P O'Neill	J Finch
	N Furey	J Gordon
	R Molloy	D Owen
	I Rigby	D Westley

In attendance: Georgia Jones, Director, Grant Thornton  
Kelly Jarvis, Grant Thornton Observer

Officers: James Pierce, Head of Finance, Procurement and Commercial Services  
Jacqueline Pendleton, Corporate Compliance & Governance Manager  
Rebecca Spicer, Insurance and Risk Officer  
Catherine Kirwan, Procurement Manager  
Jennifer Lunn, Senior Legal Executive/Assistant Solicitor  
Julia Brown, Democratic Services Officer  
Chloe McNally, Democratic Services Officer

### 1 APOLOGIES

There were no apologies received.

### 2 MEMBERSHIP OF THE COMMITTEE

In accordance with Council Procedure Rule 4, the Committee noted the termination of Councillors D Daniels and I Davis, and the appointment of Councillors D Westley and I Rigby for this meeting only, thereby giving effect to the wishes of the Political Groups.

### 3 URGENT BUSINESS

There were no urgent items of business.

### 4 DECLARATIONS OF INTEREST

There were no declarations of interest.

### 5 MINUTES OF PREVIOUS MEETING

RESOLVED: That the Minutes of the meeting held on 25 October 2022 be received as a correct record and signed by the Chairman.

**6 PUBLIC SPEAKING**

There were no items under this heading.

**7 EXTERNAL INTERIM ANNUAL AUDITOR'S REPORT (AAR) 2020/21**

Consideration was given to the External Interim Annual Auditor's Report (AAR) 2020/21 as contained on pages 353 to 386 of the Book of Reports, the purpose of which was to receive the Auditors Annual Report from our External Auditors Grant Thornton.

The Chairman welcomed and invited Georgia Jones, Director, Grant Thornton, to present the report to the Committee.

Two significant weaknesses were identified in the interim report, firstly, the Council does not have satisfactory arrangements in place to prepare timely financial statements that are free from material error. Secondly, the Council does not have satisfactory arrangements in place to ensure the role of Internal Audit has the required impact and effectiveness due to the change in responsibilities and reporting structure.

Comments were made by the Head of Finance, Procurement and Commercial Services as follows:

- Resources have been asked for to facilitate the centralisation of the Procurement Service
- Significant changes around re-setting the basic processes has progressed
- Recommendations from the report have been accepted and progressed

Questions from members included:

- Will Grant Thornton look at Tawd Valley Development's accounts, big projects and investments, or the decisions and information related to the transactions?
- Can examples be provided for the benefits of the centralisation of procurement?
- Is it being considered to look at working with other commercial services to utilise frameworks in place?
- Can it be established we've got value for money on transactions?
- Recommendations are to be followed through to ensure they are complied with

The Director of Grant Thornton confirmed that they will not be completing an audit on Tawd Valley Development's accounts, big projects and investments, or the decisions and information related to the transactions as this would be for their External auditor to do. They then would only look to ensure that the accounts have been prepared in accordance with accounting policy and are free from material error. Grant Thornton would only look at this if there was potentially something wrong. The purpose of Grant Thornton's audit would be to make sure the arrangements and processes are in place to ensure appropriate decisions are made within the Council.

It would also look to ensure that the Group Accounts had been incorporated into the Council's Annual Accounts in a proper manner.

The Head of Finance, Procurement and Commercial Services confirmed that the electricity contact has been investigated, leading to significant savings as the contract in place would have cost a lot more. Standards are being enforced by management, and processes will be centralised to go through the central Procurement Team – resulting in consistency of practice and tighter control and governance around procurement processes.

The Procurement Manager confirmed that other frameworks in place from Crown Commercial Services are being considered, to utilise the frameworks and avoid carrying out work that has already been done elsewhere.

The Director of Grant Thornton confirmed that the audit is to help put the processes and arrangements in place so members can assess value for money themselves, this isn't something the audit can assess.

RESOLVED: That the External Interim Annual Auditor's Report be noted.

**8      EXTERNAL INTERIM AUDIT FINDINGS REPORT FOR WEST LANCASHIRE BOROUGH COUNCIL (AFR) 2020/21**

Consideration was given to the External Interim Audit Findings Report for West Lancashire Borough Council (AFR) 2020/21 as contained on pages 387 to 444 of the Book of Reports, the purpose of which was to receive the Interim 2020/21 Audit Findings Report from our External Auditors Grant Thornton.

The Chairman invited Georgia Jones, Director, Grant Thornton, to present the report to the Committee.

In VFM conclusions a number of concerns were raised, the Council does not have satisfactory arrangements in place to prepare timely financial statements that are free from material error, 2020/21 accounts are still outstanding and prior year adjustments are required for 2019/20. In addition, the Council does not have satisfactory arrangements in place to ensure all procurement processes are followed.

Comments and Questions were raised as follows:

- Will accounts have to be re-issued in respect of 2019/20?
- What is the plan for completion, is an action or time plan in place?
- What is the reason behind valuations not being agreed with?
- Can formal instructions for valuations be put in place for the next audit?
- What asset register are we using and how is this work completed?

The Director of Grant Thornton confirmed that they anticipate having an audit report in place for each Audit & Governance Committee meeting, but they are reliant on officers getting the information to them, therefore, the time frame is depending on

this. She also noted that Grant Thornton haven't got enough evidence to support valuations, so can't say if they are right or wrong. They will need to see the information and background behind the valuations to assess this. The Finance and Estates Teams are working with Grant Thornton to finalise this work.

The Head of Finance, Procurement and Commercial Services confirmed that they will be looking to outsource future valuation work via a framework and will be ensuring that any provider is cited on the external audit requirements regarding this valuation work. He also noted that the asset register is currently maintained on spreadsheets and that a proposal had been included in the Budget Report to February Council asking for funds to purchase an electronic system which will be a more efficient method of managing this aspect of the accounts. In relation to the question raised about the lack of an asset register, the Head of Finance explained to members that they were referring to an Asset Management Plan for the commercial property estate and this was a separate issue.

- RESOLVED:
- A. That the External Interim Audit Findings Report for West Lancashire Borough Council (AFR) 2020/21 be noted.
  - B. It was requested, by all members, that a copy of this Interim Report be presented to Full Council. Comment was made that these weaknesses are the responsibility of all Councillors, and they should all be aware of the issues.

## **9 INTERNAL AUDIT ACTIVITIES - PROGRESS REPORT - JANUARY 2023**

Consideration was given to the report of the Head of Finance, Procurement and Commercial Services as contained on pages 445 to 458 of the Book of Reports, which advised of progress against the 2022/23 Internal Audit Plan.

The Corporate Compliance & Governance Manager outlined the report and responded to comments and questions raised by Members:

- Are staff taking risks seriously, how can it be checked that people are taking on board risk training?
- The risk of fraudulent funding
- Can someone be trained up and given the work, as there is a large amount to complete
- Will further risk assessments be completed?

The Corporate Compliance & Governance Manager confirmed that the Corporate Director of Transformation, Housing & Resources has been having conversations with Heads of Service regarding risk and review of risk to ensure this is taken seriously. The Heads of Service will get red, amber, or green actions to take away from these conversations. She noted that the risk of fraudulent funding is being picked up through the benefits audit, and reassured Members that fraud is always a concern and at the forefront of every auditor's mind when conducting their audit work. Controls have been built in to help reduce this risk, and internal audit have been consulted, to ensure grants are being paid suitably.

The Corporate Compliance & Governance Manager noted that it is proving difficult to recruit auditors, so succession planning seems the way forward. This will allow someone to be trained and benefit the team in the long run. She also added that risks will be assessed continuously throughout.

RESOLVED: That Members note progress in the year to date.

## **10 RISK MANAGEMENT FRAMEWORK UPDATE & ANNUAL REPORT**

Consideration was given to the report of the Head of Finance, Procurement & Commercial Services as contained on pages 459 to 524 of the Book of Reports, the purpose of which was to set out details of the operation of the risk management framework over the last twelve months as detailed in the Risk Management Annual Report 2022, recommend changes to the current Risk Management Policy & Strategy, and Toolkit, and share the findings of an external risk review.

The Risk and Insurance Officer outlined the report and responded to comments and questions raised by Members:

- Staff need to take risks seriously
- The report looks useful, and the Risk and Insurance Officer was praised on her report
- The rating given in the report was above the average rating provided by Zurich for local authorities demonstrating the Councils strong commitment to managing risk effectively.

The Risk and Insurance Officer confirmed that actions are in place to work with audit and on operational risk management, as well as the plans to implement training and practical workshops.

- RESOLVED:
- A. That the continuing effective operation of the risk management framework as detailed in the Risk Management Annual Report 2022 (Appendix A) be noted.
  - B. That the proposed amendments to the Risk Management Policy & Strategy (Appendix B) and Toolkit (Appendix C) be endorsed for approval by Cabinet in March 2022.
  - C. That the findings of the Risk Management Health Check conducted by Zurich, as set out in paragraph 8 of the report, be noted.

## **11 REGULATION OF INVESTIGATORY POWERS ACT (RIPA) REGULAR MONITORING OF USE OF POWERS**

Consideration was given to the report of the Legal and Democratic Services Manager as contained on pages 525 to 526 of the Book of Reports, the purpose of which was to report on the Council's use of its powers under the Regulation of

Investigatory Powers Act 2000 (RIPA).

RESOLVED: That it be noted that the Council has not had cause to use its powers under the Regulation of Investigatory Powers Act 2020 (RIPA) during the last 12 months.

**12 WORK PROGRAMME**

Consideration was given to the Committee's 2022/23 Work Programme as set out on pages 527 to 528 of the Book of Reports.

RESOLVED: That the Work Programme be noted.

.....  
**Chairman**

## **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 A Parish Council Representative 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.
- 1.3 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 10.00 am on the Friday of the week preceding the meeting. This can be submitted by e-mail to [member.services@westlancs.gov.uk](mailto:member.services@westlancs.gov.uk) or by sending to:

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

- 2.2 Completed forms will be collated by Member Services and circulated via e-mail to relevant Members and officers and published on the Council website via Modgov. Only the name of the speaker (and representative) 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 Legal & Democratic Services Manager 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 Legal & Democratic Services Manager 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.

No amendments will be made to the list of speakers once it has been compiled (regardless of withdrawal of a request to speak).

- 4.3 All submissions received will be published on the Council's website and circulated to Members of the relevant body and officers for consideration.

#### **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 the speakers to make their representations. Speakers 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/s have said, along with any other information/representations submitted under this protocol, when all 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, including a Parish or Borough Councillor representative. They can also bring an interpreter if they need one. They should be aware there may be others speaking as well.

(Note: If a Resident wishes to have their Borough Councillor speak on their behalf, the Borough Councillor is not a member of the body considering the item.)



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

Please indicate if someone will be speaking on your behalf at the meeting

**YES/NO\***

\*delete as applicable

If someone is speaking on your behalf please provide their contact details:

**NAME** .....

**PHONE** .....

**Email** .....

Note: This page will not be published.

(P.T.O.)

PLEASE PROVIDE DETAILS OF THE MATTER YOU WISH TO RAISE

Agenda Item      Number .....

Title .....

Details .....

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Name ..... Dated .....

*Completed forms to be submitted by 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](mailto: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 circulated to Members of the Committee and published.

# West Lancashire Borough Council Audit Progress Report and Sector Update

**Year ended 31<sup>st</sup> March 2023**

May 2023

Page 543



Agenda Item 7

# Contents

Section
Introduction
Progress at May 2023
Audit Deliverables
Infrastructure Assets Update
Sector Update

Page	
3	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

## Your key Grant Thornton team members are:

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Key Audit Partner

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

The paper also includes:

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

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

# Progress at May 2023

## Financial Statements Audit 2020/21

We received the first draft of the financial statements for 2020/21 to audit in November 2021. The deadline for audit for the 2020/21 financial statements was 30 November 2021, therefore the deadline was not going to be met.

In 2019/20 the audit opinion was only issued in June 2021, when the audit deadline was November 2020. The reasons for the delay were largely due to the lack of quality assurance processes, significant delays in responding to audit queries for samples and working papers and a lack of co-operation in the audit process.

The same issues continued into 2020/21 and the first draft of the financial statements from November 2021 contained errors and inconsistencies.

Among the issues raised by audit, the most significant were:

- Group accounts were not included when it was expected that group accounts would need to be incorporated

- There were no revaluations of other land and buildings despite significant market movements since the previous financial year

We started our audit work as soon as we received the draft financial statements in November 2021. We were progressing the financial statements audit, but we were unable to secure improvements in the timeliness of responses to both audit queries and requests for working papers. We therefore paused the audit in March 2022. We issued the Council with a listing of outstanding requests and expected to resume the audit at the start of July 2022. Discussions with officers in July 2022 determined that the Council was not able to restart the audit as work was still ongoing,

Since March 2022, the Council had reviewed the accounts compilation process and as a result identified a material prior period adjustment for 2019/20 largely due to the incorrect accounting of a grant. Although not material, the Council also took the opportunity to adjust other balances. This has led to significant additional audit work to assess the material and non-material changes to the 2019/20 comparators.

The Council also identified other issues with the compilation of the 2020/21 financial statements as a result of our audit queries as well as their internal quality review processes. Another version of the financial statements was drafted in June 2022, and a further copy in September 2022. A large proportion of the primary statements and disclosure notes changed when compared to the first version of the draft financial statements. As a result, we have carried out a significant amount of work understanding all the changes from version 1 of the financial statements. We were also required to revisit all our samples and work undertaken to date. This has meant additional time to conduct this work, and in some areas additional samples were required and some work needed to be started again.

Turnover of valuation staff within the Council and the use of interim appointments has meant the Council has experienced capacity issues. The work we are required to conduct on these areas has increased in the level of audit challenge and evidence requests due to increased regulatory requirements.

We presented an Interim Audit Findings Report to the 31<sup>st</sup> January Audit Governance Committee detailing ongoing procedures and emerging audit findings including a large number of audit adjustments.

Following that we have continued performing audit procedures over outstanding areas and have substantially completed our work on the areas of significant risk to the audit including PPE, HRA and Investment Property valuations and journals. We have also substantially completed our procedures over the Group accounts.

We are waiting for the Council to fully respond to queries arising from our technical review of the financial statements. When these are received and amendments have been agreed we will share a final Audit Findings Report and progress to certification of the accounts.



# Progress at May 2023 (cont.)

## Value for Money Arrangements

We have substantially completed our VFM work with some work outstanding, however, we presented the Interim Annual Audit Report to the Audit and Governance Committee on the 31st January 2023 summarising the work on VFM.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

- Our audit plan and audit plan addendum identified four significant risk areas of focus:

- Financial Resilience
- Tawd Valley Developments Limited
- Late production and poor quality of the financial statements
- Procurement

We have performed further procedures in respect of the risks identified. We identified significant weaknesses in relation to:

- Late production and poor quality of the financial statements
- Management reporting structure of Internal Audit
- Procurement

Four key recommendations are reported and six improvement recommendations as a result of our work. Our Interim Auditor's Annual Report included management responses to each of the recommendations.

## Financial Statements Audit 2021/22

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously stated their intention to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. This is enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that came into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 was extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027/28. The 2021/22 financial statements were authorised for issue in line with statutory deadlines by 30 June 2022. The Council has worked to bring the timeline back in line with reporting expectations and we continue to work on the 2020/21 audit in order to move onto the work for the 2021/22 audit. We did not meet the statutory deadline for the 2021/22 audit for the completion by 30 November 2022 due to the ongoing 2020/21 audit.

As a result, while we have started some audit planning procedures for the 2021/22 audit, it is not significantly progressed.

# Progress at March 2023 (cont.)

## Certification of claims and returns 2021/22

We are required to certify the Housing Benefit return and the Pooling of Housing Capital Receipts return for the Council. We completed those engagements to schedule.

## Meetings

We continue to meet with senior Finance Officers as part of our audit engagements. We are also due to meet with your Chief Executive in June to discuss the Authority's strategic priorities and plans.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2022/23 is the fifth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

## 2020/21 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report

**Planned Date**

July 2021

**Status**

Completed-reported to the 28 July 2021 Audit and Governance Committee

### Audit Progress Report

We will report to you the findings from our interim audit within our Progress Report.

February 2022

Completed- Reported to the 31 May 2022 Audit and Governance Committee

### Interim Audit Findings Report

We will report to you the emerging findings from ongoing audit procedures within our Interim Findings Report

January 2023

Completed- Reported to the 31 January 2023 Audit and Governance Committee

### Final Audit Findings Report

We will report to you the findings following completion of our audit within our Final Audit Findings Report

July 2023

Not yet due

### Auditors Report

This includes the opinion on your financial statements.

July 2023

Not yet due

### Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

July 2023

Interim report submitted to January 2023 Audit and Governance committee

## 2021/22 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report

**Planned Date**

July 2023

**Status**

Not yet due

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

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

Public Sector

Local  
government

# Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

## About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

**Table 1 Audited accounts published by target date over the last six years**

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20





# Delayed publication of audited local authority accounts

## What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

Page 55

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

## About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



# Local government procurement and contract management

## Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector<sup>1</sup>. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

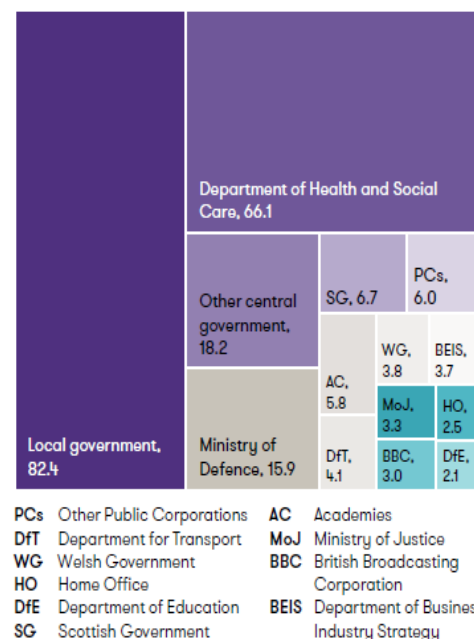
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

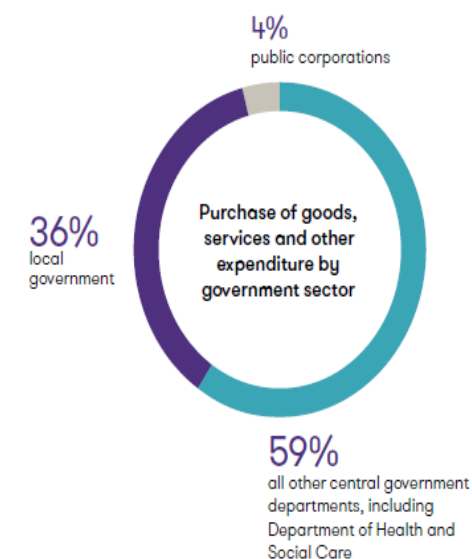
More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

## UK public spending

Public spending on goods and services, £ billions – analysis by segment and department<sup>2</sup>



Goods, services and other expenditure by segment<sup>4</sup>



<sup>1</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022  
<sup>2</sup> Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021  
<sup>3</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022  
<sup>4</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

# Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

## Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.



# Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

## "Role of the finance profession"

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

## Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared. This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is set to be broken. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole.

CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change".

[Click here for link to the article](#)

# Audit Market Developments

## Financial Reporting Council Report On The Quality Of Local Audit

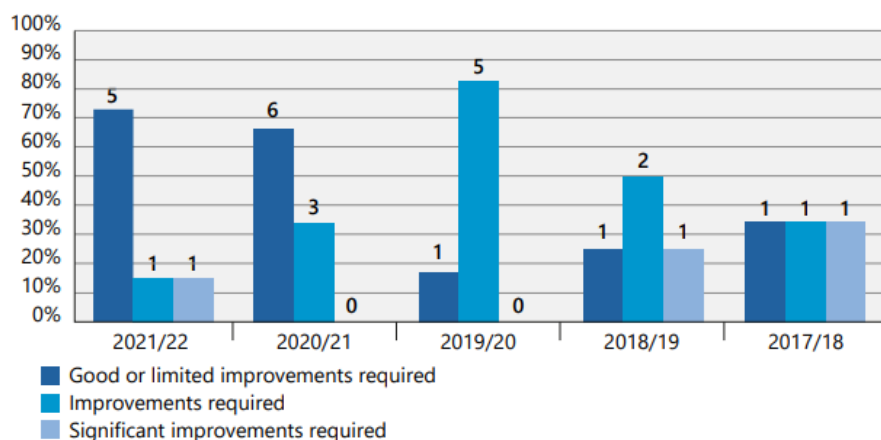
In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

**Our assessment of the quality of financial statement audits reviewed**



The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).



