

Jacqui Sinnott-Lacey Chief Operating Officer

52 Derby Street Ormskirk West Lancashire L39 2DF

Tuesday, 18 July 2023

#### TO: COUNCILLORS M ANDERSON, M PARLOUR, D DANIELS, J FILLIS, S PATEL, E POPE, 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 WEDNESDAY, 26 JULY 2023 at 7.00 PM at which your attendance is requested.

Yours faithfully

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.

4.	<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).	1 - 2
5.	<b>MINUTES OF PREVIOUS MEETING</b> To receive as a correct record, the minutes of the meeting held on 30 May 2023.	3 - 6
6.	<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 21 July 2023.	7 - 12
7.	<b>GRANT THORNTON PROGRESS UPDATE</b> To consider the report of the Corporate Director of Transformation, Housing & Resources.	13 - 14
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11.	RIPA ACT - REGULAR MONITORING OF USE OF POWER	147 - 148
	To consider the report of the Legal & Democratic Services Manager.	
12.	ANNUAL GOVERNANCE STATEMENT 2022/23 To consider the report of the Corporate Director of Transformation, Housing & Resources.	149 - 188
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We can provide this document, upon request, on audiotape, in large print, in Braille and in other languages.

#### FIRE EVACUATION PROCEDURE: Please see attached sheet. MOBILE PHONES: These should be switched off or to 'silent' at all meetings.

For further information, please contact:-Duncan Jowitt on 01695 583495 Or email duncan.jowitt@westlancs.gov.uk

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

PERSON IN CHARGE:Most Senior Officer PresentZONE WARDEN:Member Services Officer / LawyerDOOR WARDEN(S)Usher / Caretaker

#### IF YOU DISCOVER A FIRE

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

#### ON HEARING THE FIRE ALARM

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

#### NOTES:

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

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

#### CHECKLIST FOR PERSON IN CHARGE

- 1. Advise other interested parties present that you are the person in charge in the event of an evacuation.
- 2. Make yourself familiar with the location of the fire escape routes and informed any interested parties of the escape routes.
- 3. Make yourself familiar with the location of the assembly point and informed 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**.
- 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.

	tick relevant boxes		Notes
	General		
1.	I have a disclosable pecuniary interest.		You cannot speak or vote and must withdraw unless you have also ticked 5 below
2.	I have a non-pecuniary interest.		You may speak and vote
3.	I have a pecuniary interest <b>because</b>		
	it affects my financial position or the financial position of a connected person or, a body described in 10.1(1)(i) and (ii) <b>and</b> the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest		You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below
	or		
	it relates to the determining of any approval consent, licence, permission or registration in relation to me or a connected person or, a body described in 10.1(1)(i) and (ii) <b>and</b> the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest		You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below
4.	I have a disclosable pecuniary interest (Dispensation 20/09/16) or a pecuniary interest but it relates to the functions of my Council in respect of:		
(i)	(i) Housing where I am a tenant of the Council, and those functions do not relate particularly to my tenancy or lease.		You may speak and vote
(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.		You may speak and vote
(iii)	(iii) Statutory sick pay where I am in receipt or entitled to receipt of such pay.		You may speak and vote
(iv)	An allowance, payment or indemnity given to Members		You may speak and vote
(v)	Any ceremonial honour given to Members		You may speak and vote
(vi)	Setting Council tax or a precept under the LGFA 1992		You may speak and vote
5.	A Standards Committee dispensation applies (relevant lines in the budget – Dispensation 15/09/20 – 14/09/24)		See the terms of the dispensation
6.	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		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, Any employment, office, trade, profession or vocation carried on for profit or gain. trade, profession or vocation 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 Μ. Page 1

	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—
	<ul> <li>(a) under which goods or services are to be provided or works are to be executed; and</li> <li>(b) which has not been fully discharged.</li> </ul>
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;
  - 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 wellbeing or financial position or the well-being or financial position of a connected person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision.