Financial Reporting Council



# Audit Market Developments (continued)

## Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



# Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



# Audit Committees: Practical Guidance For Local Authorities – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

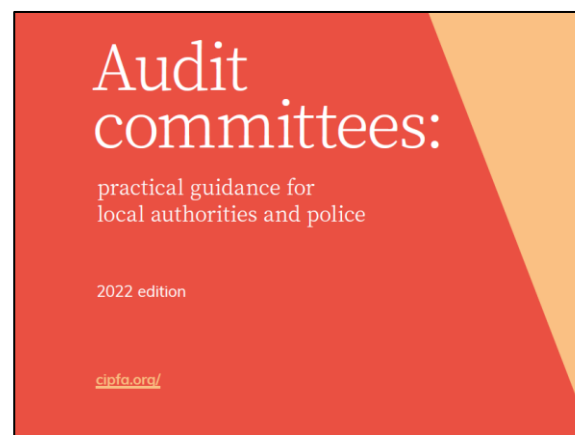
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
  - Governance, Risk and Control
  - Accountability and Public Reporting
  - Assurance and Audit arrangements
  - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)







## AGENDA ITEM:

### AUDIT AND GOVERNANCE COMMITTEE:

30 May 2023

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**Report of:** Corporate Director of Transformation, Housing & Resources

**Contact for further information:** Mrs J. Pendleton (Extn. 2603)  
(E-mail: [Jacqueline.pendleton@westlancs.gov.uk](mailto:Jacqueline.pendleton@westlancs.gov.uk))

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**SUBJECT:** INTERNAL AUDIT CHARTER 2023/24

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Wards affected: Borough wide

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

1.1 To present the Internal Audit Charter 2023/24 to Members for approval.

#### **2.0 RECOMMENDATION**

2.1 That the Internal Audit Charter 2023/24, attached at Appendix 1, be approved to take effect from 30 May 2023.

---

#### **3.0 BACKGROUND**

3.1 The Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of internal audit to be formally defined in an Internal Audit Charter which must be periodically reviewed by the Internal Audit Manager.

3.2 The Terms of Reference of this Committee include approval of the Internal Audit Charter. The current version was approved by this committee on 30 May 2022.

3.3 The Charter has been revised to take account of changes to job titles and roles, new reporting lines and new recommendation priority levels. The revised Charter is attached at Appendix 1 of this report.

#### **4.0 SUSTAINABILITY IMPLICATIONS**

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

## **5.0 FINANCIAL AND RESOURCE IMPLICATIONS**

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

## **6.0 RISK ASSESSMENT**

- 6.1 The formal approval and periodic review of the Internal Audit Charter is required by the Public Sector Internal Audit Standards. Approval of the Charter is therefore a key step in ensuring that the Council complies with statutory requirements.

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### **Background Documents**

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

### **Equality Impact Assessment**

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

### **Appendices**

1. INTERNAL AUDIT CHARTER 2023/24





# **Internal Audit Service**

## **Internal Audit Charter**

**May 2023**

**Version Control - Key Information:**

Title:	Internal Audit Charter
Document Status:	Draft
Author:	Jacqui Pendleton
Owner:	Corporate Compliance and Governance Manager
Date of publication	May 2022
Date of review	April 2023

**Revision History:**

Version	Date	Summary of Changes
1.0	28/07/2021	Agreed Internal Audit Charter 2020/21
2.0	01/03/2021	Working Draft 2021/22
3.0	28/04/2021	Draft with tracked changes
4.0	05/05/2021	Draft Internal Audit Charter for A&G approval
5.0	22/03/2022	Draft Internal Audit Charter for A&G approval
6.0	31/05/2022	Final Approved Audit Charter
7.0	21/04/2023	Draft with Tracked Changes

## Contents

1. Introduction.....	4
2. Purpose of the Internal Audit Charter .....	4
3. Definitions.....	5
4. Internal Audit Mission Statement.....	5
5. Authorisation.....	5
6. Organisation and Relationships .....	5
7. Objectives and Scope .....	6
8. Independence .....	7
9. Professional Standards.....	8
10. Audit Resources .....	9
11. Audit Planning .....	9
12. Audit Reporting.....	10
13. Counter-Fraud, Bribery and Corruption.....	16
14. Risk Management .....	17
15. External Work.....	17
16. Quality Assurance and Improvement.....	17
Internal Audit Code of Ethics.....	18

## 1. Introduction

- 1.1 West Lancashire Borough Council's (WLBC) Internal Audit Service is provided by an in-house team.
- 1.2 The requirement for the internal audit function is set out in legislation under Statutory Instruments:
  - Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs"; and
  - *The Accounts and Audit Regulations 2015 (SI 2015/234), regulation 5.— (1) "A relevant authority must 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 (PSIAS) or guidance."*
- 1.3 The Public Sector Internal Audit Standards (PSIAS), which took effect from the 1<sup>st</sup> April 2013, and were subsequently updated in April 2017 are based on the mandatory elements of the Institute of Internal Audits (IIA), International Professional Practices Framework (IPPF) and now provide a consolidated approach to promoting further improvements in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the public sector.
- 1.4 The objectives of PSIAS are to:
  - define the nature of internal auditing within the UK public sector.
  - set the basic principles for carrying out internal audit in the UK public sector.
  - establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
  - establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 1.5 Compliance with PSIAS is mandatory and must be subject to both internal and external assessment. The Corporate Compliance and Governance Manager must undertake a self-assessment on an annual basis. An external assessment must also be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation. The results of the internal and external assessments are reported to the Audit and Governance Committee.

## 2. Purpose of the Internal Audit Charter

- 2.1 This Internal Audit Charter is a formal document that defines the Internal Audit Service's purpose, authority, responsibility and position within WLBC. It has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS). It establishes the Internal Audit Service's position within WLBC and defines the scope of internal audit activities.
- 2.2 The charter also covers the arrangements for the appointment of the Corporate Compliance and Governance Manager and internal audit staff, and identifies the nature of professionalism, skills and experience required.
- 2.3 This Charter will be updated following any changes to the PSIAS or internal audit's operating environment and, as a minimum be the subject of annual review by the Corporate Compliance and Governance Manager and will be formally presented to the Audit and Governance Committee for approval.

### 3. Definitions

#### 3.1 Institute of Internal Auditors (IIA) Standards define Internal Audit as

*'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.*

### 4. Internal Audit Mission Statement

#### 4.1 The mission of West Lancashire Borough Council's Internal Audit Section is:

*To enhance and protect West Lancashire Borough Council's organisational value by providing risk-based and objective assurance, advice and insight.*

### 5. Authorisation

#### 5.1 The Internal Audit Service, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:

- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions.
- Physical properties i.e. premises and land, plus cash, stores or any other Council property.
- Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit Service in fulfilling its roles and responsibilities.

#### 5.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given where possible and appropriate, unless circumstances dictate otherwise.

### 6. Organisation and Relationships

#### 6.1 Within the PSIAS, the terms 'Chief Audit Executive', 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. The following key terms are explained below:

#### 6.2 Chief Audit Executive

The Corporate Compliance and Governance Manager fulfils the role of Chief Audit Executive for WLBC as defined by PSIAS. The Corporate Compliance and Governance Manager reports to the Corporate Director of Transformation, Housing and Resources who is a member of CMT, they also have access to the Chief Operating Officer and the Chair of the Audit & Governance Committee should it be required.

#### 6.3 Board

The 'board' oversees the work of Internal Audit and will be the relevant audit committee of the council. The 'Board' is known as the Audit and Governance Committee and was established as part of the governance arrangements for WLBC.

The Audit and Governance Committee assists the Chief Operating Officer, Head of Finance, Procurement and Commercial Services, the Monitoring Officer, Corporate Directors and Heads of Service by fulfilling its oversight responsibilities for the financial reporting process, ensuring that there are adequate systems of internal control, monitoring compliance with the constitution and financial regulations and promoting effective governance and risk management. To achieve this, reliance is placed on the work of internal and external audit.

Internal Audit will work closely with the committee to facilitate and support its activities.

#### 6.4 Senior Management

WLBC's Senior Management are known as the Corporate Management Team (CMT).

The Chief Operating Officer is WLBC's most senior manager and has overall responsibility for the risk management, control and governance processes of the Council. The Chief Operating Officer is ultimately responsible for the performance of the Council.

Corporate Directors and Heads of Service are responsible for ensuring that their Services' internal control arrangements are sufficient to address risks and prevent fraud in relation to the operations they are responsible for, paying due regard to any corporate arrangements in place.

#### 6.5 Members

The relationship with Members involves the Corporate Compliance and Governance Manager reporting the work and achievements of Internal Audit, together with future planned work, to the Audit and Governance Committee.

#### 6.6 External Audit

The Council's appointed External Auditor is Grant Thornton UK LLB. Internal Audit aims to minimise any potential duplication of work and determine the assurance that can be placed on the respective work. The Internal Audit Annual Plan is shared with the External Auditor.

#### 6.7 Other External Review and Inspection Bodies

Internal Audit will co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances from this work.

## 7. Objectives and Scope

7.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Corporate Compliance and Governance Manager to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management, and control.

7.2 The main functions of Internal Audit are to review, appraise and report on:

- The adequacy and effectiveness of financial, operational and management system controls and their practical application in relation to the business risks to be addressed.
- The extent of compliance with policies, standards, plans and procedures established by the Council and with law and regulation, including reporting requirements to regulatory bodies.
- The extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from

waste, extravagance, inefficient administration, poor value for money, fraud or other causes and that adequate business continuity plans exist.

- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information.
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that processes align with the organisation's strategic goals.
- The suitability of the authority's departments for carrying out their functions, and to ensure that services are provided in a way which is economical, efficient and effective.
- Confirmation that action has been undertaken to remedy weaknesses identified by Internal Audit, ensuring that good practice is communicated widely.
- The operation of the authority's corporate governance arrangements.

7.3 Managing the risk of fraud and corruption is the responsibility of management. However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of controls built into systems by management. Internal Audit investigate fraud and irregularities in accordance with Council procedures.

7.4 Internal Audit may also provide, where resources and skills exist, an independent and objective consultancy service, related to governance, risk management and control as appropriate and which is advisory in nature and is generally performed at the request of senior management. Such work may include providing advice on new systems and emerging risks or attendance at working groups and boards.

7.5 Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to senior management and in summary to Audit and Governance Committee, including fraud risks, governance issues and other matters considered relevant by the Corporate Compliance and Governance Manager.

## 8. Independence

8.1 Internal Audit operates within an organisational framework that preserves the independence and objectivity of the assurance function and ensures that the Internal Audit Service is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows for the Corporate Compliance and Governance Manager direct access to and the freedom to report unedited, as deemed appropriate, to the Audit and Governance Committee, the Chief Operating Officer, Section 151 Officer and Senior Management.

8.2 Internal Audit has operational responsibilities for an element of the Payroll System and the Management of the Authorisations Matrix. As a consequence, the Internal Auditors involved in these functions do not undertake any internal audit work in these areas to ensure that objectivity is not impaired. The same would extend to areas that Internal Audit may also offer support to in unforeseen circumstances i.e. contingency planning activities.

8.3 The Corporate Compliance and Governance Manager has management responsibilities for Risk Management, Insurance, and Information Governance. These areas will be subject to Internal Audit review from time to time, the outcome of which will be reported directly to the Corporate Director of Transformation, Housing and Resources and the Head of Finance, Procurement and Commercial Services (Section 151 Officer). The Corporate Compliance and Governance Manager will be

responsible for the implementation of any recommendations made in relation to these service areas.

- 8.4 The Corporate Compliance and Governance Manager will confirm to the Audit and Governance Committee, annually in the Internal Audit Annual Report, the organisational independence of the Internal Audit Service.

## 9. Professional Standards

- 9.1 Internal Auditors operate in accordance with the PSIAS and LGAN (2019). The Internal Auditors are also governed by the policies, procedures, rules and regulations established by WLBC. These include, but are not limited to, Financial Regulations, Contract Procedure Rules, Anti-Fraud, Bribery and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements and all legislation affecting the Council's activities.
- 9.2 In addition, all members of the Internal Audit Service must comply with the Code of Ethics for Internal Auditors, as detailed in PSIAS and have due regard to the Committee on Standards in Public Life's '*Seven Principles of Public Life*'. Internal Audit must also comply with the following Core Principles for Internal Auditors in all aspects of their role: -
- Demonstrate integrity
  - Demonstrate competence and due professional care
  - Be objective and free from undue influence (independent)
  - Align with the strategies, objectives and risks of the organisation
  - Positioned appropriately and resourced adequately
  - Demonstrate quality and continuous improvement
  - Communicate effectively
  - Provides risk-based assurance
  - Be insightful, proactive, and future-focused
  - Promote organisational improvement
- 9.3 By achieving these principles Internal Audit will promote improvement throughout the Council, it will add value, and provide assurance on the control and governance processes, highlighting any weaknesses that require attention.
- 9.4 In order to preserve its objectivity and independence, Internal Audit will not assume operational responsibilities for, and will remain independent of, the activities it audits or reviews.
- 9.5 Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others. Auditors are required to have due regard to the standards expected within the "Seven Principles of Public Life".
- 9.6 Internal Audit employees will ensure that they conduct work with due professional care and in line with the requirements of the PSIAS, having due regard to the Chartered Institute of Public Finance & Accountancy's Local Government Application Note in this respect. Staff will also look to comply with the code of ethics for internal auditors and the core principles for internal audit.
- 9.7 In accordance with the Council's Officer Code of Conduct, internal auditors must declare interests that can impact on objectivity. Implications of the Bribery Act must be considered, and auditors must not accept gifts, hospitality, inducements, or other benefits other than those permitted by the Council's Code, for which the appropriate registration of such items must be completed. Information obtained during the course



of an audit engagement must not be used for personal gain by an internal auditor or made available to third parties unless specific authority is in place to do so.

- 9.8 To ensure objectivity, individual auditors will not be permitted to carry out audit work in areas where they have had operational responsibility within the same financial year or longer until a suitable period has elapsed as determined by the Corporate Compliance and Governance Manager.
- 9.9 Subject to available operational resources, audit engagements will be rotated within the Internal Audit Team to prevent over-familiarity and complacency that could influence objectivity and effectiveness. Potential for conflicts of interest or impairment to objectivity or independence will be considered as part of pre-audit work and documented as part of that work.

## 10. Audit Resources

- 10.1 The Corporate Compliance and Governance Manager must hold a professional qualification (CCAB, CMIIA or equivalent), have sufficient skill, experience and competencies to work with senior management and the Audit and Governance Committee to influence and inform the risk management, governance and internal control arrangements at WLBC.
- 10.2 The Council has a responsibility to ensure that the Internal Audit Service is adequately resourced. If it is considered that the resource is inadequate, the Corporate Compliance and Governance Manager will report this to the Director of Transformation, Housing and Resources and Head of Finance, Procurement and Commercial Services (Section 151 officer), who then have a responsibility to report this to Audit and Governance Committee.
- 10.3 Audit work must be performed with proficiency and due professional care. The Internal Auditors will be appropriately staffed with the skills, knowledge, experience and competencies to fulfil their responsibilities and objectives. If the in-house team do not have the skills to undertake a piece of work i.e. ICT, the Corporate Compliance and Governance Manager may look to obtain appropriately skilled resources from an external provider.

## 11. Audit Planning

- 11.1 The Corporate Compliance and Governance Manager will develop an Internal Audit Strategy and Annual Audit Plan using a risk-based audit methodology. This will take into account: -
- Service action plans
  - Risk registers
  - Consultation with key officers e.g. members of CMT, SIRO, Section 151 Officer
  - Committee reports and Forward plan
  - Information from other assurance processes
  - Horizon scanning to consider emerging risks and opportunities
- 11.2 The Annual Audit Plan will be presented to the Audit and Governance Committee for final endorsement in advance of the audit year.
- 11.3 The Annual Audit Plan will outline the reviews to be undertaken and the broad resources required to deliver the plan. It will provide sufficient information for the

Audit and Governance Committee to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the Annual Audit Plan are detailed in Table 1.

Table 1: Audit Activities	
Assurance audits	Project Support
Main Financial Systems reviews	Follow up audit reviews
Cross Cutting reviews	Counter Fraud Activities

- 11.4 The Annual Audit Plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate audit reviews which could not have been readily foreseen. However, on occasions, specific audit requests take precedence over the original audit plan and will be required as additional work rather than as a replacement. Resources, such as specialists i.e. for ICT related work or additional auditors may be required to supplement this.

## 12. Audit Reporting

- 12.1 The process for completing an audit review is set out in Table 2.
- 12.2 Upon completion of each audit review, an Internal Audit report will be prepared and issued that:
- Provides an opinion on the risks and controls of the area reviewed, which will contribute to the Corporate Compliance and Governance Managers overall annual opinion on the internal control environment, recorded in the Internal Audit Annual Report, which, informs the Annual Governance Statement.
  - Provides a formal record of points arising from the audit, management responses to issues raised and agreed implementation timescales in the form of a Management Action Plan (MAP).
- 12.3 Exit meetings are accommodated enabling management to discuss audit review findings and recommendations. Accountability for responses to Internal Audit recommendations lies with CMT and Heads of Service as appropriate, who can either, accept and implement guidance given or formally reject it. If the MAP is not returned within prescribed deadlines, or in the auditor's opinion does not adequately address the issues raised, the Corporate Compliance and Governance Manager will discuss their concerns with the relevant Head of Service. If that discussion does not result in a MAP acceptable to Internal Audit the issue will be referred to the Corporate Director for a decision.
- 12.4 The Corporate Director's decision will be either to agree an acceptable MAP on behalf of the Head of Service, which must then be implemented within the agreed timescales, or to accept the position and acknowledge that the Corporate Director accepts the risk. Risks tolerated in this manner should be entered into the service risk register on Pentana.
- 12.5 If, in the opinion of the Corporate Compliance and Governance Manager, the Strategic Director's decision exposes the Council to an unacceptable level of risk, the matter will be referred first to the Chief Operating Officer and Section 151 Officer and then to the Audit and Governance Committee.

- 12.6 Depending upon the time taken in escalating MAP completion, the Corporate Compliance and Governance Manager reserves the right to issue the final report without the agreed MAP.
- 12.7 If audit recommendations to strengthen the internal control environment are disregarded and there are no compensating controls justifying the course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the of the risk that remains and recognising that management has chosen to accept the risk.

**Table 2 Working Arrangements during Audits**

Table 2: Working Arrangements during Audits	
Stage	Commentary
Audit Brief	Prepared and agreed with manager(s).
Fieldwork	Audit review undertaken including interviews with subject matter experts and fieldwork to obtain an understanding of inherent risks and controls to allow an analysis to be undertaken of any residual risks.
Pre-Draft Report	Following completion of an audit review the auditor will produce a pre-draft report, which following Corporate Compliance and Governance Manager Quality Assurance is issued to the responsible Service Manager, (the auditee). The auditee will be asked to comment on the factual accuracy of the report and attend an exit meeting with the auditor. In this context 'factually accurate' means that the auditor's report and recommendations are based on a correct interpretation of the systems or circumstances pertaining to the review.
Exit Meeting	The exit meeting is held with the auditee and other relevant officers as appropriate. It is during this meeting that key points arising from the audit, factual amendments and recommendations for improvement are discussed. Where possible service actions to address audit recommendations should be captured for inclusion in a draft management action plan (MAP).
Draft Report	<p>Following the exit meeting a draft report and MAP will be produced for distribution to the auditee, Head of Service and other key officers involved in the audit following Corporate Compliance and Governance Manager review. Unless otherwise informed, the relevant Service Manager will be recorded in the MAP as the Responsible Officer for the management of the implementation of the recommendations. Where actions rest with one or more service areas, the Responsible Officer role will be split between the relevant Service Managers and/or Heads of Service as appropriate.</p> <p>Upon issue of the draft audit report the auditee then has 10 working days to return a populated MAP and any further comments on factual accuracy of the report to the</p>

Table 2: Working Arrangements during Audits	
Stage	Commentary
	auditor. As part of this process the Service Manager is responsible for ensuring that named officers with responsibility for individual actions within the MAP are sufficiently briefed and accepting of such responsibility before the MAP is returned to Internal Audit.
Final Report	<p>Upon receipt of the populated MAP, the auditor and Corporate Compliance and Governance Manager will consider if the actions therein are appropriate. If the auditor and Corporate Compliance and Governance Manager are satisfied that all factual points have been addressed; that the service has no outstanding concerns with the report, and that the MAP sufficiently addresses all the findings raised in the audit report, then the final report and MAP will be issued.</p> <p>The Final report and populated MAP, will be issued using a PDF format.</p>
Follow Up review	<p>Where a limited or no assurance opinion is given then a follow-up audit review of the progress made in implementing recommendations agreed within the MAP will be required and as such this will be programmed into the Internal Audit Annual Plan at a time the Corporate Compliance and Governance Manager considers appropriate.</p> <p>It is important to exercise proportionality in seeking evidence, and to note that the onus is on the Auditee to demonstrate implementation rather than the Auditor re-perform the audit. As such, it is not anticipated that the follow up review will take longer than 1 day. That said, in exceptional cases, where the Auditor is of the opinion that a particular follow up review will take longer than 1 day, then advice should be sought from the Corporate Compliance and Governance Manager.</p> <p>Upon completion of the follow-up review the auditor will report to the Responsible Officer drawing attention to any actions that have not been completed by the agreed date. For the outstanding recommendations, the Auditor will confirm the appropriate action with the Corporate Compliance and Governance Manager including consideration of a revision of timescale to implement or whether escalation to the Head of Service/Corporate Director/Chief Operating Officer/Chair of Audit and Governance is warranted.</p> <p>A copy of the follow-up report will be sent to the full distribution list as set out in the Final Audit report previously issued.</p> <p>The Corporate Compliance and Governance Manager will update CMT and Audit and Governance Committee on the outcome of follow up reviews undertaken</p>

- 12.8 It is important that following production of each audit report, there is prompt dialogue between managers and Internal Audit so that findings can be discussed, actions identified to remedy any weaknesses and finally an agreed timescale to rectify them. Internal Audit will monitor implementation of recommendations and it is the responsibility of the Responsible Officer to keep Internal Audit updated on the progress made to fully implement recommendations. Failure to do so may result in incorrect recommendation implementation statuses being reported to CMT and Audit and Governance committee.
- 12.9 Actions are rated and an overall assurance opinion on the area subject to the audit review given. Final Audit Reports will be issued in line with agreed working protocols to the relevant nominated officers and subject to follow up work as necessary.
- 12.10 All internal audit reports will normally be treated as confidential unless alternative arrangements have been expressly made with the management concerned except as follows: The Corporate Compliance and Governance Manager reserves the right to copy reports to the Chief Operating Officer, the Section 151 Officer, the Monitoring Officer, the Chair of Audit & Governance Committee, the Authority's External Auditors or other appropriate external agencies as deemed appropriate. All reports and associated working papers will be retained in accordance with the prescribed retention and disposal timelines which is currently 6 years plus the current financial year.

### Table 3: Audit Assurance

This records the overall level of assurance recognised by the Internal Audit at the time the audit work was carried out. The assurance opinion is based upon the priority levels of the findings and recommendations arising from the fieldwork carried out by Internal Audit.

The following categories are used to record the level of assurance over the Council's risk management, control and governance processes.

Table 3: Audit Assurance	
Assurance Level	Description
Substantial Assurance	<p>Level of Assurance = High</p> <p>The controls evaluated are well designed, appropriate in scope and applied consistently and effectively. Any issues identified are minor in nature and should not prevent objectives being achieved.</p> <p>There is a low risk of fraud, negligence, loss or damage to reputation.</p>
Moderate Assurance	<p>Level of Assurance = Medium</p> <p>The controls evaluated are generally well designed, appropriate in scope and applied in the main consistently and effectively, but some weaknesses have been identified that require management attention. These issues increase the risk that some objectives may not be</p>

Table 3: Audit Assurance	
Assurance Level	Description
	<p>fully achieved.</p> <p>There is a medium/low risk of fraud, negligence, loss or damage to reputation.</p>
Limited Assurance	<p>Level of Assurance = Low</p> <p>Some controls evaluated are generally well designed, appropriate in scope and applied consistently and effectively. However, issues of poor design, gaps in coverage or inconsistent or ineffective implementation have been identified that require immediate management attention. The issues if unresolved, mean that objectives may not be achieved.</p> <p>There is a medium risk of fraud, negligence, loss or damage to reputation.</p>
Minimal Assurance	<p>Level of Assurance = Minimal or None</p> <p>Expected controls are absent, or where evaluated are flawed in design, scope or application leaving the system open to error or abuse. The auditor is unable to form a view as to whether objectives will be achieved.</p> <p>There is a high risk of fraud, negligence, loss or damage to reputation.</p>

**Table 4: Priorities and Recommendations**

Recommendations are categorised according to their level of risk and priority for implementation

Table 4: Priorities and Recommendations	
<b>Critical</b>	<p>Recommendation concerning the absence/failure of fundamental control/s which is critical to the success of the system. Major weakness which significantly impairs the overall control framework.</p> <p>Risk Exposure - <b>Very High</b></p> <p><b><i>Action must be taken immediately</i></b></p>
<b>High</b>	<p>Recommendation concerning absence or non-compliance with key control/s which creates significant risks within the organisation. Substantial weakness identified.</p> <p>Risk Exposure - <b>High</b></p> <p><b><i>Action must be taken within one month</i></b></p>

<b>Medium</b>	<p>Recommendation concerning absence or non-compliance with lower-level control, or an isolated instance of non-compliance with a key control. The weakness identified is not necessarily great, but controls would be strengthened, and the risks reduced if it were rectified.</p> <p>Risk Exposure - <b>Moderate</b></p> <p><b><i>Action should be taken with six months</i></b></p>
<b>Low</b>	<p>Recommendation concerning minor issue which is not critical, but implementation would improve the system and/or strengthen controls.</p> <p>Risk Exposure - <b>Low</b></p> <p><b><i>Action should be taken with twelve months</i></b></p>
<b>Advisory</b>	<p>These are issues identified during the course of the review that do not adversely impact the service but include areas of enhancement to existing operations and the adoption of best practice.</p>

- 12.11 Audit Assurance and Recommendation Priority levels will be subject to regular review to ensure that they remain relevant and robust for the Internal Audit Service and WLBC.
- 12.12 Following the end of the year, an Annual Report will be produced setting out Internal Audits opinion on the state of the internal controls and governance across the Council. This will comment on:
- The scope including the time period covered
  - Any scope limitations
  - Consideration of all related projects including the reliance of other assurance providers
  - The risk or control framework or other criteria used as a basis for the overall opinion
  - The overall opinion, providing reasons where an unfavourable overall opinion is given
  - A statement on conformance with the PSIAS and the results of the quality assurance improvement programme (QIAP)
- 12.13 Any significant issues identified will be referred to the s151 Officer (Head of Finance, Procurement and Commercial Services) and CMT.
- 12.14 All reports produced are set out in Table 5:



**Table 5: Planning and Reporting Frequency**

Report Produced	For	Reason
Audit Report	Corporate Director / Head of Service / Relevant Service Manager	To report on the findings and recommendations of each audit review undertaken.
Internal Audit Activities – Quarterly Update	Audit and Governance Committee	To provide the Audit and Governance Committee with progress on the delivery of the internal audit plan, provide key assurance and governance issues.
Internal Audit Annual Report	Audit and Governance Committee	End of year report in accordance with PSIAS. An evaluation of the work undertaken, and the level of assurance established.
Internal Audit Strategy and Annual Audit Plan	Audit and Governance Committee	The Strategy details how Internal Audit will support the overall aims and objectives of the Council and the Annual Audit Plan details the future plans to provide assurance across the Council in accordance with PSIAS.

### 13. Counter-Fraud, Bribery and Corruption

- 13.1 Managing the risk of fraud, corruption and bribery is the responsibility of all management and members. Internal Audit can assist management in the effective discharge of this responsibility, including the investigation of suspected fraud, corruption or bribery.
- 13.2 Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud, bribery or corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud, corruption or bribery. Internal Audit does, however, commit resources to proactive fraud work, which includes raising the awareness of fraud issues, and will also be alert in all audit work, of whatever type, to risks and exposures that could allow fraud, corruption or bribery.
- 13.3 The Corporate Compliance and Governance Manager must be informed of all suspected or detected fraud, corruption or improprieties so that they may be considered in terms of adequacy of the relevant internal controls and be evaluated for the annual opinion on the control environment.
- 13.4 All cases will be dealt with in accordance with WLBC's relevant policies and procedures (e.g. Whistleblowing Policy, Anti-Fraud, Corruption and Bribery Policy, Anti-money Laundering Policy).



## 14. Risk Management

- 14.1 Internal Audit is not responsible for managing WLBC's risks, which is the responsibility of management. However, Internal Audit evaluates the effectiveness of, and contributes to, the improvement of risk management processes by ensuring significant risks are identified and addressed, ensuring that internal audit recommendations are appropriate to address key risks areas identified.

## 15. External Work

- 15.1 Internal Audit may provide assurances to parties outside of the Council. Such assurances fall under the following categories:
- Work under contract
  - Government grant sign off
  - Other non-government grant sign off
- 15.2 Approval is sought from the Corporate Director of Transformation, Housing and Resources before entering into any significant engagement. The level and extent of external work is also reported to the Audit and Governance Committee for approval.

## 16. Quality Assurance and Improvement

- 16.1 The Internal Audit Service will maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the Internal Audit Service as required by PSIAS. The programme will include an evaluation of the Internal Audit Service's conformance with the Definition of Internal Auditing and PSIAS along with an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the Internal Audit Service and identifies opportunities for improvement.
- 16.2 Information in the QAIP will be reported to the Audit and Governance Committee to enable members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the Corporate Compliance and Governance Manager

## Internal Audit Code of Ethics

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance.

The Code of Ethics provides principles and rules of conduct under four headings:

- Integrity
- Objectivity
- Confidentiality
- Competency

The Rules of Conduct describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors. Below they are set out together with the principle they interpret.

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to those who provide internal auditing services within the definition of internal auditing.

### Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services. Disciplinary procedures of professional bodies and employing organisations may apply to breaches of this code of ethics.

### The Code of Ethics

#### 1. Integrity Principle

*The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.*

#### Rules of Conduct

Internal auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

#### 2. Objectivity Principle

*Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.*

*Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.*

#### Rules of Conduct

Internal auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.

- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

### **3. Confidentiality Principle**

*Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.*

#### **Rules of Conduct**

Internal auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

### **4. Competency Principle**

*Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.*

#### **Rules of Conduct**

Internal auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

Internal Auditors who work in the public sector must also have regard to the Committee on Standards [Seven Principles of Public Life \(the 'Nolan Principles'\)](#).





**AUDIT AND GOVERNANCE COMMITTEE:**  
**30 May 2023**

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**Report of:** Corporate Director of Transformation, Housing & Resources

**Contact for further information:** Jacqui Pendleton (Extn. 2603)  
(E-mail: [Jacqueline.pendleton@westlancs.gov.uk](mailto:Jacqueline.pendleton@westlancs.gov.uk))

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**SUBJECT: EXTERNAL REVIEW OF INTERNAL AUDIT**

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Wards affected: Borough wide

## **1.0 PURPOSE OF THE REPORT**

- 1.1 To advise Members of the outcome of the external assessment of internal audit's conformance to the Public Sector Internal Audit Standards (the review).

## **2.0 RECOMMENDATION**

- 2.1 That Members note the review's overall conclusion that West Lancashire Borough Council's Internal Audit Service generally conforms to the requirements of the Public Sector Internal Audit Standards and those of the Local Government Application Note.

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## **3.0 BACKGROUND**

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA), the body responsible for setting Standards for Internal Audit in local government across the UK, together with the Standard setters for other public services have adopted a common set of Public Sector Internal Audit Standards (PSIAS).
- 3.2 These are based on the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework and include its Definition of Internal Auditing, Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.
- 3.3 In creating the PSIAS the mandatory elements of the International Professional Practices Framework have been interpreted or adapted where necessary for the public sector and CIPFA has published a Local Government Application Note to provide sector-specific guidance.
- 3.4 The Standards define the nature of internal auditing and principles for carrying out internal audit within the UK public sector, establishing a framework for providing internal audit services which add value to the organisation, leading to

improved organisational processes and operations, and also provide the basis for the evaluation of internal audit performance and improvement planning.

- 3.5 The Standards require annual in-house evaluation of internal audit's compliance with the PSIAS with an external assessment by a suitably qualified assessor from outside the organisation every five years.
- 3.6 This committee delegated authority to the Head of Finance, Procurement & Commercial Services and the Corporate Compliance and Governance Manager on 25 October 2022 to procure the external assessor for the 2023 external review. Following a procurement exercise, CIPFA were commissioned to undertake the external review of the Council's Internal Audit Service which was carried out in February and March of this year.
- 3.7 The final report on the review was released in April 2023 and is attached at Appendix 1.

#### 4.0 SUMMARY OF FINDINGS

- 4.1 The review examined Internal Audit's conformance with each individual element of the Standards grouped under the headings set out below.

- Mission Statement
- Core Principles
- Code of Ethics
- Attribute Standard 1000 - Purpose, authority and responsibility
- Attribute Standard 1100 - Independence and objectivity
- Attribute Standard 1200 - Proficiency and due professional care
- Attribute Standard 1300 - Quality assurance and improvement programme (QAIP)
- Attribute Standard 2000 - Managing the internal audit activity
- Attribute Standard 2100 - Nature of work
- Attribute Standard 2200 - Engagement planning
- Attribute Standard 2300 - Performing the engagement
- Attribute Standard 2400 - Communicating results
- Attribute Standard 2500 - Monitoring progress
- Attribute Standard 2600 - Communicating the acceptance of risks

- 4.2 External reviews have one of three outcomes, finding that a service either:

**Does not conform to the Standards** - The Internal Audit Service is not aware of; not making efforts to comply with; or is failing to achieve many/all of the individual Standards, elements of the Code of Ethics, or the Local Government Application Note. These deficiencies will usually have a significant adverse impact on Internal Audit's effectiveness and its potential to add value and are likely to represent significant opportunities for improvement to Internal Audit. Some identified deficiencies may be beyond the control of Internal Audit and may result in recommendations to Senior Management or the Board of the organisation.

**Partially conforms to the Standards** - The Internal Audit Service is endeavouring to deliver an effective service however, they are falling short of

achieving some of their objectives and/or generally conforming to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note and at least partial conformance to the others. There will usually be significant opportunities to improve the delivery of effective internal audit, and enhance conformance to the Standards, elements of the Code of Ethics, and/or the Local Government Application Note. The Internal Audit Service may be aware of some of these opportunities and the areas they need to develop. Some identified deficiencies may be beyond the control of Internal Audit and may result in actions for Senior Management or the Board of the organisation to address

**Generally conforms to the Standards** - The Internal Audit Service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the individual Standard, the element of the Code of Ethics, and the Local Government Application Note in all material respects. This means that there is general conformance to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note, and at least partial conformance to the others.

- 4.2 The external assessor concluded that "It is our opinion that the self-assessment for the West Lancashire Borough Council's Internal Audit Service is accurate, and we therefore conclude that the Internal Audit Service **GENERALLY CONFORMS** to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note".
- 4.3 The Internal Audit Service received no High, Medium or Low actions, however, there were six advisory actions which classified as *"issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice."*

## **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 the outcome of the external assessment of the Internal Audit Services compliance with the Public Sector Internal Audit Standards. 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.

## **8.0 HEALTH AND WELLBEING IMPLICATIONS**

8.1 There are no health and wellbeing implications arising from this report.

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### **Background Documents**

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

### **Equality Impact Assessment**

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

### **Appendices**

1. External Quality Assessment of Conformance to the Public Sector Internal Audit Standards – Final Report



# External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

## West Lancashire Borough Council's Internal Audit Service

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Quality Assessment: Diana Melville, FCPFA

27 April 2023

# West Lancashire Borough Council's Internal Audit Service

## Table of contents

<b>Section</b>	<b>Title</b>	<b>Page</b>
1	Introduction	3
2	Background	3
3	Validation process	3
4	Opinion	4
5	Areas of full conformance	5
6	Areas of partial conformance	11
7	Areas of no conformance	11
8	Survey results	11
9	Issues for management action	12
10	Definitions	13
11	Disclaimer	15
	Summary of survey results	16

## 1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1<sup>st</sup> April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service's own self-assessment at least once in a five-year period.

## 2. Background

- 2.1 The Internal Audit Service provides internal audit and consultancy services to West Lancashire Borough Council. The Chief Audit Executive is the Council's Corporate Compliance and Governance Manager. She is supported by a Principal Auditor and two Auditor posts (one of which was vacant at the time of the EQA).
- 2.2 The Corporate Compliance and Governance Manager is an experienced internal audit professional who is a Chartered Internal Auditor. The Principal Auditor and the Auditor are also experienced internal audit professionals who both hold the AAT qualification.
- 2.3 From an operational perspective, the Internal Audit Service is part of the Transformation, Resources and Housing Directorate and the Corporate Compliance and Governance Manager reports directly to the Director of Transformation, Resources and Housing. She meets regularly with the Council's Chief Operating Officer, the S151 Officer, and the Monitoring Officer. She attends all meetings of the Council's Audit and Governance Committee and has direct access to the Chair of the Committee. Regular reports on the audit plan, progress on delivering the plan and the annual opinion and outturn, are made to Senior Management and the Audit and Governance Committee.
- 2.4 The Internal Audit Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment (EQA) that they have commissioned, the previous one being in 2018 and was also undertaken by CIPFA.
- 2.5 Internal Audit has an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy assignment and is cross referenced to the PSIAS. The Service uses standard templates for all engagement working papers, testing schedules, and audit reports, and these are embedded in their Pentana audit management system with completed documents retained in the Service's dedicated network drive.
- 2.6 Supervision of the engagements takes place at every stage of the process and is recorded on the appropriate documentation in the audit files in Pentana and the Service's dedicated network drive.
- 2.7 There is a quality assurance process in place that includes internal and external quality assessments of the Service, reviews of live engagements, a post audit client feedback survey, and final clearance of all completed reports by the Corporate Compliance and Governance Manager, all of which feed into the Internal Audit Service's Quality Assurance and Improvement Programme (QAIP).

## 3. Validation Process

- 3.1 This validation of the Service's self-assessment comprised a combination of a review of the evidence provided by Internal Audit; a review of a sample of completed internal audits; a survey that was sent to and completed by a range of stakeholders; and interviews with key stakeholders, using MS Teams. The interviews focussed on determining the strengths and weaknesses of Internal Audit and assessed the Service

against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.

3.2 The Internal Audit Service provided a comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review. These documents included the:

- self-assessment against the standards;
- quality assurance and improvement plan (QAIP);
- evidence file to support the self-assessment;
- the audit charter;
- the annual report and opinions
- the audit plan and strategy;
- audit procedures manual;
- a range of documents and records relating to the team members;
- progress and other reports to the Audit and Governance Committee.

All the above documents were examined during this EQA.

3.3 The main phase of the validation process was carried out during the week commencing 20 February 2023, with further work and interviews undertaken during the following weeks. This phase of the EQA involved a review of a sample of audit files and interviews with a wide sample of key stakeholders. Overall, the feedback from the interviewees was positive with clients valuing the professional, knowledgeable, and objective way the Internal Audit Service delivered their services.

3.4 A survey was sent to a range of other key stakeholders and the results analysed during the review. Details of the survey findings have been provided to the Corporate Compliance and Governance Manager and a summary table has been included in this report.

3.5 The assessor reviewed examples of completed audits, to confirm his understanding of the audit process used at the Council, and to determine how Internal Audit has applied the PSIAS and LGAN in practice.

## 4. Opinion

**It is our opinion that the self-assessment for the West Lancashire Borough Council's Internal Audit Service is accurate, and we therefore conclude that the Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.**

4.1 The table below shows the Internal Audit Service's level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	<b>Generally Conforms</b>
Core principles	<b>Generally Conforms</b>
Code of ethics	<b>Generally Conforms</b>
Attribute standard 1000 – Purpose, Authority and Responsibility	<b>Generally Conforms</b>
Attribute standard 1100 – Independence and Objectivity	<b>Generally Conforms</b>
Attribute standard 1200 – Proficiency and Due Professional Care	<b>Generally Conforms</b>
Attribute standard 1300 – Quality Assurance and Improvement Programmes	<b>Generally Conforms</b>
Performance standard 2000 – Managing the Internal Audit Activity	<b>Generally Conforms</b>
Performance standard 2100 – Nature of Work	<b>Generally Conforms</b>
Performance standard 2200 – Engagement Planning	<b>Generally Conforms</b>
Performance standard 2300 – Performing the Engagement	<b>Generally Conforms</b>
Performance standard 2400 – Communicating Results	<b>Generally Conforms</b>
Performance standard 2500 – Monitoring Progress	<b>Generally Conforms</b>
Performance standard 2600 – Communicating the Acceptance of Risk	<b>Generally Conforms</b>

## 5. Areas of full conformance with the Public Sector Internal Audit Standards

### 5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

## 5.2 Core Principles for the Professional Practice of Internal Auditing

*The Core Principles, taken as a whole, articulate an Internal Audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.*

The clear indication from this EQA is that the Core Principles are embedded in Internal Audit's procedures and working methodologies and they are a very competent, experienced, and professional Service that conforms to all ten elements of the Core Principles.

## 5.3 Code of Ethics

*The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.*

The clear indication from this EQA is that the Internal Audit Service conforms to the Code of Ethics, and this is embedded in their procedures, and their audit methodologies. The code of ethics is part of their overarching culture and underpins the way the Service operates.

## 5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility

*The purpose, authority and responsibility of the Internal Audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.*

There is an audit charter in place, and this is reviewed on an annual basis. We reviewed this document and found it to be comprehensive and well written and contains all the elements that the PSIAS expects to be included in an audit charter. We are satisfied that the Internal Audit Service conforms to attribute standard 1000 and the LGAN.

## 5.5 Attribute Standard 1100 – Independence and Objectivity

*Standard 1100 states that the Internal Audit activity must be independent, and internal auditors must be objective in performing their work.*

The need for independence and objectivity is an integral part of any Internal Audit Service's culture. The Corporate Compliance and Governance Manager reports in her own name directly to the Corporate Management Team and to the Audit and Governance Committee. All employees declare any potential impairment to their independence or objectivity on an annual basis.

We have reviewed the Internal Audit Service's procedures and their standard documentation; their quality assurance and improvement plan; and a small sample of completed audit files. We have also reviewed their reporting lines and their positioning within the organisation. The Corporate Compliance and Governance Manager has other roles and responsibilities in addition to Internal Audit and these are set out in the audit charter, together with the mechanism to be used when these functions are being reviewed by Internal Audit. Since the audit charter was last presented to, and approved by, the Audit and Governance Committee, one of these additional responsibilities, the

management of the Council's Procurement function, has been transferred away from the Corporate Compliance and Governance Manager following a recommendation from the Council's external auditors. This will be addressed as part of the annual review of the audit charter and a revised version will be presented to the Audit and Governance Committee. In addition to this, there are still some historic non-audit operational functions that are carried out by Internal Audit, namely an element of the payroll system, and the maintenance of the Council's authorisation matrix. Together these activities account for twenty-five days on Internal Audit time that could be better utilised on assurance or consultancy work and as such we suggest consideration is given to transferring these activities away from Internal Audit.