#### 'a connected person' means

(a) a member of your family or any person with whom you have a close association, or

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

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

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

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

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

#### AUDIT & GOVERNANCE COMMITTEE

HELD:	Tuesday, 30 May 2023
Start:	7.00 pm
Finish:	7.26 pm

#### PRESENT:

Councillor:	M Anderson (Chair)			
Councillors:	M Parlour J Gordon E Pope	D Daniels S Patel		
In attendance:	Georgia Jones, Director, Grant Thornton Ben Stern, Grant Thornton (Observer)			
Officers:	Tony Furber, Corporate Finance Manager (Deputy S151 Officer) Catherine Kirwan, Procurement Manager Jennifer Lunn, Assistant Solicitor Jacqueline Pendleton, Corporate Compliance & Governance Manager James Pierce, Head of Finance, Procurement and Commercial Services Section 151 Officer Stephanie Salmon, Procurement Officer Duncan Jowitt, 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 Councillor Whittington, and the appointment of Councillor Gordon 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 31 January 2023 be received as a correct record and signed by the Chairman.

#### AUDIT & GOVERNANCE COMMITTEE

#### 6 **PUBLIC SPEAKING**

There were no items under this heading.

#### 7 GRANT THORNTON - AUDIT PROGRESS REPORT

Consideration was given to the Audit Progress Report and Sector Update year ending 31 March 2023 from our External Auditors Grant Thornton, which provided a summary of emerging national issues and relevant issues that the committee might wish to consider.

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

Georgia Jones confirmed that Grant Thornton are hopeful to be in a position to sign off the 20/21 accounts in July 23. Also, that no additional significant issues had been raised in the course of their recent work beyond those raised in the Interim Findings Report.

Councillors raised questions about the interim audit findings, the possibility of taking a report to Full Council and the Derby Street improvements.

Georgia Jones said that after all the work was completed, an interim report would be taken to the next meeting of the Committee.

The Committee considered the Audit Progress Report as contained on pages 543-560 of the Book of Reports, which had been presented to Members for approval.

RESOLVED: That the report be noted.

#### 8 INTERNAL AUDIT CHARTER 2023/24

The Corporate Director of Transformation, Housing & Resources submitted a report advising Members of the outcome of the external assessment of internal audit's conformance to the Public Sector Internal Audit Standards (the review).

The Chairman invited the Internal Audit Manager to present the report.

The Committee considered the Internal Audit Charter 2023/24 Report as contained on pages 561-581 of the Book of Reports, which had been presented to Members for approval.

RESOLVED: That officers be thanked for their work and the contents of the Internal Audit Charter 2023/24 at Appendix 1 of the report, be noted and approved to take effect from 31 May 2023.

#### 9 EXTERNAL REVIEW OF INTERNAL AUDIT

The Corporate Director of Transformation, Housing & Resources submitted a report advising Members of the outcome of the external assessment of internal audit's

conformance to the Public Sector Internal Audit Standards (the review).

The Chairman invited the Internal Audit Manager to present the report.

The Internal Audit Manager said that overall, the review had been a glowing report with just some minor advisories which were already being dealt with.

The Committee considered the External Review of Internal Audit Report as contained on pages 583-603 of the Book of Reports, which had been presented to Members for approval.

RESOLVED: 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.

#### 10 INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2023/24

The Corporate Director of Transformation, Housing & Resources submitted a report to provide Members with the background to the preparation of the 2023/24 Internal Audit Strategy and Annual Plan and present it for approval.

The Chairman invited the Internal Audit Manager to present the report. She explained that the team was recruiting a temporary auditor as they were one auditor down and would review it at the next available meeting.

The Committee considered the Internal Audit Strategy and Annual Plan 2023/23 as contained on pages 605-615 of the Book of Reports, which had been presented to Members for approval.

RESOLVED: That the Internal Audit Strategy and Annual Plan 2023/24 at Appendix 1 of the report be approved to take effect from 1 April 2023.

#### 11 INTERNAL AUDIT ACTIVITIES - PROGRESS REPORT

The Corporate Director of Transformation, Housing & Resources submitted a report to advise Members of progress against the 2022/23 Internal Audit Plan.

The Chairman invited the Corporate Compliance & Governance Manager to present the report. She explained that the work was now 98% completed and that weekly reports in relation to the implementation of audit recommendations were being submitted to the Chief Operating Officer and Director of Transformation, Housing & Resources.

The Committee considered the progress against the 2022/23 Internal Audit Plan as contained on pages 617-628 of the Book of Reports, which had been presented to Members.

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

#### AUDIT & GOVERNANCE COMMITTEE

#### 12 **PROCUREMENT POLICY**

The Head of Finance, Procurement and Commercial Property submitted a report asking Members to consider the proposed Procurement Policy.