We have made one advisory suggestion regarding this observation. We are satisfied that the Internal Audit Service conforms with attribute standard 1100 and the LGAN.

## 5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

*Attribute standard 1200 requires the Internal Audit Services' engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.*

It is evident from this EQA that the Internal Audit Service has a professional, experienced and suitably qualified workforce. The Corporate Compliance and Governance Manager is an experienced internal audit professional who is a Chartered Internal Auditor. She is supported by a Principal Auditor and two Auditor posts (one of which was vacant at the time of the EQA). The Principal Auditor and the Auditor are also experienced internal audit professionals who have a thorough knowledge of the Council's operations having been at the Council for several years, and who both hold the AAT qualification.

From our discussions with the Corporate Compliance and Governance Manager, it is evident that Internal Audit are struggling to fill the vacant post in its structure, largely due to the dire shortage nationally of qualified and experienced internal auditors and finance professionals wanting to work in the public sector, and the Council's proximity to the Merseyside regional area. Occasionally internal audit services manage to find a suitably qualified and experienced candidate for a vacant post, but this is often not the case, and as such services are having to explore alternative solutions.

Whilst there is no quick solution to resolving this issue, a longer-term solution would be to consider introducing a career graded trainee or apprentice post to Internal Audit's structure with the post holder following one of the recognised training or apprenticeship programmes, such as the Accounting Technicians or the Institute of Internal Auditors Apprenticeship schemes, or the CIPFA graduate training programme if they hold a higher education qualification. To assist with this process, we suggest that the Corporate Compliance and Governance Manager produces a strategy for filling the post that includes a skills and competencies matrix for the career graded trainee or apprentice posts, based on the CIPFA guide "The Excellent Internal Auditor, Good Practice Guide to Skills and Competencies". We have included an action relating to this in section 9 of this report.

Many of the Council's IT systems are located at and operated by Lancashire County Council (LCC) who undertake the audit of those systems. We understand that LCC is undertaking a transformation of their IT operations and once this is complete the Corporate Compliance and Governance Manager should be able to place greater reliance on the assurances provided by LCC for her annual report and opinion. Where specialist IT audit services are required by the Council, Internal Audit has access to these through the LCC framework contract with Mersey Internal Audit Agency. All the Team members have sufficient knowledge of the operation of high-level IT controls that they can incorporate these in their testing for the audits they undertake.

The Standards require Internal Audit Services to consider the use of data analytics when performing their audit reviews. The individual Team members have access to software that can be used for a degree of data analysis, such as MS Excel, but the Service does not currently have access to a specialist data extraction and analysis tool, such as 'IDEA', 'ACL' or 'Arbutus', and does not currently have sufficient budget available to purchase such an application. Obtaining and using such an application was an operational enhancement that we included in the action plan from the 2018 EQA report. Whilst we acknowledge that there is a cost attached to obtaining such a tool, we believe the Internal Audit Service should still consider purchasing a suitable product. Notwithstanding this, there are some other forms of data analytics that the Service could consider using. For example, many of the systems used by the Council may have limited forms of data analysis embedded in them that can be utilised during audits or even as part of a continuous audit and monitoring programme. Another application to consider is the powerful data analysis and reporting application called 'Power BI' which is likely to be included in the Council's MS Office 365 application. Several internal audit services are starting to use this to analyse data from their organisation's systems and produce reporting dashboards for management to use. Internal Audit should also consider using the local authority data held in the CIPFA statistics and Nearest Neighbour Model' applications, which the Council should already have access to. These are now adaptable tools that should not be overlooked, particularly when preparing audit terms of reference as it can highlight areas where there may be scope to add value to the Council. We have included these issues as actions for management to consider in section 9 of this report.

Notwithstanding the above points, it is evident from this review that the Internal Audit Service's employees are experienced and well qualified and perform their duties with due professional care. We are therefore satisfied that the Internal Audit Service complies with attribute standard 1200 and the LGAN.

#### **5.7 Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

*This standard requires the Head of Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.*

The Internal Audit Service has developed an effective quality assurance process which feeds into their quality assurance and improvement programme, held in their Pentana application, that ensures engagements are performed to a high standard. Supervision of audit engagements is carried out at all stages of the audit. Evidence of the supervision is recorded throughout the audit process and recorded in Pentana. The Service uses post audit client satisfaction surveys for every audit they undertake, and in addition to the quinquennial EQA, carry out annual self-assessments of their conformance to the Standards and the LGAN. We have examined the supporting evidence provided by the Internal Audit Service during this EQA and are satisfied that they conform to attribute standard 1300 and the LGAN.

#### **5.8 Performance Standard 2000 – Managing the Internal Audit Activity**

*The remit of this standard is wide and requires the Chief Audit Executive to manage the Internal Audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when Internal Audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Chief Audit Executive must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit and Risk Committee for their review and approval. The Chief Audit Executive must ensure that Internal Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.*



*The standard also requires the Chief Audit Executive to establish policies and procedures to guide the Internal Audit activity, and to share information, co-ordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.*

*Last, but by no means least, the standard requires the Chief Audit Executive to report periodically to senior management and the Audit Committees on Internal Audit's activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit committee.*

The Internal Audit Service has a range of procedures in place that are embedded in their Pentana audit management application.

The Service have developed comprehensive planning processes that take into consideration the Council's risks and objectives; the risk management and governance frameworks; the Council's objectives and priorities; any other relevant and reliable sources of assurance that are available; key issues identified by managers during planning meetings; the Service's own risk and audit needs assessments; and any emerging risks identified through horizon scanning and networking with other organisations. The Service produces a risk-based audit plan that is aligned to the Council's objectives and is designed to provide the Council with relevant assurance on their governance, risk management and control frameworks. The audit plans are reviewed and approved by the Corporate Management Team and the Audit and Governance Committee.

Details of the completed audits, together with regular updates on the progress being made on delivering the audit plan and the performance of the Internal Audit Service, are reported regularly to the Corporate Management Team and the Audit and Governance Committee. An annual report and opinion are also issued at the end of the year and presented to the Corporate Management Team and the Audit and Governance Committee.

The clear indication from this EQA is that the Internal Audit Service is managed effectively and conforms to standard 2000 and the LGAN.

#### **5.9 Performance Standard 2100 – Nature of Work**

*Standard 2100 covers the way the Internal Audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.*

This is the approach adopted by the Internal Audit Service and is embedded in their working methodologies. During this EQA, we reviewed a sample of completed audits and examined them to see if they conformed to standard 2100, the LGAN and Internal Audit's own methodologies. We found that all the sample audit files examined during the EQA complied with all three.

The clear indication from this EQA is that the Internal Audit Service conforms to performance standard 2100 and the LGAN.

#### **5.10 Performance Standard 2200 – Engagement Planning**

*Performance standard 2200 requires Internal Auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.*

The Service has an audit manual and robust supervision processes in place that include engagement planning and meets the requirements of the PSIAS. From the sample of audit files that we examined during the EQA we found that they all conformed to standard 2200, the LGAN, and the Service's own audit procedures, and we therefore conclude that Internal Audit conforms to performance standard 2200 and the LGAN.

#### **5.11 Performance Standard 2300 – Performing the Engagement**

*Performance standard 2300 seeks to confirm that Internal Auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.*

As we have mentioned above, the Internal Audit Service has an audit manual, sound supervision arrangements, and quality assurance processes in place that meet the requirements of the standards. We reviewed the evidence provided in support of the Service's self-assessment, together with a sample of audit files to see if they conformed to the standards, and Internal Audit's own working methodologies. We found that all the evidence we examined conformed to the standards and Internal Audit's own procedures and methodologies. We therefore conclude that Internal Audit conforms to performance standard 2300 and the LGAN.

#### **5.12 Performance Standard 2400 – Communicating Results**

*This standard requires Internal Auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit committee and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".*

The Service's procedures and supervision processes cover the communication of results of individual audits and meet the requirements of the PSIAS. During the EQA we reviewed the evidence provided in support of the Service's self-assessment and the audit reports issued for a sample of audits to establish if they conformed to the standards. We found that all the evidence we examined conformed to the standards and Internal Audit's own procedures and methodologies.

We also reviewed the progress and annual reports presented to the Audit Committee and found that these also conformed to the standards and the Service's own internal procedures.

We therefore conclude that the Internal Audit Service conforms to performance standard 2400 and the LGAN.

#### **5.13 Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the Audit Committee. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2500 and the LGAN.

#### **5.14 Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Chief Audit Executive has concluded that management at the client's services have accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples of this during this review. From

this EQA, it is evident that the Internal Audit Service conforms to performance standard 2600 and the LGAN.

## 6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

## 7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

- 7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

## 8. Survey results

- 8.1 Overall, the results of the survey of key stakeholders were positive with respondents valuing the services provided by them. The overall number of 'do not agree' responses were very low with most respondents agreeing or partially agreeing with the survey statements. The detailed findings from the survey have been shared with the Corporate Compliance and Governance Manager to enable them to explore the responses in more depth. A summary of the survey results is included in this report at page 17.

## 9. Issues for management action

- 9.1 We have identified seven advisory issues from this EQA that management need to address. Five relate to the operation of the service and not the Services conformance to the standards. One is a matter for the Audit and Governance Committee to address, and one is a generic issue relating to the future of the PSIAS for the Corporate Compliance and Governance Manager to consider. These are all set out in the table below:-

Issues for management action	Priority
There are still some historic non-audit operational functions that are carried out by Internal Audit, namely an element of the payroll system, and the maintenance of the Council's authorisation matrix. Together these activities account for twenty-five days on Internal Audit time that could be better utilised on assurance or consultancy work and as such we suggest consideration is given to transferring these activities away from Internal Audit.	Advisory
Consideration should be given introducing a career graded trainee or apprentice post to Internal Audit's structure to try and resolve the recruitment problem. The post holder would follow one of the recognised training or apprenticeship programmes, such as the Accounting	Advisory

Issues for management action	Priority
Technicians or the Institute of Internal Auditors Apprenticeship schemes, or the CIPFA graduate training programme if they hold a higher education qualification. To assist with this process, we also suggest that the Corporate Compliance and Governance Manager produces a strategy for filling the post that includes a skills and competencies matrix for the career graded trainee or apprentice posts, based on the CIPFA guide "The Excellent Internal Auditor, Good Practice Guide to Skills and Competencies".	
The Service does not currently have access to a specialist data extraction and analysis tool, such as 'IDEA', 'ACL' or 'Arbutus', and has indicated that they do not currently have sufficient budget available to purchase such an application. Obtaining and using such an application was an operational enhancement that we included in the action plan from the 2018 EQA report. Whilst we acknowledge that there is a cost attached to obtaining such a tool, we believe the Internal Audit Service should still consider purchasing a suitable product as it would not only enhance the capabilities of the Service but would also provide greater assurance as the Service would be able to test the whole transaction population when carrying out audits, rather than sample testing.	<b>Advisory</b>
Consider using the powerful data analysis and reporting application called 'Power BI' which is likely to be included in the Council's MS Office 365 application.	<b>Advisory</b>
Internal Audit should consider using the local authority data held in the CIPFA statistics and Nearest Neighbour Model' applications, which the Council should already have access to. These are now adaptable tools that should not be overlooked, particularly when preparing audit terms of reference as it can highlight areas where there may be scope to add value to the Council.	<b>Advisory</b>
During this EQA we observed that the Audit and Governance Committee has not undertaken an assessment of its effectiveness for some time. It is recognised as good practice to undertake such a review on an annual basis and is a specific requirement of the CIPFA Position Statement on Audit Committees 2022. This was an issue we identified in the 2018 EQA as ensuring effective audit committee arrangements is necessary to ensure support for internal audit. As such we advise the Committee to undertake such a review at its earliest convenience to identify any areas in their skills and knowledge that needs enhancing so that these can be accommodated through the member training programme.	<b>Advisory</b>
Management should be mindful of the fact that a consultation on revising the Institute of Internal Auditors Global IPPF which is incorporated into the PSIAS, commenced on 1 March 2023. Whilst this will not impact on the Service's current level of conformance, any changes to the Standards arising from the consultation may affect the Service's conformance in the medium term. It is therefore suggested that the Corporate Compliance and Governance Manager considers the contents of the consultation document and keeps a watching brief on the developments to the Standards and how this may impact the Service in the medium term.	<b>Advisory</b>

## 10. Definitions

Level of Conformity	Description
<b>Generally Conforms</b>	The Internal Audit Service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the individual Standard, the element of the Code of Ethics, and the Local Government Application Note in all material respects. This means that there is general conformance to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note, and at least partial conformance to the others.
<b>Partially Conforms</b>	The Internal Audit Service is endeavouring to deliver an effective service however, they are falling short of achieving some of their objectives and/or generally conforming to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note and at least partial conformance to the others. There will usually be significant opportunities to improve the delivery of effective internal audit, and enhance conformance to the Standards, elements of the Code of Ethics, and/or the Local Government Application Note. The Internal Audit Service may be aware of some of these opportunities and the areas they need to develop. Some identified deficiencies may be beyond the control of Internal Audit and may result in actions for Senior Management or the Board of the organisation to address.
<b>Does Not Conform</b>	The Internal Audit Service is not aware of; not making efforts to comply with; or is failing to achieve many/all of the individual Standards, elements of the Code of Ethics, or the Local Government Application Note. These deficiencies will usually have a significant adverse impact on Internal Audit's effectiveness and its potential to add value and are likely to represent significant opportunities for improvement to Internal Audit. Some identified deficiencies may be beyond the control of Internal Audit and may result in recommendations to Senior Management or the Board of the organisation.

Action Priorities	Criteria
<b>High priority</b>	The Internal Audit Service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
<b>Medium priority</b>	The Internal Audit Service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within a reasonable time scale, for example six months.

<b>Low priority</b>	The Internal Audit Service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
<b>Advisory</b>	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Corporate Compliance and Governance Manager and the Principal Auditor in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the Chair of the Audit and Governance Committees and the key stakeholders that made themselves available for interview during the EQAs and/or completed the survey.

Ray Gard, CPFA, FCCA, FCIIA, DMS

27 April 2023

## 11. Disclaimer

This report has been prepared by CIPFA at the request of the West Lancashire Borough Council, and the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided to us. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of West Lancashire Borough Council's Internal Audit Service, including the Officers and elected Members of the Council, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

## West Lancashire Borough Council's Internal Audit Service - EQA Survey Results











## AGENDA ITEM:

### AUDIT AND GOVERNANCE COMMITTEE:

30 May 2023

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**Report of:** Corporate Director of Transformation, Housing & Resources

**Contact for further information:** Mrs J. Pendleton (Extn. 2603)  
(E-mail: [Jacqueline.pendleton@westlancs.gov.uk](mailto:Jacqueline.pendleton@westlancs.gov.uk))

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**SUBJECT:** INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2023/24

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Wards affected: Borough wide

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

- 1.1 To provide Members with the background to the preparation of the 2023/24 Internal Audit Plan and present it for approval.

#### **2.0 RECOMMENDATION**

- 2.1 That the Internal Audit Plan 2023/24 attached at Appendix 1 be approved to take effect from 1 April 2023.

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#### **3.0 BACKGROUND**

- 3.1 The Public Sector Internal Audit Standards require the preparation of a risk based Internal Audit Plan.
- 3.2 The plan has been prepared taking into account the Council's objectives and considering local and national influences on risks to their achievement. The plan is designed to evaluate the effectiveness of, and promote improvement to, the risk management, control and governance processes the Council has in place.
- 3.3 The resulting programme of work will provide independent assurance to both management and this Committee in relation to the effectiveness of those processes in securing the Council's objectives and will support the Internal Audit Annual Report and Opinion for the year on the council's framework of governance, risk management and control.

#### **4.0 SUSTAINABILITY IMPLICATIONS**

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

## **5.0 FINANCIAL AND RESOURCE IMPLICATIONS**

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

## **6.0 RISK ASSESSMENT**

- 6.1 Approval of the Internal Audit Plan is necessary to comply with the Council's statutory duty to undertake an adequate and effective internal audit of its accounting records and system of internal control in accordance with the Accounts and Audit Regulations 2015.

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### **Background Documents**

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

### **Equality Impact Assessment**

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

### **Appendices**

1. INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2023/24



# **Internal Audit Service**

**Internal Audit Strategy and Annual Plan 2023/24**

## **Internal Audit Annual Plan 2023/24**

### **1 Introduction**

- 1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council. It will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council's priorities and in maintaining a professional, modern internal audit service.
- 1.2 The Accounts and Audit Regulations 2015 require that the Council "must 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 or guidance."
- 1.3 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Audit "must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals".
- 1.4 Internal Audit provides an independent, objective assurance and consulting service that adds value and improves the Council's control environment. It helps the Council deliver its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.5 The provision of assurance is the key role for Internal Audit. This role requires the Corporate Compliance and Governance Manager to provide an annual audit opinion based on an objective assessment of the framework of governance, risk management and control. This opinion is provided to the Audit and Governance Committee and also feeds into the Annual Governance Statement. The Internal Audit Service also complete consulting services at the request of management, these are advisory in nature, and are generally performed with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

### **2 Internal Audit Plan**

- 2.1 Our work will support the Council's Vision and Priorities, and the corporate governance framework.
- 2.2 The plan has been compiled giving consideration to service action plans, risk registers, consultation with key officers, committee reports, information from other assurance processes, plus horizon scanning to consider emerging risks.
- 2.3 This audit planning process identifies potential reviews, which are subsequently prioritised. Factors that are taken into account include materiality, corporate importance, vulnerability, risks and opportunities. The overall aim of the Internal Audit Service is to add value by providing assurance, reducing risk, and improving controls.
- 2.4 There needs to be a flexible approach to planning, to ensure that our work meets the needs of the Council in a continually changing risk and control environment. The risk-based planning approach enables the audit plan to be updated when new reviews are identified. The audit plan will be reviewed and monitored throughout the year, and any significant changes will be reported to the Audit and Governance Committee.
- 2.5 Work undertaken by the Internal Audit Service should address key risk areas and draw attention to significant concerns and what needs to be done. Ideally the audit plan will provide coverage across the whole organisation, and some reviews may be cross cutting and involve multiple teams and partners. This enables the Corporate Compliance and

Governance Manager to produce an annual internal audit opinion that can be used to inform the Annual Governance Statement.

### **3 Resources**

- 3.1 Resource requirements are reviewed each year as part of the audit planning process. At the time of writing the Internal Audit Service is not fully resourced and has a vacancy for a full time Internal Auditor. The service is managed by the Corporate Compliance and Governance Manager and has 1 Principal Auditor and 1 Internal Auditor. Approximately 25 days is to be spent supporting other services and is classified in the Internal Audit Annual Plan as non-audit activity.
- 3.2 As in previous financial years demand for potential reviews have exceeded the number of audit days available. The risk-based planning approach identifies and matches audit work to the available audit resources, based on where the most value can be added.
- 3.3 The audit plan needs to be fluid and flexible enough to enable the Internal Audit Service to be reactive as required to situations arising during the course of the period covered by the plan. A contingency reserve element has been built in to assist in dealing with any such matters arising to hopefully at least minimise any major impact on the audit plan.
- 3.4 Time allocations within the plan are based on previous audit work undertaken, assessments of current audit work requirements, and the requirement for overall allocations for each key service area. As each audit activity is fully scoped and agreed with the appropriate Senior Manager, each job will then be monitored to that time allocation. In the event of significant issues being found during an audit review, the initial time allocation may be increased to meet any extra audit work requirements. Any such increase will be at the discretion of the Corporate Compliance and Governance Manager.

### **4 Key Themes**

- 4.1 As in previous years, Internal Audit will continue to support the compliance culture within the Council, with the emphasis on improving service ownership of controls and management of risk and governance including fraud.
- 4.2 A number of audits are identified which aim to provide assurance that corporate systems and processes are robust and protect the Council. Aside from core financial systems, coverage will be prioritised towards the corporate priorities and risks to the Council, to help ensure that desired outcomes are delivered efficiently.
- 4.3 Due consideration will be given to the demonstration of value for money, service effectiveness and efficiencies, and potential budget savings or income generation opportunities.
- 4.4 For each audit area, a brief description of the scope for the work to be carried out is detailed below. Timing and detailed scopes for each audit will be agreed with the relevant Senior Manager prior to commencement of the fieldwork.

### **5 Follow-ups**

- 5.1 To ensure that agreed actions are being implemented, follow-up work will be carried out and the implementation of recommendations reviewed and reported to the Corporate Management Team and Audit & Governance Committee. If an audit review results in significant recommendations, then a full audit may be programmed into the Internal Audit Annual Plan at a time the Corporate Compliance and Governance Manager considers appropriate.

## **6 Other activities**

6.1 In addition to delivering the audit plan, resources are allocated to deliver other assurance-based activities. Examples include:

- Advice and consultancy: - providing ad-hoc advice to officers and service areas, participating in working groups.
- Anti-fraud and corruption: - including response, proactive work and co-ordinating National Fraud Initiative (NFI) work.
- Governance: - activities which help inform the Annual Governance Statement.

## **7 Summary**

7.1 The internal audit plan should help add value to the Council by helping to improve systems, mitigate risks, and inform the Annual Governance Statement.



## Internal Audit Plan 2023/24

### Summary

The table below provides an overview of the breakdown of audit time in the Internal Audit Plan 2023/24. The audit days available for 2023/24, taking into consideration the current staff vacancy, totals 450, this represents time available from 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024.