The Chairman invited the Procurement Manager to present the report.

Members asked about who monitored the service and what penalties were built into tenders and contracts. The Procurement Manager explained that the Head of Finance, Procurement and Commercial Property was now her direct line manager and that they worked closely with Legal Services to build in robust rectification processes. Any exemptions had to be signed off by the Chief Operating Officer, who had the final say.

The Committee considered the Procurement Policy as contained on pages 629-645 of the Book of Reports, which had been presented to Members.

RESOLVED: That the Committee recommend the Procurement Policy to Council to be noted and approved.

### 13 REGULATION OF INVESTIGATORY POWERS ACT - ANNUAL SETTING OF THE POLICY

The Legal and Democratic Services Manager submitted a 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.

The Committee considered the RIPA Activity and RIPA Policy as contained on pages 647-675 of the Book of Reports, which had been presented to Members.

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

#### 14 WORK PROGRAMME

Consideration was given to the Committee's 2023/24 Work Programme as set out on page 677 of the Book of Reports.

Members asked about a possible joint presentation on the final accounts and the Head of Finance, Procurement and Commercial Services said that he would take this up but had been struggling to find a suitable date. Members suggested a presentation to all councillors might be valuable as training.

RESOLVED: That the Work Programme be noted.

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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 <u>member.services@westlancs.gov.uk</u> 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 email 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	NAME				
ADDRESS	DDRESS				
	Post Code				
PHONE					
Email					
Please indica	ate if you will be in attendance at the	YES/NO*			
meeting		*delete as applicable			
Please indica	ate if someone will be speaking on your behalf	YES/NO*			
at the meeting *delete as appl					
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		THE MATTER	
FLEASE FROVIDE	DE FAILS OF		

Agenda Item	Number	
	Title	
Details		
		•
Name	Dated	

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

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

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

<u>Note</u>: This page will be circulated to Members of the Committee and published.



AUDIT AND GOVERNANCE COMMITTEE:

26 July 2023

#### Report of: Head of Finance, Procurement and Commercial Services

#### Contact for further information: James Pierce (Extn. 5202) (E-mail: james.pierce@westlancs.gov.uk)

#### SUBJECT: GRANT THORNTON – AUDITOR'S PROGRESS REPORT

Wards affected: Borough wide

#### 1.0 PURPOSE OF THE REPORT

1.1 To receive the audit progress report from our External Auditors.

#### 2.0 **RECOMMENDATION**

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

#### 3.0 BACKGROUND

3.1 Our external auditors have asked for the progress report contained in the Appendix to be included on the agenda for this meeting so that Members may give them due consideration.

#### 4.0 GRANT THORNTON REPORT

4.1 Representatives of Grant Thornton will introduce and explain the contents of the report at the Committee meeting and will be able to answer any questions that Members may have on their contents.

#### 5.0 SUSTAINABILITY IMPLICATIONS

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

#### 6.0 RISK ASSESSMENT

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

#### 7.0 HEALTH AND WELLBEING IMPLICATIONS

7.1 There are no Health and Wellbeing implications of this report.

#### 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**

Progress Report:

- 1. Audit Findings Report
- 2. Auditor's Annual Report
- 3. Letter of Representation



## The Audit Findings for West Lancashire Borough Council

Year ended 31 March 2021

-July 2023 age 15



### Contents

Section	Page	The contents of this report relate only to the matters which have come to our attention,
1. Headlines	3	which we believe need to be reported to you
2. Financial statements	6	as part of our audit planning process. It is
3. Value for money arrangements	28	not a comprehensive record of all the relevant matters, which may be subject to
4. Other statutory powers and duties	32	change, and in particular we cannot be held
5. Independence and ethics	33	responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This
Appendices		report has been prepared solely for your benefit and should not be quoted in whole or
A. Action plan	36	in part without our prior written consent. We
B. Follow up of prior year recommendations	39	do not accept any responsibility for any loss
C. Audit adjustments	40	occasioned to any third party acting, or refraining from acting on the basis of the
D. Fees	57	content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Governance Committee.