<b>Audit Area</b>	<b>Number of Days Allocated</b>
Assurance Audits & Corporate Governance	183
Core Financial Systems	82
ICT Audit	20
Anti-Fraud	35
Projects	40
Grant Certification	25
Follow Up Audit Reviews	40
Non-Audit Work	25
<b>Total</b>	<b>450</b>

This is the allocation of internal audit work for West Lancashire Borough Council. A breakdown of planned audit work is detailed below.

## Internal Audit Annual Plan 2023/2024

### Assurance Audits:

Assurance Audits are reviews of the systems and processes which have been risk appraised.

<u>Service Areas</u>	<u>Audit Risk</u>	<u>Planned Days</u>	<u>Council Priority</u>	<u>Rationale</u>
<u>Assurance Audits</u>				
Parking Services	H	20	Support Business to adapt and prosper; Be a financially sustainable Council by 2023.	High risk area where there is high level of cash income being collected and banked.
Community Infrastructure Levy	H	15	A clean safe environment with affordable homes to buy or rent for everyone in West Lancashire; Be a financially sustainable Council by 2023.	Review was planned in 2020/21 however had to be paused during Covid. Unable to restart due to staffing resource issues which are now resolved.
Ormskirk Gift Card	H	5	Support Businesses to adapt and prosper.	New initiative for the Council.
Starters/Movers/Leavers	H	15	Everyone to be proud of their Council.	This process links to a number of Council work streams. Also supports the work being undertaken around the compliance with NHS DSPT.
Aids & Adaptations - Private Sector Housing	H	15	Create empowered, engaged and inclusive communities.	Has never been reviewed.
Money Advice Service	H	10	Create empowered, engaged and inclusive communities.	Was postponed in 2022/23
Cleaning Services	H	10	Everyone to be proud of their Council.	Value for Money work to look at Council Cleaning contracts in place and whether VFM is achieved. Audit review to link to the accommodation strategy.
Governance Review Project - CIPFA Audit Committee Guidance Compliance	H	10	Everyone to be proud of their Council.	Audit & Governance Committee compliance with the CIPFA Audit Committees guidance and position paper 2022. Will inform an element of the Governance Review Project
New Homes Bonus	H	15	Be a financially sustainable Council by 2023.	Never been reviewed. Looking at the processes and procedures in place to identify New Homes. Look at the Empty Homes Strategy and any proactive work undertaken to bring empty homes back into use.
Procurement	H	12	Be a financially sustainable Council by 2023; Become a greener West Lancashire; Support Businesses to adapt and prosper.	Sample checking of Procurement Exercises as required by External Auditors, Grant Thornton
Rate Revaluation - Commercial Properties	H	10	Be a financially sustainable Council by 2023; Support Businesses to adapt and prosper.	Review of the process in place for the revaluation of commercial properties and the likely impact increases in rate values will have

<u>Service Areas</u>	<u>Audit Risk</u>	<u>Planned Days</u>	<u>Council Priority</u>	<u>Rationale</u>
				on the Council and its customers.
Corporate Governance	H	10	Impacts on all council priorities	Annual review to inform the Council's AGS
Grant Management - Cross Cutting	H	10	Impacts on all council priorities	This review will look at the organisational wide management of grants e.g. the processes and procedures in place for record keeping, monitoring, reconciliation, reporting of outcomes and submission of returns.
Agency Staffing	H	16	Be a financially sustainable Council by 2023.	Builds on the work that was previously undertaken by Internal Audit when the Payroll review was undertaken during 2021/22. Councillors expressed concern at February Council about the amount spent on Agency Staffing.
Assurance Mapping – Environmental Services	H	10	Impacts on all council priorities	Internal Audit work being undertaken in selected service areas in order to build a Council Assurance Map. To commence with Environmental Services – Technical Services.

## **Core Financial Systems**

This work includes reviews of systems that are fundamental to providing control assurance for internal financial systems and allow the Borough Treasurer (S 151 Officer) to make his statement included in the Council's Annual Statement of Accounts. The work can also provide assurance to the Council's External Auditor.

Audit Title	Priority	Audit Days	Audit Scope and Description
Housing Benefits and CTRS	H	10	Key controls audits as part of the cyclical review of core systems.
Creditors	H	10	
Debtors	H	10	
Council Tax	H	10	
Business Rates	H	10	
Payroll	H	12	
Rents	H	10	
Main Accounting, incl Treasury Management	H	10	

## **Other Assurance work**

Other assurance work that supports the production of the Annual Governance Statement and fulfils other statutory functions.

## **ICT Audit**

Audit Title	Priority	Audit Days	Audit Scope and Description
Cyber Security	H	10	Review of ongoing compliance
NHS DPST submission	H	5	Council arrangements in place
Data Security	H	5	Review of ongoing compliance

## **Anti-Fraud**

Audit Title	Priority	Audit Days	Audit Scope and Description
Tenancy Fraud	H	10	Review of the processes in place to ensure that the risk of Tenancy Fraud is reduced or negated.
National Fraud Initiative	H	10	High Risk matches to be investigated as required and outcomes reported to the Cabinet Office.
Proactive Fraud Work	H	15	Review of the Council's compliance with the CIPFA framework.

### **Project Support**

Provide advice and support for ongoing council projects.

Audit Title	Priority	Audit Days	Audit Scope and Description
Governance Review Project	H	10	General advice and support
Civica Implementation	H	10	General Advice and support
Outcome from SAP process	H	20	To be determined

### **Grant Certification**

Audits of compliance with grant conditions are conducted.

Grant	Audit Days
To be allocated	12
Disabled Facilitates Grant	3
Decarbonisation Fund	5

### **Follow Up Audit Reviews**

All audit reviews undertaken, for which a Limited or No assurance opinion has been given, will be subject to a follow up review. Follow up reviews will also include audit reviews that have taken place in the previous year and subject to the Internal Audit Recommendation Escalation Procedure.

Audit Title	Priority	Audit Days	Audit Scope and Description
Follow Up Audit Reviews		40	

### **Non-Audit Work**

This is work that is undertaken for other council functions. One Internal Auditor undertakes Payroll and Parish Council Work supporting Finance Business Partners and one Internal Auditor maintains the Councils Authorisation List.

<b><u>Non-Audit Work</u></b>			
Parishes & Payroll, Accountancy & HR Function		15	
Authorisation Matrix		10	





**AUDIT AND GOVERNANCE COMMITTEE:  
30 May 2023**

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**Report of: Corporate Director of Transformation, Housing & Resources**

**Contact for further information: Jacqui Pendleton (Extn. 2603)  
(E-mail: [Jacqueline.pendleton@westlancs.gov.uk](mailto:Jacqueline.pendleton@westlancs.gov.uk))**

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**SUBJECT: INTERNAL AUDIT ACTIVITIES – PROGRESS REPORT**

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Wards affected: Borough wide

## **1.0 PURPOSE OF THE REPORT**

1.1 To advise of progress against the 2022/23 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 2022/23 Internal Audit Annual Plan and reports on progress against this plan are presented at each meeting of the Committee.

3.2 This report summarises progress to date for the period 1 April 2022 to 15 May 2023. This work will inform the overall opinion in the Internal Audit Annual Report which is presented to this Committee.

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

4.1 An appendix summarising progress to date and any significant issues arising is attached, and the Corporate Compliance & Governance Manager will attend the meeting should Members have any questions.

4.2 Progress against the revised Internal Audit Annual Plan for the period 1 April 2022 to 15 May 2023 is satisfactory with 91% of planned work completed.

## **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.

## **8.0 HEALTH AND WELLBEING IMPLICATIONS**

- 8.1 There are no health and wellbeing implications arising from this report.

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### **Background Documents**

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

### **Equality Impact Assessment**

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

### **Appendices**

1. Internal Audit Activities – Progress Report





# **Internal Audit Service**

## **Internal Audit – Progress Report**

**May 2023**

## Contents

1. Summary of Progress against Internal Audit Plan 2022/23 .....	3
2. Audit Assurance Reports.....	4
3. Performance Indicators 2022/23.....	7
4. Internal Audit Recommendation Status Summary Information.....	8
Appendix A. - Definition of Audit Assurance Opinions and Priority Levels for Recommendations ...	9

## 1. Summary of Progress against Internal Audit Plan 2022/23

Assurance Audits	Stage of Audit	Audit Opinion	Reported to A&G committee
Country Park and Rangers	Fieldwork		
Drainage and Watercourses	Final Report Issued	Limited	January 2023
Clinical Waste	Final Report Issued	Limited	January 2023
Playground Inspections	Final Report Issued	Limited	October 2022
Environmental Protection - Response to Complaints	Final Report Issued	Limited	May 2023
Grant Management	Transferred to 23/24		
Property Services Compliance - Gas	Final Report Issued	Limited	May 2023
Property Services Compliance – Electric	Final Report Issued	Moderate	May 2023
Voids	4 x Interim Reports Issued	Overall Limited	May 2023
Business Grants Covid - 19 Post Payment Assurance	Complete	N/A	
Commercial Property Compliance - Leisure	Pre-draft Report		
Assurance Mapping	Ongoing	N/A	
Corporate Governance	Draft Report Issued	Moderate	
Procurement – Fleet Contract - Tyres	Final Report Issued	Limited	January 2023
<b>Financial Systems</b>			
Housing Benefits and CTRS	Final Report Issued	Moderate	May 2023
Creditors	Draft Report Issued	Moderate	
Debtors	Final Report Issued	Moderate	May 2023
Council Tax	Final Report Issued	Moderate	May 2023
Business Rates	Draft Report Issued	Substantial	
Payroll	Fieldwork		
Rents	Draft Report Issued	Moderate	
Treasury Management – Corporate Credit Card	Final Report Issued	Moderate	January 2023
Main Accounting	Transferred to 23/24		
<b>Information Governance</b>			
GDPR – Door Security	Final Report Issued	Limited	October 2022
NHS DPST submission	Complete	N/A	July 2022
<b>Fraud</b>			
Managing the risk of Fraud and Corruption Self-Assessment	Fieldwork	N/A	
<b>Compliance</b>			
Public Sector Internal Audit Standards Review	Complete	N/A	July 2022

- 1.1 For the period 1 April 2022 to 15 May 2023 progress against the plan for the financial year 2022/23 has been Good with 91% of planned audit work being either completed or nearing completion.
- 1.2 There remains a vacant post of one Internal Auditor and the Corporate Compliance and Governance Manager (CCGM) is in the process of recruiting a temporary Internal Auditor while a new post for a career graded auditor is developed and recruited to.
- 1.3 As previously reported to the Audit & Governance Committee, due the current staffing vacancy the CCGM has kept the Internal Audit Plan under close review and where required made amendments throughout the year. When reviewing resources and the Internal Audit Annual Plan for 2022/23, the CCGM has been mindful of the requirement to be able to provide an annual audit opinion on the Council's governance, risk management and internal control environment and is confident that even with a reduction in the number of audit reviews being undertaken this year, an annual report and opinion can be provided.

## 2. Audit Assurance Reports

Summary details of the final reports issued during the period 16 January 2023 to 15 May 2023 are as follows, definitions of the Priority Levels and Audit Assurance Ratings are detailed in Appendix A:

Environmental Protection – Response to Complaints												
<b>Priority Summary</b>		<b>Audit Assurance Rating</b>										
<table><tr><th colspan="3">Priority Level</th></tr><tr><th>1</th><th>2</th><th>3</th></tr><tr><td>1</td><td>8</td><td>10</td></tr></table>		Priority Level			1	2	3	1	8	10	<div><div>Substantial</div><div>Moderate</div><div>Limited</div><div>No</div></div>	
Priority Level												
1	2	3										
1	8	10										
<b>Key Findings:</b> <ul style="list-style-type: none"><li>A review of policies required to ensure they remain up to date and fit for purpose.</li><li>M3 system data should be cleansed in accordance with the Council's retention schedule.</li><li>Customer correspondence had information missing.</li></ul>												

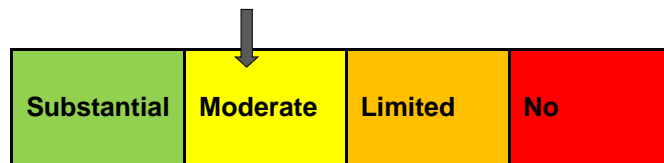
Property Management – Gas																
<b>Priority Summary</b>			<b>Audit Assurance Rating</b>													
<table><tr><th colspan="3">Priority Level</th></tr><tr><th>1</th><th>2</th><th>3</th></tr><tr><td>18</td><td>5</td><td>1</td></tr></table>			Priority Level			1	2	3	18	5	1	<table><tr><td>Substantial</td><td>Moderate</td><td>Limited</td><td>No</td></tr></table>	Substantial	Moderate	Limited	No
Priority Level																
1	2	3														
18	5	1														
Substantial	Moderate	Limited	No													
<b>Points to Note:</b> <p>Since the issue of the final report Internal Audit has worked closely with the service area to monitor progress. A number of the recommendations made are fully or partially implemented and good progress is being made on the remaining recommendations. A service review is in progress and appointments have been made to key posts which will positively impact compliance.</p>																
<b>Key Findings:</b> <ul style="list-style-type: none"><li>The system procured to manage gas compliance is not being used to its full potential.</li><li>Certificates are not always uploaded to the Councils Housing System QL</li><li>Enhanced mechanisms to ensure the completion of follow up work are required.</li></ul>																

## Property Management - Electric

### Priority Summary

Priority Level		
1	2	3
7	15	1

### Audit Assurance Rating



### Key Findings:

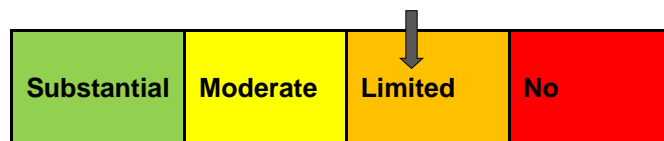
- Third party audit checks are not being carried out
- Follow up works are not being managed through the Councils Housing Management system.
- A process is not in place for properties where access cannot be gained for compliance checks.

## Voids (4 reports issued)

### Priority Summary

Priority Level		
1	2	3
24	29	2

### Audit Assurance Rating



It should be noted that out of the 55 recommendations made, 24 have been implemented and are now closed. Work continues on the remaining recommendations, and these remain within their implementation dates.

### Key Findings:

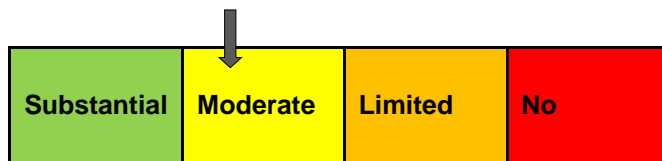
- No audit trail in the Housing Management system in relation to voids works carried out for all properties.
- Contractors surveyor and WLBC surveyors not jointly signing works off.
- Instances where additional works carried out by the contractor were not being authorised by WLBC before being undertaken.
- Instances identified where the in-house clearance team were undertaking works that should have been undertaken by the contractor as part of the price per void.
- Errors in respect of rates charged by the contractor when compared to the schedule of rates.

## HB & CTRS

### Priority Summary

Priority Level		
1	2	3
0	1	4

### Audit Assurance Rating



### Key Findings:

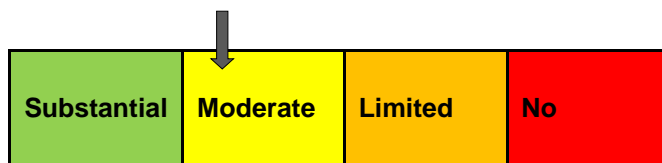
- A sample of claims in relation to the Local Housing Allowance Scheme found that a small sample of claims had not had the 13-week protection applied resulting in an underpayment of benefit. Audit have requested that claims under this scheme are checked and if necessary amended.

## Debtors

### Priority Summary

Priority Level		
1	2	3
0	2	3

### Audit Assurance Rating



### Key Findings:

- Guidance notes require updating.
- Issues in relation to access rights in the system were noted.

## Council Tax

### Priority Summary

Priority Level		
1	2	3
0	3	3

### Audit Assurance Rating



### Key Findings:

- Minor anomalies on spreadsheets used were noted but this had little overall effect on the taxbase.
- Anomalies were noted for the accounting of a small number of band X properties.

### 3. Performance Indicators 2022/23

- 3.1 Due to a reduction in staffing within the Internal Audit Service, a review of the annual audit plan has been undertaken and the number of internal audit reviews for 2022/23 has been reduced from 36 to 27. The % Completion of the Internal Audit Annual Plan indicator represents the % of the amended Internal Audit Annual Plan not the original plan.

Indicator	Target	As of 15 May 2023
% Completion of the Internal Audit Annual Plan	90% of the audit plan completed by the end of the financial year, 31 <sup>st</sup> March 2022	91%
% Audit recommendations accepted by management, analysed by Priority Level	Priority 1 = 100% Priority 2 = 95% Priority 3 = 90%	Priority 1 = 100% Priority 2 = 100% Priority 3 = 100%
Timely agreement and issue of the final report	80% of final reports (including agreement and completion of the Management Action Plan) issued within 5 weeks of the draft report.	100%
Customer Satisfaction Feedback	95% of feedback is Very Good, Good or Average rating	100%

#### **4. Internal Audit Recommendation Status Summary Information**

- 4.1 The reporting of recommendation implementation progress is provided to this committee at each meeting. To ensure that Internal audit recommendations are implemented the status of audit recommendation implementation is reported to CMT members on a regular basis

##### **2020/21**

Two Internal Audit recommendations remain outstanding for 2020/21, and the newly appointed manager of the service area is currently working on implementation. Progress is being reported to CMT on a regular basis.

##### **2021/22**

From the final reports issued for 2021/22, Internal Audit made 317 recommendations and at the time of reporting there are 105 open or partially completed recommendations. It should be noted that out of the 105 open recommendations, 102 are within their implementation date, leaving 3 (3%) overdue. As stated above these are being monitored on a regular basis.

##### **2022/23**

From the final reports issued for 2022/23, Internal Audit have made 208 recommendations to date. From the 208 recommendations made 147 are currently open or partially completed, 24 (16%) of which recently became due.

##### **Open Recommendations by Priority Level for Financial Years 2020/21 – 2022/23**

The Open recommendations have been analysed further to show the priority levels:

<b>Financial Year</b>	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>Total</b>
2020/21	1	1		2
2021/22	13	68	24	105
2022/23	39	68	40	147
<b>Total</b>	<b>53</b>	<b>137</b>	<b>64</b>	<b>254</b>



## Appendix A. - Definition of Audit Assurance Opinions and Priority Levels for Recommendations

Audit Assurance Opinions	
<p>Records the overall level of assurance recognised by the Internal Audit at the time the audit work was carried out. The assurance opinion is based upon the priority levels of the findings and recommendations arising from the fieldwork carried out by Internal Audit.</p> <p>The following categories are used to record the level of assurance over the Council's risk management, control and governance processes.</p>	
Assurance Opinion	Assessment of Internal Control
<b>Substantial</b>	<p>Level of Assurance = High</p> <p>The controls evaluated are well designed, appropriate in scope and applied consistently and effectively. Any issues identified are minor in nature and should not prevent objectives being achieved.</p> <p>There is a low risk of fraud, negligence, loss or damage to reputation.</p>
<b>Moderate</b>	<p>Level of Assurance = Medium</p> <p>The controls evaluated are generally well designed, appropriate in scope and applied in the main consistently and effectively, but some weaknesses have been identified that require management attention. These issues increase the risk that some objectives may not be fully achieved.</p> <p>There is a medium/low risk of fraud, negligence, loss or damage to reputation.</p>
<b>Limited</b>	<p>Level of Assurance = Low</p> <p>Some controls evaluated are generally well designed, appropriate in scope and applied consistently and effectively. However, issues of poor design, gaps in coverage or inconsistent or ineffective implementation have been identified that require immediate management attention. The issues if unresolved, mean that objectives may not be achieved.</p> <p>There is a medium risk of fraud, negligence, loss or damage to reputation.</p>
<b>No</b>	<p>Level of Assurance = None</p> <p>Expected controls are absent, or where evaluated are flawed in design, scope or application leaving the system open to error or abuse. The auditor is unable to form a view as to whether objectives will be achieved.</p> <p>There is a high risk of fraud, negligence, loss or damage to reputation.</p>

## Priorities for Recommendations

Priority 1	<p>A fundamental system weakness, which presents unacceptable risk to the system objectives. Requires immediate management action to remedy weakness in control that has led or may lead to one or more of the following:</p> <ul style="list-style-type: none"> <li>• Substantial loss of resources (e.g. financial, staff, materials or assets).</li> <li>• Serious failure to comply with legislation and / or Council Policy.</li> <li>• Significant reputational damage for the Council, involving national media.</li> <li>• Significant adverse regulatory impact, such as a national report, intervention or suspension of services</li> </ul>
Priority 2	<p>A significant system weakness, whose impact of frequency presents risk to the system objectives. Timely management action is required to remedy weaknesses in internal control that could lead to one or more of the following:</p> <ul style="list-style-type: none"> <li>• Loss of resources.</li> <li>• Failure to comply with some aspects of legislation and /or Council Policy.</li> <li>• Reputational damage for the Council, involving local or regional media</li> <li>• Adverse regulatory impact, such as loss of external ratings or negative local report.</li> </ul>
Priority 3	<p>Weaknesses that individually have no major impact, but still require management action. The recommendations represent best practice or where the system/process could benefit from improved controls or greater efficiency.</p>



**COUNCIL:** 19<sup>th</sup> July 2023

**CABINET:** 27<sup>th</sup> June 2023

**EXECUTIVE OVERVIEW &  
SCRUTINY COMMITTEE:** 15<sup>th</sup> June  
2023

**AUDIT & GOVERNANCE  
COMMITTEE:** 30<sup>th</sup> May 2023

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**Report of:** Head of Finance, Procurement and Commercial Property

**Relevant Portfolio Holder:** Councillor R Molloy

**Contact for further information:** Name Catherine Kirwan (Extn. 3273 )  
(E-mail: catherine.kirwan@[westlancs.gov.uk](mailto:catherine.kirwan@westlancs.gov.uk))

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**SUBJECT:** Procurement Policy

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Wards affected: Borough wide

## **1.0 PURPOSE OF THE REPORT**

1.1 To set out details of the proposed Procurement Policy

## **2.0 RECOMMENDATIONS TO AUDIT AND GOVERNANCE**

2.1 That they consider the Procurement Policy and recommend to Council that the Procurement Policy is noted and approved

## **3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW & SCRUTINY COMMITTEE**

3.1 That they consider the Procurement Policy and recommend to Council that the Procurement Policy is noted and approved

## **4.0 RECOMMENDATIONS TO CABINET**

4.1 That they consider the Procurement Policy and recommend to Council that the Procurement Policy is noted and approved

## **4.0 RECOMMENDATIONS TO COUNCIL**

4.1 That the Procurement Policy is noted and approved.

- 4.2 That authority is given to Head of Finance, Procurement and Commercial Property to make and approve changes to the Procurement Policy to reflect any changes to Law or Regulatory Guidance with no further reference to Council.
- 

## **5.0 BACKGROUND**

- 5.1 Following an Internal Audit Recommendation it was identified that the Procurement function would move to a centralised delivery model.
- 5.2 To support this move it is imperative that procedures and processes are reviewed. The proposed Procurement Policy will provide an overarching framework to promote compliance, to rules and regulations, principles of public procurement and councils visions and priorities.

## **6.0 CURRENT POSITION**

- 6.1 The procurement service has historically been an advisory service and therefore previous policies and procedures need to be reviewed and updated to reflect the change to the service delivery model.
- 6.2 The Procurement Policy has been developed in line with the Community Wealth Building Strategy and will encompass the foundations of the strategy and the need to drive Value for Money in all Council expenditure.
- 6.3 The Procurement Policy will provide an overarching framework to enable officers to comply to the internal Contract Procedure Rules and relevant external rules and regulations, the principles of public procurement and the councils visions and priorities.
- 6.4 The relevant guidance and procedures will compliment the policy in enabling officers to comply with the policy whilst making it easy to update these documents in line with changes to the law, rules and regulations and the council's visions and priorities.
- 6.5 The introduction and implementation of the Policy and associated guidance will mitigate the risk of non-compliance to the relevant laws, statutory guidance, internal rules and regulations and ensure all procurement activity is done so whilst upholding the principles of public procurement.

## **7.0 SUSTAINABILITY IMPLICATIONS**

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

## **8.0 FINANCIAL AND RESOURCE IMPLICATIONS**

- 8.1 There are no significant financial or resource implications arising from this report that existing budget provisions cannot accommodate.

## **9.0 RISK ASSESSMENT**

- 9.1 This item is for information only and makes no recommendations. It therefore does not require a formal risk assessment and no changes have been made to risk registers.

## **10.0 HEALTH AND WELLBEING IMPLICATIONS**

- 10.1 There are no health and wellbeing implications arising from this report.

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### **Background Documents**

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

### **Equality Impact Assessment**

There is a direct impact on members of the public, employees, elected members and / or stakeholders, therefore an Equality Impact Assessment is required. A formal equality impact assessment is attached as an Appendix to this report, the results of which have been taken into account in the Recommendations contained within this report

### **Appendices**

1. Proposed Procurement Policy
2. Equality Impact Assessment





# **Procurement Policy**

**May 2023**

## Contents

1. Purpose and Context .....	3
2. Procurement Planning and Methods .....	4
3. Contracts and Agreements .....	7
4. Supporting the Delivery of Council's Priorities .....	8
5. Commitment to Climate Change Strategy and Action Plan 2030 .....	8
6. Commitment to Social Value and Community Wealth Building .....	9
7. Exemptions to Contract Procedure Rules.....	9
8. Monitoring and review .....	10



## **1. Purpose and Context**

### **1.1 Purpose**

This document sets out the policy for Council officers to follow when purchasing works, goods and services on behalf of West Lancashire Borough Council. The policy should be followed alongside the associated guidance documents that form the Council's Contract Procedure Rules.

This policy is designed to ensure effective procurement processes are followed to ensure we achieve maximum value for money, social value and increased efficiencies in line with the Council's relevant Economic Strategy. We will adopt a transparent, competitive and fair approach to procurement whilst ensuring compliance to all statutory and regulatory requirements.

This policy is designed to ensure an appropriate and proportionate approach to procurements for all levels and types of spend. All officers involved in procurement activity are responsible for ensuring they are familiar with and adhere to this policy and associated guidance and procedures.

### **1.2 Objectives**

The objectives of this policy and associated guidance and procedures are:

- To provide clear guidelines and methods by which West Lancashire Borough Council procures and contracts for services, goods and works.
- To establish a clear process for selection and award criteria for the appointment of contractors and suppliers
- To achieve the key procurement principles:
  - Delivering value for money;
  - Maximising public benefit;
  - Sharing information for the purpose of allowing suppliers and others to understand the authority's procurement policies and decisions;
  - Acting, and being seen to act, with integrity.

### **1.3 Legal Context**

This policy has been developed to help West Lancashire Borough Council comply with a range of statutory and regulatory requirements. They include:

- Public Contract Regulations (2015)
- Utilities Contract Regulations (2016)
- Concessions Contract Regulations (2016)
- Public Procurement Regulations (2016)
- Equality Act (2010)
- Public Services (Social Value) Act (2012)
- Local Government Transparency Code (2015)
- The Procurement Bill (to be called Procurement Act 2023)

### **1.4 Code of Conduct**

All West Lancashire Borough Council officers engaging in procurement activity shall be aware of this policy and associated legal Acts and Statutory requirements when undertaking any procurement activity.

## **2. Procurement Planning and Methods**

### **2.1 Procurement Planning**

It is essential to allow sufficient time to effectively procure services, goods and works to ensure:

- We achieve the right outcome;
- We achieve the best Value For Money for the Council;
- The correct and necessary authorities for the planned procurement are in place;
- A clear understanding of the available budget to deliver the service being tendered for.
- Meaningful and appropriate pre-tender market engagement;
- Development of well-considered, sufficiently detailed tender specifications and briefs;
- Adherence to legal requirements for all necessary notices and advertising;
- Consideration to identify relevant and appropriate social value requirements;
- Identification of key stakeholders and any impact the planned procurement may have on other services, departments and customers;
- Informed decisions regarding the route to market and appropriate procurement method to be utilised.

Typically, from the identification of the need to procure to contract award the process can take from 6-9 months for simple unmodified rebuy procurements to 18-24 months for a new, strategic and complex procurement.

### **2.2 Methods of Procurement**

There are various ways in which West Lancashire Borough Council can procure goods, services and works from framework call-offs to competitive tenders. It is essential that officers engage at the earliest possible opportunity and work through the procurement team to identify the most appropriate route to ensure the key procurement principles are met and compliance adhered to for the relevant rules, regulations and legislation.

West Lancashire Borough Council have set requirements that must be met by suppliers. Demonstration that these criteria are met will be assessed when considering the inclusion of tender submissions to the evaluation process or where appropriate when considering bidders to be invited to provide a tender submission.

The requirements include adequate insurance, financial checks and ethical considerations consistent with our values and priorities as a commercially minded authority.

## **2.3 Pre-Tender Process**

The steps carried out at the pre-tender stage are essential and they provide the foundation for successful procurement by helping officers make fully informed decisions whilst ensuring we achieve the right outcome, within the required timescales whilst ensuring we achieve Value for Money.

Early market engagement is when the Council engages with potential suppliers prior to buying goods, services or commissioning works offering opportunity to the suppliers to inform decisions on the Specification whilst warming the market up to the future opportunity.

This process of gathering market intelligence is 'best practice' and officers must consider this step as part of the preparation process for all Council spend.

The early engagement will enable officers the opportunity to ask suppliers questions on important decisions or aspects which will help to refine the Specification. The process helps to gain a better understanding from the suppliers about what is possible and the solutions that are available to meet the requirements of the service.

## **2.4 Tender Process**

All tenders will follow the recommended process outlined in the procurement procedure based on the value and likely interest of the contract. Current UK thresholds are outlined in the procedure.

Upon confirmation of authority and budget a member of the procurement team will be assigned to the project and will guide and assist the contract owner through the required process.

All tenders will be based on a standard specification to ensure consistency of returned information and will follow the required process as outlined in the tender guidance which details the number of tenderers required, reporting, scoring and evaluation.

Tenders will be advertised via the e-tendering portal when appropriate, scoring matrices will be provided to ensure a consistent and fair approach to evaluation. Results will be weighted against price and quality. Within the quality weighting it is a legislative requirement that for all tenders over £25,000 a minimum of 10% should reflect social value. West Lancashire Borough Council officers will be required to set a higher figure for social value on appropriate tenders, specifically where price is not the most essential outcome of the tender.

West Lancashire Borough Council will make use of external frameworks where it is considered to add value to the procurement process.

Tender reports will be produced identifying the preferred bidder in line with the tender scoring criteria and the best value in terms of cost and quality.

When considering a contract, officers should adopt the whole procurement lifecycle of the contract ensuring due consideration is given to each of the stages identified below in the CIPS Procurement Lifecycle

(Source: [www.cips.org/en-gb/knowledge/procurement-cycle/](http://www.cips.org/en-gb/knowledge/procurement-cycle/). Copyright CIPS 2014)



## 2.5 Typical Tender Timeframes

### Stages 1 – 5 Pre-Tender

#### **Simple / Re-buy Procurements**

Typically, 10-14 weeks dependent upon the level of pre-market engagement to be carried out.

#### **Complex/New Procurements**

Typically, 12-20 weeks dependent upon the level of pre-market engagement to be carried out.

### Stages 6-8 Tender

#### **Simple / Re-buy Procurements**

Typically, 8-16 weeks for an Open Procedure or Request For Quotation

#### **Complex/New Procurements**

Typically, 12-24 weeks dependent upon the route to market and regulatory notification requirements based on the value of the contract.

### Stages 9 Contract Award and Implementation

#### **For all Contracts/Procurements**

Can take between 6-12 weeks depending on complexity of contract and which form of contract is utilised.

### Stages 10-13 Post Tender

#### **For all Contracts/Procurements**

To be reviewed throughout the lifetime of the contract.

## 3. Contracts and Agreements

### 3.1 Form of Contract

Officers should make themselves aware of the contracting requirements set out in the [Financial Regulations, Scheme of Delegation and Contract Procedure Rules](#). These documents set out;

- The requirement to set out contract terms in writing,
- The authorised officer and process for execution of contracts for different thresholds,
- The form of contract which should be adopted for different types of contracts.

Where a contract is made wholly in writing, it can be structured in one of two ways:

- As a simple contract (sometimes referred to as an agreement under hand) which has a 6 Year limitation period;
- As a deed executed in so-called 'solemn form' (Under seal where applicable) which has a 12 Year limitation period.

### 3.2 Contract Terms

Contract terms will normally comprise of service specific terms, and West Lancashire Borough Council standard terms appropriate for the type of service, goods or works being procured.

Contract schedules are required to protect West Lancashire Borough Council from associated risks, they include, but are not limited to:

- Liabilities and Indemnities;
- Sub-Contracting;
- Insurances;
- Confidentiality and Data Protection;
- Payment Terms;
- Performance Measures;
- Dispute Resolution;
- Termination.

### 3.3 Contract Performance Management

Officers should utilise the WLBC Contract Risk [Matrix](#) when considering the approach that will be taken to manage and monitor performance. Appropriate Key Performance Indicators (KPIs) should be considered and incorporated prior to entering any procurement activity or agreements alongside the approach and defined in the contract terms / supplier agreements.

## 4. Supporting the Delivery of Council's Priorities

In all procurements over £25,000 officers must ask bidders to demonstrate what they will do to support the Council achieving its strategic objectives. Bidders should be signposted to the website with a link to the relevant page: [Council Vision and Priorities - West Lancashire Borough Council \(westlancs.gov.uk\)](https://www.westlancs.gov.uk/council-vision-and-priorities)

## 5. Commitment to Climate Change Strategy and Action Plan 2030

All tenders should make reference to and where appropriate request suppliers to demonstrate how they will contribute to the [Council's Climate Change and Strategy Plan 2030](#).

The seven key priorities for action which should be considered are:

- Delivering a Carbon Neutral Council
- Sustainable Procurement
- Transport and Travel
- Residential buildings
- Commercial activity
- Community Action
- The Natural Environment

## 6. Commitment to Social Value and Community Wealth Building

Social value will be considered in the procurement activities of West Lancashire Borough Council in the following ways:

- All procurement activity should include relevant and proportionate social value requirements linked to the procurement activity.
- Where purchasing goods or services, social value will be considered within the tender specification, with an absolute minimum weighting of 10%, in most cases the figure will be higher.
- When producing the specification there is an expectation that local contractors or suppliers are able to bid wherever possible. West Lancashire Borough Council will take a pro-active approach to engaging and enabling local contractors or suppliers to ensure they are able to bid for opportunities.

Through the inclusion of social value in procurement opportunities West Lancashire Borough Council expect businesses and other organisations to contribute towards and support the council to deliver upon the following Community Wealth Building principles and objectives:

- Chosen suppliers will bring benefits for the West Lancashire economy and its people and contribute towards addressing wider social and environmental challenges;
- Engaging with and supporting local communities to improve the levels of employment, skills, health and well-being;
- Think about their own direct workforce and where possible, supporting those residents from more deprived parts of West Lancashire into employment opportunities;
- Suppliers should think about their own supply chains for the delivery of the contract and demonstrate the extent to which their own suppliers and sub-contractors are based in West Lancashire;
- Suppliers should think about social value and demonstrate how in addition to the delivery of the contract they are going to deliver a range of other benefits for the West Lancashire economy and its people and in turn address social and environmental challenges.

## 7. Exemptions to Contract Procedure Rules

In exceptional circumstances, a waiver of certain [Contract Procedure Rules](#), Relevant Legislation or Regulatory Guidance may be required in order to achieve the Council's aims. All applications for waivers must be fully justified and advice must be sought from Procurement and Legal to assist in the decision making process.

Such special circumstances would include

- only one company makes the product which the Council wishes to purchase and no other product is a reasonable substitute
- a recent tender exercise has shown that one supplier/contractor provides significantly better value than anyone else for the product/work in question
- urgency, resulting from circumstances beyond the Council's control, means that there is insufficient time to obtain tenders in accordance with the procedures set out in Contracts Procedure Rules.

Officers are advised:

- No discussions should be held with suppliers until such advice has been sought.
- Exemptions cannot be granted retrospectively (after non-compliance to CPRs has occurred).

Offers requesting an exemption must complete the [Exemption Form](#) and send to the Procurement and Contracts Manager. Please allow 2 working days for Procurement to review the request.

## **8. Monitoring and review**

All procurement exemptions authorised will be reported quarterly to the Audit and Governance Committee.

This policy will be reviewed every 3 years by the Procurement Team.

All budget holders should ensure that anyone given authority to spend is aware of and supported to ensure compliance with the procurement policy.



# Equality Impact Assessment Form



**Corporate Services: Transformation  
Housing and Resources**

**Service: Finance, Procurement and  
Commercial Property**

**Completed by: C Kirwan**

**Date: 16<sup>th</sup> May 2023**

**Subject Title: Procurement Policy**

## 1. DESCRIPTION

Is a policy or strategy being produced or revised?

Yes

Is a service being designed, redesigned or cutback:

No

Is a commissioning plan or contract specification being developed?

No

Is a budget being set or funding allocated:

No

Is a programme or project being planned?

No

Are recommendations being presented to senior managers and/or Councillors:

Yes

Does the activity contribute to meeting our duties under the Equality Act 2010 and Public Sector Equality Duty (**Eliminating unlawful discrimination/harassment, advancing equality of opportunity, fostering good relations**)?

No

Details of the matter under consideration:

The approval of a Procurement Policy

*If you answered **Yes** to any of the above, go straight to Section 3*

*If you answered **No** to all the above, please complete Section 2*

## 2. RELEVANCE

Does the work to be carried out impact on service users, staff, or Councillors (stakeholders):

*\*delete as appropriate*

If **yes**, provide details of how these impacts on service users, staff, or Councillors (stakeholders):

*If you answered **Yes** go to Section 3*

If you answered **No** to both Sections 1 and 2 provide details of why there is no impact on these three groups:

*You do not need to complete the rest of this form.*

## 3. EVIDENCE COLLECTION

Who does the work being carried out impact on, i.e., who is/are the stakeholder(s)?

The policy potentially impacts on WLBC Contract Managers and Suppliers.

If the work being carried out, relates to a universal service, who needs or uses it most? (Is there any group affected more than others)?

See Above.

Which of the protected characteristics are most relevant to the work being carried out?	
Age	No
Gender	No
Disability	No
Race and Culture	No
Sexual Orientation	No
Religion or Belief	No
Gender Reassignment	No
Marriage and Civil Partnership	No
Pregnancy and Maternity	No
<b>4. DATA ANALYSIS</b>	
In relation to the work being carried out, and the service/function in question, who is actually or currently using the service and why?	The policy will be applied to all procurement activity within the Council.
What will the impact of the work being carried out be on usage/the stakeholders?	The implementation of the policy is likely to enable the best outcome for Contract Managers whilst ensuring Value for Money.
What are people's views about the services? Are some customers more satisfied than others, and if so, what are the reasons? Can these be affected by the proposals?	N/A
What sources of data including consultation results have you used to analyse the impact of the work being carried out on users/stakeholders with protected characteristics?	N/A
If any further data/consultation is needed and is to be gathered, please specify:	N/A
<b>5. IMPACT OF DECISIONS</b>	
In what way will the changes impact on people with protected characteristics (either positively or negatively or in terms of disproportionate impact)?	N/A
<b>6. CONSIDERING THE IMPACT</b>	
If there is a negative impact, what action can be taken to mitigate it? (If it is not possible or desirable to take actions to reduce the impact, explain why this is the case (e.g., legislative, or financial drivers etc.).	No Negative Impact

What actions do you plan to take to address any other issues above?	No further actions on equality impact need to be taken.
<b>7. MONITORING AND REVIEWING</b>	
When will this assessment be reviewed and who will review it?	The EIA will be reviewed in line with the review of the Policy.





**CABINET:**  
**27 JUNE 2023**

**AUDIT AND GOVERNANCE  
COMMITTEE**  
**30 MAY 2023**

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**Report of: Legal and Democratic Services Manager**

**Relevant Portfolio Holder: Councillor Y Gagen, Leader**

**Contact for further information: K Lovelady (Ext 5075)**

**(E-mail: [kay.lovelady@westlancs.gov.uk](mailto:kay.lovelady@westlancs.gov.uk))**

**Mrs J C Williams (Extn. 3264)**

**(E-mail: [judith.williams@westlancs.gov.uk](mailto:judith.williams@westlancs.gov.uk))**

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**SUBJECT: REGULATION OF INVESTIGATORY POWERS ACT – ANNUAL  
SETTING OF THE POLICY**

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Wards affected: Borough Wide Interest

## **1.0 PURPOSE OF THE REPORT**

- 1.1 To report on the Council's use of its powers under the Regulation of Investigatory Power's Act (RIPA) and to present the RIPA Policy document for approval.

## **2.0 RECOMMENDATIONS TO CABINET**

- 2.1 That the Council's RIPA activity and the RIPA Policy at Appendix 1, be noted.

## **3.0 RECOMMENDATIONS TO AUDIT AND GOVERNANCE COMMITTEE**

- 3.1 That the Council's RIPA activity and the RIPA Policy at Appendix 1, be noted.

---

## **4.0 BACKGROUND**

- 4.1 The Regulation of Investigatory Powers Act 2000 (RIPA) came into force in 2000. Both the legislation and Home Office Codes of Practice strictly prescribe the situations in which and the conditions under which councils can use their RIPA powers.

## **5.0 MONITORING OF RIPA ACTIVITY**

- 5.1 The Council has not had cause to use its powers under RIPA during the last 12 months.
- 5.2 The Senior Responsible Officer proactively seeks to ensure that the use of covert surveillance in this authority is well regulated. Applications for authorisation to use covert surveillance must be rejected when the Authorising Officer is not satisfied that the surveillance is necessary or proportionate and legal advice should be sought by Authorising Officers in appropriate cases.

## **6.0 THE RIPA POLICY**

- 6.1 The RIPA Policy is presented to Cabinet for approval each year as required by guidance (Section 4.47 of the Home Office Covert Surveillance and Property Interference Revised Code of Practice of August 2018 and Section 3.46 of the Home Office Covert Human Intelligence Sources Revised Code of Practice of December 2022). Officers ensure the use of RIPA is consistent with the Council's Policy and regularly report on activity, again as is required.
- 6.2 The Council's current RIPA Policy is annexed at Appendix 1. This contains (in Appendix 3 of the policy) the current RIPA management structure. The current policy has been considered in the light of government guidance and best practice and, save for updating the references to the revised Code of Practice for Covert Human Intelligence Sources no changes are considered necessary to the policy at this time.