Georgia Jones

Name : Georgia Jones For Grant Thornton UK LLP Date : July 2023

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### **1. Headlines**

#### **Financial Statements**

This table summarises the Under International Standards of Audit key findings and other matters arising from the statutory audit of West Lancashire Borough Council ('the Council') and theopreparation of the group's financial statements for the year ended 31 March 2021 for those charged with governance.

(UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and

have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and the Narrative Report,) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

This Audit Findings Report summarises the progress and work carried out to date for the 2020/21 audit. Although the audit is now complete other than some finalisation procedures and review of the final version of the accounts to ensure inclusion of all agreed amendments, this has been a challenging engagement with a significant amount of additional audit resource required.

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 inconsistences. 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 precious 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 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.

Although we have now substantially completed our engagement, procedures over valuation of Investment Property and Other Land and Buildings took significantly more time and resources to perform than anticipated. Turnover of valuation staff within the Council and the use of interim appointments has meant the Council has experienced capacity issues and this, combined with additional work required due to increased regulatory requirements, resulted in significant audit queries only being resolved in April 2023.

We identified a significant weakness in internal control in the management override of controls in the use of an employee login who had left the Council to post two journals. The officer involved has left the Council. We did not find any issues arising with both journals we tested that had been input on the old login, and it has also since been disabled.

Our findings to date are summarised on pages 3 to 27. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

## **1. Headlines**

#### **Financial Statements**

Although our work is substantially complete, prior to certifying the accounts we will:

- Obtain and assess management's consideration of Post Balance Sheet Events
- Receive management representation letter and,
- Review the final set of financial statements and review to ensure inclusion of all agreed amendments,

We note that the Council has published their draft financial statements for 2021/22 within the required reporting deadlines. In addition, a lot of the amendments in this report were identified by the Council as part of their improved quality assurance processes when addressing audit queries and when reassessing the financial statements in order to produce a revised version in September 2022. Hopefully the work the Council did to remap and revisit the financial statements in 2020/21 will enable the Council to move the audit forward in a more efficient manner in future years. Changes that the Council have made to the key contact for the audit has led to improved participation in the audit process and the quality and timeliness of responses has improved. As time progresses it makes it increasingly difficult for the Council as well as the audit team to catch up any future years' financial statements to meet expected national audit deadlines.

## **1. Headlines**

#### Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we a required to consider whether the Council	We have completed our VFM work and, together with the Audit Findings Report, we present the Annual Audit Report 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.
has put in place proper arrangements to	Our audit plan and audit plan addendum identified four significant risk areas of focus:
secure economy, efficiency and effectiveness in its use of resources.	Financial Resilience
Auditors are now required to report in more	Tawd Valley Developments Limited
detail on the Council's overall arrangements, as well as key	Late production and poor quality of the financial statements
recommendations on any significant	• Procurement.
weaknesses in arrangements identified	We have performed further procedures in respect of the risks identified. We identified significant weaknesses in relation to:
during the audit.	Late production and poor quality of the financial statements
ditors are required to report their mmentary on the Council's	Management reporting structure of Internal Audit
arrangements under the following specified	Procurement.
<del>G</del> iteria:	
Monomial Mathematical Mathemati	Four key recommendations are reported and six improvement recommendations as a result of our work. Our Auditor's Annual Report includes management responses to each of the recommendations.
<b>1</b> <b>1</b> Financial sustainability; and	More detailed findings are set out in the value for money arrangements section of this report on pages 28 to 31.
- Governance	

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit when we give our audit opinion.			
• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and				
• to certify the closure of the audit.				
Significant Matters summary	We have encountered significant delays in the production of the financial statements, and in carrying out the audit. There are numerous changes to the financial statements for 2020/21 as well prior period adjustments.			
	The Council did not include any other land and buildings revaluations in the draft financial statements or group accounts. Council responses and the documentation of the valuations process requires improvement.			
	The Council has three significant weakness areas in relation to the work on VFM with four key recommendations made.			
	The Council has a significant weakness in internal control in the management override of controls in the use of an employee login to post two journals when the employee had left the Council.			
© 2023 Grant Thornton UK LLP.	The Council has made progress and changes in how the financial statements are compiled and with the engagement in the audit process, and as a result improvements should be gained in the quality of the financial statements and the timeliness of responses for any future year audit.			