## **7.0 SUSTAINABILITY IMPLICATIONS**

- 7.1 There are no significant sustainability impacts associated with this report and, in particular, positive impacts on crime and disorder will be achieved by adhering to RIPA and the RIPA Policy.

## **8.0 FINANCE AND RESOURCE IMPLICATIONS**

- 8.1 There are no significant financial and resource implications arising from this report.

## **9.0 RISK ASSESSMENT**

- 9.1 The Council could be in breach of the relevant legislation if it does not follow the procedures set out in the RIPA Orders and Codes. This could result in the inadmissibility of evidence.

## **10.0 HEALTH AND WELLBEING IMPLICATIONS**

- 10.1 There are no health and wellbeing implications envisaged from this report.
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### **Background Documents**

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

### **Equality Impact Assessment**

This will be considered in relation to any particular authorisation.

### **Appendices**

1. Appendix 1 – RIPA Policy





# **WEST LANCASHIRE BOROUGH COUNCIL**

## **RIPA POLICY**

### **The Regulation of Investigatory Powers Act 2000**

#### **In respect of**

#### **Covert Directed Surveillance, Use of Covert Human Intelligence Sources and Accessing Communications Data**

Version : No.12 - 2023

RIPAPOLICYVERSION12-2023

	<b>Contents</b>	<b>Page</b>
1.	INTRODUCTION	3 – 4
2	DIRECTED SURVEILLANCE	4 – 6
3.	COVERT USE OF HUMAN INTELLIGENCE SOURCE (CHIS)	7
4.	COMMUNICATIONS DATA	8
5.	AUTHORISATIONS, RENEWALS AND DURATION	8 – 14
6.	REVIEWS	15
7.	RENEWALS	15
8.	CANCELLATIONS	16
9.	CENTRAL REGISTER OF AUTHORISATIONS	16 – 17
10.	CODES OF PRACTICE	17
11.	BENEFITS OF OBTAINING AUTHORISATION UNDER THE 2000 ACT	17 – 18
12.	SCRUTINY AND TRIBUNAL	18
	APPENDICES	
	APPENDIX 1 - DEFINITIONS FROM THE 2000 ACT	20 – 21
	APPENDIX 2 - NOTIFICATION TO CENTRAL REGISTER OF AUTHORISATIONS UNDER RIPA	22
	APPENDIX 3 – CHART SETTING OUT THE RIPA MANAGEMENT STRUCTURE	23
	APPENDIX 4 – THE OFFICE OF INVESTIGATORY POWERS COMMISSIONER’S GUIDANCE – COVERT SURVEILLANCE OF SOCIAL NETWORKING SITES	25

# 1 INTRODUCTION

- 1.1. The Regulation of Investigatory Powers Act 2000 (the 2000 Act) regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected consistent with the obligations under The Human Rights Act 1998, while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.
- 1.2. West Lancashire Borough Council is therefore included within the 2000 Act framework with regard to the authorisation of Directed Surveillance, the use of Covert Human Intelligence Sources (CHIS) and the obtaining of communications data through a single point of contact (SPOC).
- 1.3 The purpose of this guidance is to:

- explain the scope of the 2000 Act and the circumstances where it applies
- provide guidance on the authorisation procedures to be followed.

This continues to be a developing area of law and the Courts are yet to fully define the limits of the powers. This should be borne in mind when considering this Guide.

- 1.4 The Council has had regard to the Codes of Practice on covert surveillance, CHIS and accessing communications data produced by the Home Office in preparing this guidance and each Service should hold copies to which staff can refer. These documents are available at [www.homeoffice.gov.uk/ripa](http://www.homeoffice.gov.uk/ripa).
- 1.5 In summary the 2000 Act requires that when the Council undertakes "directed surveillance", uses a "covert human intelligence source or accesses communications data (defined below at paragraphs 2, 3 and 4 below) these activities must only be authorised by an officer with delegated powers when the relevant criteria are satisfied.
- 1.6 The Chief Operating Officer, Corporate Director of Place and Community and, Corporate Director of Transformation and Resources can authorise these activities (in relation to communications data, they shall be known as Designated Persons and shall seek the advice of the SPOC, see further paragraphs 4 and 5.1.3 below). Such nomination permits officers to grant authority for any purpose under the terms of the 2000 Act across all Council Services and service areas.
- 1.7 **Once an authorisation is granted for the use (or renewal) of directed surveillance, or acquisition of communications data, or covert human intelligence source it cannot take effect without an order approving the grant (or renewal) being obtained from a single Justice of the Peace (Magistrate, District Judge) (under amendments made by the Protection of Freedoms Act 2012, to s.32A and s.32B of the 2000 Act). This order must be sought from the Magistrates' Court, but when the Court is not in session. The arrangements for seeking the order will be made in consultation with Legal Services.**
- 1.8 Authorisation under the 2000 Act gives lawful authority to carry out surveillance and the use of a source. Obtaining authorisation helps to protect the Council and

its officers from complaints of interference with the rights protected by Article 8(1) of the European Convention on Human Rights, i.e. the right to respect for private and family life which is now enshrined in English law through the Human Rights Act 1998. This is because the interference with the private life of citizens will be “in accordance with the law”. Provided activities undertaken are also “reasonable and proportionate” they will not be in contravention of Human Rights legislation.

- 1.9 Authorising Officers and investigators within the Local Authority are to note that the 2000 Act does not extend to powers to conduct intrusive surveillance. Investigators should familiarise themselves with the provisions of Sections 3, 4 and 5 of the Revised Code of Practice on Covert Surveillance and Property Interference to ensure a good understanding of the limitation of powers within the 2000 Act.
- 1.10. Deciding when authorisation is required involves making a judgment **and assessing whether specific conditions apply to the investigation target**. Paragraph 3.4 explains this process in detail. If you are in any doubt, seek the advice of an Authorising Officer, if they are in doubt they will seek advice from the Legal and Democratic Services Manager/Senior Responsible Officer. However, in those cases where there is doubt as to the need for an authorisation it may be safer to consider seeking/granting an authorisation: a broader reading of the application of the Act’s requirements is encouraged.
- 1.11. In the case of CHIS authorisations for vulnerable people or juveniles, or where surveillance involves communication subject to legal privilege, confidential personal information or confidential journalistic material authorisation must be obtained from the Chief Operating Officer only, **together with the necessary application for an order giving effect to authorisation from a Justice of the Peace**.
- 1.12 The Chief Operating Officer should be requested to authorise directed surveillance involving the covert filming of any Council member or employee to the extent that this falls within RIPA.

## **2. DIRECTED SURVEILLANCE**

- 2.1 **The Council must apply to a Justice of the Peace for an order that gives effect to the authorisation for the use of directed surveillance prior to undertaking the activity.**
- 2.2 What is meant by Surveillance?

"Surveillance" includes:

- a) monitoring, observing or listening to persons, their movements, their conversations or their other activities or communication;
- b) recording anything monitored, observed or listened to in the course of surveillance; and
- c) surveillance by or with the assistance of a surveillance device.

## 2.3 When is surveillance directed?

Surveillance is 'Directed' for the purposes of the 2000 Act if it is covert, but not intrusive and is undertaken:

- a) for the purposes of a specific investigation or a specific operation.
- b) in such a manner as is likely to result in the obtaining of private information about a person (whether or not one is specifically identified for the purposes of the investigation or operation); and
- c) otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation to be sought for the carrying out of the surveillance.

2.4 In certain circumstances, use of social media sites such as Facebook, or using the internet in other ways could need authorisation as directed surveillance. The Office of Surveillance Commissioners has given guidance on when the use of social media and the internet might need authorisation on RIPA. The guidance can be read at appendix 4.

## **2.5 Surveillance Threshold**

**2.5.1 Before directed surveillance can be undertaken and the requisite order from a Justice of the Peace applied for, the Council must be satisfied that they are investigating a criminal offence that carries a maximum sentence of 6 months or more imprisonment.**

**2.5.2 The exception to the 6 month sentence threshold is specific offences of sale of alcohol or tobacco to an underage person which does not fall within the Council's range of regulatory activities.**

**2.5.3 During the course of an investigation, should the Council become aware that the criminal activity under investigation falls below the 6 month sentence threshold, then use of directed surveillance should cease.**

**2.5.4 This 6 month sentence threshold does not apply to use of covert human intelligence or communications data techniques.**

## **2.6 The Council cannot undertake intrusive surveillance.**

**2.6.1 Surveillance becomes intrusive if the covert surveillance:**

- a) is carried out in relation to anything taking place on any "residential premises" or in any "private vehicle"; and
- b) involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device; or
- c) is carried out by means of a surveillance device in relation to anything taking place on any residential premises or in any private vehicle but is carried out without that device being present on the premises or in the vehicle, where the device is such that it consistently provides information of

the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.

- 2.7 Before any officer of the Council undertakes any surveillance of any individual or individuals they need to assess whether the activity comes within the 2000 Act. In order to do this the following key questions need to be asked.

2.7.1 Is the surveillance covert?

Covert surveillance is that carried out in a manner calculated to ensure that subjects of it are unaware it is or may be taking place.

If activities are open and not hidden from the subjects of an investigation, the 2000 Act framework does not in general apply. However, if there is any doubt in respect of this matter, an officer must consider whether it may be appropriate to seek a RIPA authorisation.

2.7.2 Is it for the purposes of a specific investigation or a specific operation?

For example, are Civic building CCTV cameras which are readily visible to anyone walking around the building covered?

The answer is not if their usage is to monitor the general activities of what is happening in the car park. If that usage, however, changes, the 2000 Act may apply.

For example, if the CCTV cameras are targeting a particular known individual, and are being used in monitoring his activities, that has turned into a specific operation which may require authorisation.

2.7.3 Is it in such a manner that is **likely** to result in the obtaining of private information about a person?

"Private information" is any information relating to a person's private or family life and aspects of business or professional life.

For example, if part of an investigation is to observe a member of staff's home to determine their comings and goings then that would be covered.

If it is likely that observations will not result in the obtaining of private information about a person, then it is outside the 2000 Act framework. However, the use of 'test purchasers' may involve the use of covert human intelligence sources (see later).

If in doubt, it is safer to consider getting authorisation.

2.7.4 Is it undertaken otherwise than by way of an immediate response to event or circumstances where it is not reasonably practicable to get authorisation?

The Home Office gives the example of an immediate response to something happening during the course of an observer's work, which is unforeseeable.

However, if as a result of an immediate response, a specific investigation subsequently takes place that brings it within the 2000 Act framework.

### 2.7.5 Is the Surveillance Intrusive?

Directed surveillance turns into intrusive surveillance if it is carried out involving anything that occurs on residential premises or any private vehicle and involves the presence of someone on the premises or in the vehicle or is carried out by means of a (high quality) surveillance device.

If the device is not on the premises or in the vehicle, it is only intrusive surveillance if it consistently produces information of the same quality as if it were.

Commercial premises and vehicles are therefore excluded from intrusive surveillance. **The Council is not authorised to carry out intrusive surveillance.**

### 2.7.6 Does the offence under investigation meet the 6 month threshold?

## 3 COVERT USE OF HUMAN INTELLIGENCE SOURCE (CHIS)

3.1 A person is a Covert Human Intelligence Source if:

- a) he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph b) or c).
- b) he covertly uses such a relationship to obtain information or provide access to any information to another person; or
- c) he covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

3.2. A purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if and only if the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of that purpose.

3.3. The above clearly covers the use of professional witnesses to obtain information and evidence. It is not Council practice to use such witnesses. It can also cover cases such as a Council officer making a test purchase when there is a need to cultivate a relationship with the seller, which would not usually be the case.

3.4. There is a risk that an informant may be, or become, a CHIS. A member of the public giving information will be a CHIS if the information which he covertly passes to the authority has been obtained in the course of (*or as a consequence of the existence of*) a personal or other relationship. See paragraph 2.24 to 2.26 of the Covert Human Intelligence Sources Revised Code of Practice. Also consider paragraph 270 of OSC Procedures and Guidance 2011, which refers to the risk of “status drift”. When an informant gives repeat information about a suspect or about a family, and it becomes apparent that the informant may be obtaining that information in the course of a family or neighbourhood relationship, alarm bells should begin to ring. It probably means that the informant is in reality a CHIS, to whom a duty of care is owed if the information is then used. In such circumstances officers should refer any such instance for legal advice before acting on the information received from such an informant.

3.5 In this context (of authorising CHIS) ANY information (ie not confined to private information alone) to be gained by the covert manipulation of a relationship will

require authorisation.

**3.6 The Council must apply to a Justice of the Peace for an order that gives effect to the authorisation for the use of covert human intelligence source (see 1.7 above).**

3.7 In certain circumstances, use of social media sites such as Facebook, or using the Internet for research in other ways could need authorisation as the use of a covert human intelligence source. The guidance can be read at appendix 4.

#### **4 COMMUNICATIONS DATA**

4.1 The Council may also access certain communications data under the 2000 Act, provided this, like all other surveillance, is **for the purpose of preventing or detecting crime**.

4.2 Following the passage of the Data Retention and Investigatory Powers Act 2014 the Home Office has revoked all accreditation which enabled local authority staff to acquire communications data with effect from 1 December 2014. The Council is now required to use the National Anti-Fraud Network's (NAFN's) Single Point of Contact (SPOC) services to acquire communications data under RIPA, if approved by a magistrate. The Communications Data Code of Practice shall be followed at all times. Council staff are not permitted to obtain telecommunications and internet use data other than as provided for by the Act.

**4.3 The Council must apply to a Justice of the Peace for an order giving effect to the authorisation of the use of communications data.**

4.4 The accredited SPOCs at NAFN will scrutinise the applications independently. They will provide advice to applicants and designated persons ensuring the Council acts in an informed and lawful manner.

#### **5. AUTHORISATIONS, RENEWALS AND DURATION**

**5.1 The Council must apply to a Justice of the Peace for an order that gives effect to the authorisation for the use of directed surveillance, communications data and covert human intelligence source (see 1.7 above).**

5.1.1 The Conditions for Authorisation

5.1.2 Directed Surveillance

5.1.1.3 For directed surveillance no officer shall grant an authorisation **and make an application to a Justice of the Peace** for the carrying out of directed surveillance unless he believes:

- a) that an authorisation is necessary for the purpose of preventing or detecting crime and
- b) the authorised surveillance is proportionate to what is sought to be achieved by carrying it out.

5.1.1.4 The onus is therefore on the person authorising such surveillance to satisfy



themselves it is:

- a) necessary for the ground stated above and;
- b) proportionate to its aim.

5.1.1.5 In order to ensure that authorising officers have sufficient information to make an informed decision **about whether to make an application to a Justice of the Peace for an order to give effect to any authorisation**, it is important that detailed records are maintained. As such the forms in the Appendix and the accompanying Guidance on Completing RIPA Authorisation Forms are to be completed where relevant.

It is also sensible to make any authorisation sufficiently wide enough to cover all the means required as well as being able to prove effective monitoring of what is done against that which has been authorised.

An Authorising Officer may partially approve or partially refuse an application for authorisation. If an Authorising Officer does not authorise all that was requested, a note should be added explaining why.

#### 5.1.2 Covert Use of Human Intelligence Sources

5.1.2.1 The same principles as Directed Surveillance apply. (see paragraph 5.1.1.3 above)

5.1.2.2 The conduct so authorised is any conduct that:

- a) is comprised in any such activities involving the use of a covert human intelligence source, as are specified or described in the authorisation;
- b) relates to the person who is specified or described as the person to whose actions as a covert human intelligence source the authorisation relates; and
- c) is carried out for the purposes of, or in connection with, the investigation or operation so specified or described.

5.1.2.3 In order to ensure that authorising officers have sufficient information to make an informed decision it is important that detailed records are maintained. As such the forms attached are to be completed where relevant.

It is also sensible to make any authorisation sufficiently wide enough to cover all the means required as well as being able to prove effective monitoring of what is done against that is authorised.

#### 5.1.3 Communications Data

Section 22(4) of RIPA allows the Council to request “communications data” from Communication System Providers (CSPs). The access allowed under these powers is limited to telephone, postal and email subscriber and billing information. Any access must be obtained through the use of an authorised single point of contact (SPOC). (See Communications Data Code of Practice paragraphs 4.4 to 4.9.) The Council does not have the right to obtain the content of the

communication, but can obtain details of the source and destination of a message. The only ground for Local Authorities is the prevention or detection of crime. CSPs must be provided with a Notice Requiring Disclosure of Communications Data, which must have been duly authorised. The only officers who are allowed to authorise such requests are those accredited by the Home Office (the “Designated Persons” (DPs)). The DP is an individual at the level of Chief Operating Officer and Corporate Director and will scrutinise all applications for Communications Data.

The authorisation or grant of a notice to obtain communications data require judicial approval on each occasion.

## 5.2 Further Requirements of the 2000 Act

### 5.2.1 **An application must be made to the Justice of the Peace for an order that gives effect to the authorisation for the use of Directed Surveillance, Communications Data and CHIS. This process is in addition to the Council’s existing authorisation procedure (see 1.7 above).**

5.2.2 In light of the changes to the regime applications for urgent grants or renewal, must be in writing. In the Guidance on Completing RIPA Authorisation Forms document which accompanies this Guide are standard forms, which must be used. Officers must direct their mind to the circumstances of the individual case with which they are dealing when completing the form.

5.2.3 Although it is possible to combine two authorisations in one form the Council’s practice is for separate forms to be completed to maintain the distinction between Directed Surveillance and the use of a CHIS.

5.2.4 Authorisations lapse, if not renewed:

- 12 months - if in writing/non-urgent - from date of last renewal if it is for the conduct or use of a covert human intelligence source or
- in all other cases (ie directed surveillance) 3 months from the date of their grant or latest renewal.

5.2.5 Any person entitled to grant a new authorisation can renew subject to judicial approval being obtained an existing authorisation in the same terms at any time before it ceases to have effect.

But, for the conduct of a covert human intelligence source, an Authorised Officer should not renew **or make an application to a Justice of the Peace to renew** unless a review has been carried out and that person has considered the results of the review when deciding whether to renew or not. A review must cover what use has been made of the source, the tasks given to them and information obtained.

5.2.6 The benefits of obtaining an authorisation are described in paragraph 7 below.

5.2.7 Factors to Consider (see further guidance the Guidance on Completing Forms document)

Any person giving an authorisation should first satisfy him/herself that the authorisation is necessary on particular grounds and that the surveillance is proportionate to what it seeks to achieve. The proportionate test involves balancing the intrusiveness of the activity on the target and others who might be affected by it against the need for the activity in operational terms. The activity will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by other less intrusive means. All such activity should be carefully managed to meet the objective in question and must not be arbitrary or unfair.

- 5.2.8 Particular consideration should be given to collateral intrusion on or interference with the privacy of persons other than the subject(s) of surveillance. Such collateral intrusion or interference would be a matter of greater concern in cases where there are special sensitivities, for example in cases of premises used by lawyers or for any form of medical or professional counselling or therapy.
- 5.2.9 An application for an authorisation should include an assessment of the risk of any collateral intrusion or interference. The authorising officer will take this into account, particularly when considering the proportionality of the surveillance and whether measures to avoid can be stipulated.
- 5.2.10 Those carrying out the covert surveillance should inform the Authorising Officer if the operation/investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or covered by the authorisation in some other way. In some cases the original authorisation may not be sufficient and consideration should be given to whether a separate authorisation is required.
- 5.2.11 Any person giving an authorisation will also need to be aware of particular sensitivities in the local community where the surveillance is taking place or of similar activities being undertaken by other public authorities which could impact on the deployment of surveillance.

### **Home Surveillance**

- 5.2.12 The fullest consideration should be given in cases where the subject of the surveillance might reasonably expect a high degree of privacy, for instance at his/her home (NB. the Council cannot undertake intrusive surveillance) or where there are special sensitivities.

### **Spiritual Counselling**

- 5.2.13 No operations should be undertaken in circumstances where investigators believe that surveillance will lead them to intrude on spiritual counselling between a Minister and a member of his/her faith. In this respect, spiritual counselling is defined as conversations with a Minister of Religion acting in his/her official capacity where the person being counselled is seeking or the Minister is imparting forgiveness, or absolution of conscience.

## **Confidential Material**

5.2.14 The 2000 Act allows in exceptional circumstances for authorisations to gather 'confidential material' (see the definitions in Appendix 1). Such material is particularly sensitive, and is subject to additional safeguards under this code. In cases where the likely consequence of the conduct of a source would be for any person to acquire knowledge of confidential material, the deployment of the source should be subject to special authorisation (by the Chief Operating Officer).

5.2.15 In general, any application for an authorisation which is likely to result in the acquisition of confidential material should include an assessment of how likely it is that confidential material will be acquired. Special care should be taken where the target of the investigation is likely to be involved in handling confidential material. Such applications should only be considered in exceptional and compelling circumstances with full regard to the proportionality issues this raises.

5.2.16 The following general principles apply to confidential material acquired under authorisations:

- Those handling material from such operations should be alert to anything that may fall within the definition of confidential material. Where there is doubt as to whether the material is confidential, advice should be sought from the Legal and Democratic Services Manager/Senior Responsible Officer before further dissemination takes place;
- Confidential material should not be retained or copied unless it is necessary for a specified purpose;
- Confidential material should be disseminated only where an appropriate officer (having sought advice from the Legal and Democratic Services Manager/Senior Responsible Officer) is satisfied that it is necessary for a specific purpose;
- The retention or dissemination of such information should be accompanied by a clear warning of its confidential nature. It should be safeguarded by taking reasonable steps to ensure that there is no possibility of it becoming available, or its content being known, to any person whose possession of it might prejudice any criminal or civil proceedings related to the information;
- Confidential material should be destroyed as soon as it is no longer necessary to retain it for a specified purpose;
- Any covert surveillance concerning premises on which legal consultations take place are to be regarded as intrusive surveillance and may not be undertaken by the Council.

## **Combined authorisations**

5.2.17 Although it is possible to combine two authorisations in one form the Council's practice is for separate forms to be completed to maintain the distinction between Directed Surveillance and the use of a CHIS.

5.2.18 In cases of joint working with other agencies on the same operation, e.g. by a Housing Benefit Investigator authority for directed surveillance should be given by the lead agency.

5.2.19. On occasion, several Council Services may be included in the same investigation. One authorisation from the Lead Service should cover all activities.

### **Handling and disclosure of product**

5.2.20 Authorising Officers are reminded of the guidance relating to the retention and destruction of confidential material as described in paragraph 5.2.16 above.

5.2.21 Authorising Officers are responsible for ensuring that authorisations undergo timely reviews and are cancelled promptly after directed surveillance activity is no longer necessary.

5.2.22 Authorising Officers must ensure that the relevant details of each authorisation are sent to the Legal and Democratic Services Manager/Senior Responsible Officer as described in paragraph 9 below.

5.2.23 The originals of applications for authorisations, reviews, renewals and cancellations for directed surveillance and the use of a CHIS should be submitted to and thereafter retained by the RIPA Co-ordinator, for a period of 3 years and at least between inspections. Copies are to be retained by the authorising officer for a commensurate period. Where it is believed that the records could be relevant to pending or future criminal proceedings, they should be retained for a suitable further period, commensurate to any subsequent review.

5.2.24 Any personal data collected during the course of a covert surveillance operation must be stored as per data protection guidelines set out in the Council's Data Protection Policy below.

- Analysis of data from the operation must be carried out by the officers who carried out the investigation and should be done in a private office to avoid personal material being accessible to other council employees.
- The authorising officer may also be included in analysis of the data collected.
- Data must be kept in a secure environment with limited access.
- Data must be labelled with the reference of the case and the date of collection.
- Data collected which is not appropriate or useful as evidence in the investigation and subsequent formal action must be deleted as soon as this fact is determined or when the case is closed, whichever is the sooner. Consideration of whether or not this material should be destroyed is the responsibility of the senior authorising officer. Care must be taken in this respect, as it must be considered that even if this information is not to be used as evidence, it may be "unused material" for the purposes of criminal proceedings.

- If there is any reason to believe that the data obtained during the course of an investigation might be relevant to that investigation, or to another investigation, or to pending or future civil or criminal proceedings, then it should not be destroyed but retained in accordance with established disclosure requirements and may be disclosed.

5.2.25 There is nothing in the 2000 Act that prevents material obtained through the proper use of the authorisation procedures from being used in other investigations. However, the use outside the Council, of any material obtained by means of covert surveillance and, other than in pursuance of the grounds on which it was obtained, should be authorised only in the most exceptional circumstances.

### 5.3 **The Use of Covert Human Intelligence Sources**

5.3.1 The Council will not normally use an external or professional source for the purpose of obtaining information. It is not the Council's usual practice to seek, cultivate or develop a relationship through an external or professional source although this may occur where circumstances require it. In these circumstances appropriate authorisations must be obtained. It is potentially possible, though highly unlikely, that the role of a Council employee may be that of a source, for example, as contemplated in paragraph 3.3 above, please cross refer for detail.

5.3.2 Nothing in the 2000 Act prevents material obtained by an employee acting as a source being used as evidence in Court proceedings.

5.3.3 The Authorising Officer must consider the safety and welfare of an employee acting as a source, and the foreseeable consequences to others of the tasks they are asked to carry out. A risk assessment should be carried out before authorisation is given. Consideration from the start for the safety and welfare of the employee, even after cancellation of the authorisation, should also be considered.

5.3.4 The Authorising Officer must believe that the authorised use of an employee as a source is proportionate to what it seeks to achieve. Accurate and proper records should be kept about the source and tasks undertaken.

5.3.5 The Council's practice is not to use an employee acting as a source to infiltrate existing criminal activity, or to be a party to the commission of criminal offences, even where this is within the limits recognised by law.

5.3.6 Before authorising the use of an employee as a source, the authorising officer should believe that the conduct/use including the likely degree of intrusion into the privacy of those potentially affected is proportionate to what the use or conduct of the source seeks to achieve. He should also take into account the risk of intrusion into the privacy of persons other than those who are directly the subjects of the operation or investigation (collateral intrusion). Measures should be taken, wherever practicable, to avoid unnecessary intrusion into the lives of those not directly connected with the operation.

5.3.7 Particular care should be taken in circumstances where people would expect a high degree of privacy or where, as a consequence of the authorisation,

“confidential material” is likely to be obtained.

- 5.3.8 Additionally, the Authorising Officer should make an assessment of any risk to an employee acting as a source in carrying out the proposed authorisation.

## 6. REVIEWS

- 6.1. The Home Office Code of Practice for Covert Surveillance and Property Interference makes specific reference to reviews at paragraph 4.34. It recommends regular reviews be undertaken to see if the need for the surveillance is still continuing. Results of reviews should be recorded in a central record of authorisations (see paragraph 8.1). Reviews should be more frequent when access to confidential information or collateral intrusion is involved. Review frequency should be as often as the authorising officer deems necessary or practicable.
- 6.2. Similar provisions appear at paragraphs 9.9 to 9.13 of the code of practice for CHIS, save that tasks given to the source and information obtained should also be included.
- 6.3. Each authorising officer will therefore determine in each case how often authorisations should be reviewed. They will ensure records of the review will be supplied on the relevant form in Section 9 and send copies to the RIPA Co-ordinator to keep the central register up to date. Good practice requires that this should be done monthly at least.

## 7. RENEWALS

- 7.1. An authorising officer may renew an authorisation before it would cease to have effect if it is necessary for the authorisation to continue for the purpose for which it was given. **An application for a renewal to the Justice of the Peace is also required (see above).**
- 7.2. The Home Office Code of Practice for Covert Surveillance and Property Interference at paragraph 5.16 to 5.21 refers. A renewal of the authorisation in writing can be made for 3 months. Applications for renewal should detail how many times an authorisation has been renewed; significant changes to the original application for authority; reasons why it is necessary to renew; content and value of the information obtained so far and results of regular reviews of the investigation or operation.
- 7.3. Similar provisions apply in the code of practice for CHIS except that a renewal here can last for a further 12 months, a review must have been carried out on the use of the source and an application should only be made to renew when the initial authorisation period is drawing to an end. Applications to renew a CHIS also should contain use made of the source and tasks given to the source during the previous authorised period.
- 7.4. Each application to renew should be made at least 7 days before the authorisation is due to expire on the relevant form in Appendix 2. A record of the renewal should be kept within the applying service and supplied centrally to the Legal and Democratic Services Manager/Senior Responsible Officer - see Section 8 of the Home Office Code of Practice for Covert Surveillance and Property Interference -

to update the central register of authorisations.



## **8. CANCELLATIONS**

- 8.1. All authorisations, including renewals should be cancelled if the need for the surveillance is no longer justified. This will occur in most cases where the purpose for which the surveillance was required has been achieved.
- 8.2. Requesting officers should ensure they inform authorising officers if this is the case before the next review. If, in the opinion of the authorising officer at the next review, the need for surveillance is no longer justified, it must be cancelled.
- 8.3. The cancellation forms at Appendix 2 will be used to record a cancellation; the original will be sent to the RIPA Co-ordinator to update the central register of authorisations and the authorising officer will retain a copy - see Section 8.
- 8.4. The Home Office Codes of Practice for both covert (directed) surveillance and CHIS make it clear that authorisations must be cancelled if the original authorising criteria are not met. With CHIS, it must be cancelled if satisfactory arrangements for the source no longer exist. Consideration for the safety and welfare of a source continues after cancellation of any authorisation.

## **9. CENTRAL REGISTER OF AUTHORISATIONS**

- 9.1. The Codes of Practice under the 2000 Act require a central register of all authorisations to be maintained. The Senior Responsible Officer or nominated representative shall maintain this register.
- 9.2. Whenever an authorisation is granted renewed or cancelled the Authorising Officer must arrange for the following details to be forwarded by e-mail to the Senior Responsible Officer or nominated representative. Receipt of the e-mail will be acknowledged.
  - Whether it is for Covert Directed Surveillance or CHIS ;
  - Applicants name and Job Title (manager responsible);
  - Service and Section;
  - Applicant's address and Contact Number;
  - Identity of 'Target';
  - Authorising Officer and Job Title; (in line with delegation scheme)
  - Date of Authorisation.
  - A unique reference number for the investigation or operation
  - 
  - Whether confidential information is likely to be reviewed as a consequence of the investigation /operation.
  - The date the authorisation was cancelled

Details should be provided to the Senior Responsible Officer in respect of when an authorisation is refused.

**See Appendix 2 for the Form of Notification**

The original of the authorisation should also be provided; the authorising officer should retain a copy. The Chief Operating Officer will review authorisations every 6 months. It is suggested that authorising officers supply these directly.

- 9.3. The original authorisations shall be securely retained within the RIPA Co-ordinator's Service. It is each Service's responsibility to securely retain all copy authorisations within their Service. Authorisations should only be held for as long as it is necessary. Once the investigation is closed (bearing in mind cases may be lodged some time after the initial work) the records held by the Service should be disposed of in an appropriate manner (e.g. shredded).

## **10 CODES OF PRACTICE**

There are Home Office codes of practice that expand on this guidance. All relevant Services hold a copy.

The link to access the current codes of practice is:

[www.gov.uk/government/collections/ripa-codes](http://www.gov.uk/government/collections/ripa-codes)

The codes do not have the force of statute, but are admissible in evidence in any criminal and civil proceedings. As stated in the codes, "if any provision of the code appears relevant to a question before any Court or tribunal considering any such proceedings, or to the tribunal established under the 2000 Act, or to one of the commissioners responsible for overseeing the powers conferred by the 2000 Act, it must be taken into account".

Staff should refer to the Home Office Codes of Practice for supplementary guidance. These should be available to all relevant officers (see earlier).

## **11 BENEFITS OF OBTAINING AUTHORISATION UNDER THE 2000 ACT.**

### **11.1 Authorisation of surveillance and human intelligence sources**

The 2000 Act states that

- if authorisation confers entitlement to engage in a certain conduct and
- the conduct is in accordance with the authorisation, then
- it shall be "lawful for all purposes".

Part II of the 2000 Act does not impose a requirement on public authorities to seek or obtain an authorisation where, under the 2000 Act, one is available (see section 80 of the 2000 Act). Nevertheless, where there is an interference by a public authority with the right to respect for private and family life guaranteed under Article 8 of the European Convention on Human Rights, and where there is no other source of lawful authority, the consequence of not obtaining an authorisation under the 2000 Act may be that the action is unlawful by virtue of section 6 of the Human Rights Act 1998.

Public authorities are therefore strongly recommended to seek an authorisation

where the surveillance is likely to interfere with a person's Article 8 rights to privacy by obtaining private information about that person, whether or not that person is the subject of the investigation or operation. Obtaining an authorisation will ensure that the action is carried out in accordance with law and subject to stringent safeguards against abuse.

11.2 The 2000 Act states that a person shall not be subject to any civil liability in relation to any conduct of his which -

- a) is incidental to any conduct that is lawful by virtue of authorisation; and
- b) is not itself conduct for which an authorisation is capable of being granted under a relevant enactment and might reasonably be expected to have been sought in the case in question

## **12. SCRUTINY AND TRIBUNAL**

12.1. To effectively "police" the 2000 Act, Commissioners regulate conduct carried out thereunder. The Investigatory Powers Commissioner will keep under review, among others, the exercise and performance by the persons on whom are conferred or imposed, the powers and duties under the Act. This includes authorising directed surveillance and the use of covert human intelligence sources.

12.2. A tribunal has been established to consider and determine complaints made under the 2000 Act if it is the appropriate forum. Complaints can be made by persons aggrieved by conduct e.g. directed surveillance. The forum hears applications on a judicial review basis. Claims should be brought within one year unless it is just and equitable to extend that.

The tribunal can order, among other things, the quashing or cancellation of any warrant or authorisation and can order destruction of any records or information obtained by using a warrant or authorisation, and records of information held by any public authority in relation to any person. The Council is, however, under a duty to disclose or provide to the tribunal all documents they require if:

- A Council officer has granted any authorisation under the 2000 Act.
- Council employees have engaged in any conduct as a result of such authorisation.
- A disclosure notice requirement is given.

12.3 The Senior Responsible Officer will ensure that a report is submitted to the Council's Audit and Governance Committee on a regular basis and that an annual report is submitted to Cabinet. The reports will include details of the overall number and type of authorisations granted and the outcome of the case, where known. In addition, the reports will provide a breakdown of the same information by service or groups of services, as appropriate. In order to comply with General Data Protection Regulation and Code of Practice requirements, no specific details of individual authorisations will be provided.

- 12.4 The RIPA Co-ordinator will maintain and check the central register of all RIPA authorisations, reviews, renewals, cancellations and rejections. It is the responsibility of the authorising officer, however, to ensure the RIPA Co-ordinator receives the original of the relevant forms as soon as possible and in any event within 1 week of authorisation, review, renewal, cancellation or rejection. The authorising officer should retain copies.
- 12.5 The management structure for RIPA is set out in Appendix 3.

**Definitions from the 2000 Act**

- **“2000 Act”** means the Regulation of Investigatory Powers Act 2000.
- **“Confidential Material”** consists of:
  - a) matters subject to legal privilege;
  - b) confidential personal information; or
  - c) confidential journalistic material.
- **Matters subject to legal privilege** includes both oral and written communications between a professional legal adviser and his/her client or any person representing his/her client, made in connection with the giving of legal advice to the client or in contemplation of legal proceedings and for the purposes of such proceedings, as well as items enclosed with or referred to in such communications. Communications and items held with the intention of furthering a criminal purpose are not matters subject to legal privilege (see Note A below)
- **“Confidential Personal Information”** is information held in confidence concerning an individual (whether living or dead) who can be identified from it, and relating:
  - a) to his/her physical or mental health; or
  - b) to spiritual counselling or other assistance given or to be given, andwhich a person has acquired or created in the course of any trade, business, profession or other occupation, or for the purposes of any paid or unpaid office (see Note B below). It includes both oral and written information and also communications as a result of which personal information is acquired or created. Information is held in confidence if:
  - c) it is held subject to an express or implied undertaking to hold it in confidence; or
  - d) it is subject to a restriction on disclosure or an obligation of secrecy contained in existing or future legislation.
- **“Confidential Journalistic Material”** includes material acquired or created for the purposes of journalism and held subject to an undertaking to hold it in confidence, as well as communications resulting in information being acquired for the purposes of journalism and held subject to such an undertaking.
- **“Covert Surveillance”** means surveillance which is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place.
- **“Authorising Officer”** means a person designated for the purposes of the

2000 Act to grant authorisations for directed surveillance. (see the Regulation of Investigatory Powers (Prescription of Offices, Ranks and Positions) Order) SI 2000/2417.

**Note A.** *Legally privileged communications will lose their protection if there is evidence, for example, that the professional legal adviser is intending to hold or use them for a criminal purpose; privilege is not lost if a professional legal adviser is properly advising a person who is suspected of having committed a criminal offence. The concept of legal privilege shall apply to the provision of professional legal advice by any agency or organisation.*

**Note B.** *Confidential personal information might, for example, include consultations between a health professional or a professional counsellor and a patient or client, or information from a patient's medical records.*

**Notification to Central Register of Authorisations under RIPA**

Whether it is for Covert Directed Surveillance or CHIS	
Applicants name and Job Title (manager responsible)	
Service and Section	
Applicant's address and Contact Number	
Identity of 'Target'	
Authorising Officer and Job Title; (in line with delegation scheme)	
Date of Authorisation	
Whether confidential information is likely to be reviewed as a consequence of the investigation/operation	
The date the authorisation was cancelled	
Whether the authorisation is renewed.	

A copy of the authorisation shall also be sent (See above, Paragraph 9.2).

A unique reference number for the investigation or operation will be allocated by the Legal and Democratic Services Manager upon receipt of this notification. This reference must be used in subsequent correspondence regarding this authorisation.

### **APPENDIX 3**

**Chief Operating Officer  
Head of Paid Service  
and Returning Officer**

Jacqui Sinnott-Lacey \*\*

**Corporate Director  
of Place and  
Community**

Vacant \*

**Corporate Director  
of Transformation,  
Housing and  
Resources**

Chris Twomey \*

**Legal and  
Democratic  
Services Manager  
Monitoring  
Officer**

**Senior  
Responsible  
Officer**

Kay Lovelady

Supported by

**Assistant Solicitor  
RIPA  
Co-ordinator and  
SPOC  
Co-ordinator**

Judith Williams

\* Authorising Officer

\*\* Authorisations when knowledge of confidential information likely to be acquired or vulnerable individual or juvenile is to be used as a source.



## The Office of Surveillance Commissioner's Guidance

(Note that the Office of Surveillance Commissioner has now been replaced by the Investigatory Powers Commissioner's Office)

### Covert surveillance of Social Networking Sites (SNS)

The fact that digital investigation is routine or easy to conduct does not reduce the need for authorisation. Care must be taken to understand how the SNS being used works. Authorising Officers must not be tempted to assume that one service provider is the same as another or that the services provided by a single provider are the same.

Whilst it is the responsibility of an individual to set privacy settings to protect unsolicited access to private information, and even though data may be deemed published and no longer under the control of the author, it is unwise to regard it as "open source" or publicly available; the author has a reasonable expectation of privacy if access controls are applied. In some cases data may be deemed private communication still in transmission (instant messages for example). Where privacy settings are available but not applied the data may be considered open source and an authorisation is not usually required. Repeat viewing of "open source" sites may constitute directed surveillance on a case by case basis and this should be borne in mind.

Providing there is no warrant authorising interception in accordance with section 48(4) of the 2000 Act, if it is necessary and proportionate for a public authority to breach covertly access controls, the minimum requirement is an authorisation for directed surveillance. An authorisation for the use and conduct of a CHIS is necessary if a relationship is established or maintained by a member of a public authority or by a person acting on its behalf (i.e. the activity is more than mere reading of the site's content).

It is not unlawful for a member of a public authority to set up a false identity but it is inadvisable for a member of a public authority to do so for a covert purpose without authorisation. Using photographs of other persons without their permission to support the false identity infringes other laws.

A member of a public authority should not adopt the identity of a person known, or likely to be known, to the subject of interest or users of the site without authorisation, and without the consent of the person whose identity is used, and without considering the protection of that person. The consent must be explicit (i.e. the person from whom consent is sought must agree (preferably in writing) what is and is not to be done).



## **Audit & Governance Committee Work Programme – May 2023**

<b>Date</b>	<b>Briefing (Commencing 6.30pm)</b>	<b>Items</b>
30 May 2023		<ol style="list-style-type: none"> <li>1. Grant Thornton – Audit Progress Report</li> <li>2. Internal Audit Charter 2023/24</li> <li>3. Internal Audit Strategy &amp; Internal Audit Plan 2023/24</li> <li>4. Internal Audit Progress Report – Quarterly Update</li> <li>5. External Review of Internal Audit</li> <li>6. RIPA Act regular monitoring of use of powers – Annual setting of the Policy</li> <li>7. Procurement Policy</li> </ol>
26 July 2023	<p>Briefing in respect of 'Fraud'</p> <p>Social Value in Procurement – Catherine Kirwan</p>	<ol style="list-style-type: none"> <li>1. Grant Thornton – Audit Plan 2022-23</li> <li>2. Grant Thornton Progress Update</li> <li>3. Internal Audit Annual Report 2022/23</li> <li>4. Internal Audit Progress Report – Quarterly Update</li> <li>5. Senior Information Responsible Officer (SIRO) – Annual Report 2022/23</li> <li>6. RIPA Act – regular monitoring of use of power</li> <li>7. Annual Governance Statement 2022/23</li> <li>8. Social Value Policy</li> <li>9. Quarterly Exemption Report</li> <li>10. Draft Statement of Accounts 2022/23</li> </ol>
24 October 2023		<ol style="list-style-type: none"> <li>1. Risk Management Framework Update &amp; Annual Report (Rebecca Spicer)</li> <li>2. Internal Audit Activities – Quarterly Update</li> <li>3. Regulation of Investigatory Powers (RIPA) Act regular monitoring of use of powers</li> <li>4. External Auditors progress and sector update report</li> <li>5. Interim External Auditors Annual Report (AAR) 2020/21</li> <li>6. Interim External Audit Findings Report (AFR) 2020/21</li> <li>7. Quarterly Exemption Report</li> </ol>
30 January 2024		<ol style="list-style-type: none"> <li>1. Quarterly Exemption Report</li> </ol>