## **2. Financial Statements**

#### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

#### Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- an evaluation of the group's internal controls environment, including its IT systems and controls
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

In August 2022 we issued an addendum to the audit plan that was communicated to the Audit and Governance Committee in July 2021. This was to reflect an additional two risks of significant weakness in relation to our value for money work.

#### Conclusion

We have substantially completed our audit of the financial statements and we anticipate issuing an unqualified audit opinion.

## **2. Financial Statements**

			Group Amount (£)	Council Amount (£)	Qualitative factors considered
(		Materiality for the financial statements	1.363m	1.363m	We have determined materiality for the audit to be £1.363m (equivalent to 1.8% of gross operating expenditure) for the Council within the financial year. Our materiality did not change from the Audit Plan. This is in line with the industry standard and reflects the risks associated with the Council's financial performance.
	Our approach to materiality				Our consideration of materiality is based upon the following:
	The concept of materiality is fundamental to the preparation of the financial statements and the audit				<ul> <li>the group account with the housing development subsidiary company, which increases the complexity of the financial statements</li> </ul>
	process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.				• the late delivery of 2019/20 Accounts with concerns over the capacity of the Council's finance team, which increases the potential for errors.
					The materiality for the group is the same as for the Council,. This is different for the Group from the value reported in the Audit Plan as we
	Materiality levels remain the same as reported in our audit plan on 28/07/21				updated our judgement to include the actuals for 2020/21 for the group based on the financial statements we received in September 2022.
<u> </u>	for the Council.	Performance materiality	0.955m	0.955m	Performance materiality drives the extent of our testing and this was set at
	We detail in the table our determination of materiality for West Lancashire Borough Council.				70% of financial statement materiality. Our consideration of performance materiality is based upon the late delivery of the 2019/20 financial statements caused our concern over the capacity of the Council's finance
	On receipt of the financial statements				team, and this may increase the potential of errors in financial reporting.
	we have determined that there is no separate materiality required for Senior Officer Remuneration, so this is a change compared to our work identified in the Audit Plan	Trivial matters	0.068m	0.068m	This equates to 5% of materiality. This is our reporting threshold to West Lancashire Borough Council's Audit and Governance Committee for any errors identified.



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Se S а identified in the Audit Plan.

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls	We have:
Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure	<ul> <li>evaluated the design effectiveness of management controls over journals</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> </ul>
in terms of how they report performance. We therefore identified management override of control, in <del>p</del> articular journals, management estimates and transactions	<ul> <li>gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.</li> </ul>
Southing the standard for the standard f	A sample of 66 journals were selected using a risk scoring method. From this, 7 journals were selected for focused testing as part of the review. Our work has identified an issue with the management override of controls in respect of the shared use of employee logins.
	This is a significant deficiency in internal control and management should ensure this cannot occur in future as a lack of control over leavers IT access rights increases the risk of fraud or error.
	Two journals were posted using a login of an employee who had left the authority, Both were tested and there were no issues arising with the validity of the journals. The employee login had not been closed in a timely manner and for ease, another employee at the Council (they are not at the Council now) had used the login to post two journals.
	We have raised a recommendation in an Action Plan at Appendix A.
The revenue cycle includes fraudulent transactions – rebutted Under ISA (UK) 240 there is a rebuttable presumed risk that	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at West Lancashire Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, as the risk of material misstatement arising from inappropriate revenue recognition has a low likelihood of occurrence and is unlikely to be of a size which would be material to the users of the financial statements.
revenue may be misstated due to the improper recognition of revenue.	As per the Audit Plan, we do not consider this to be a significant risk for the Council and we have not undertaken any specific work in this area other than our normal audit procedures.
This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Our audit work has not identified any issues to report in respect of revenue recognition.
We have also rebutted the presumption of fraud in expenditure recognition.	

#### **Risks identified in our Audit Plan**

#### Commentary

Valuation of the Council's land and buildings including Council dwellings, and Investment Property

The Council carries out a programme that ensures that all Land and Buildings (£27.499m) and Council dwellings (£191.205m) are re-valued at least every 5 years. In between valuations the Council carries out annual reviews to assess whether any adjustment is required based upon desktop valuations.

These valuations represent significant estimates by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. In between valuations the Council carried out annual reviews to assess whether any adjustment is required based upon desktop valuations.

All investment properties are revalued annually and are valued and reported at fair value under relevant accounting principles. This valuation (£17.22m) represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to the Council's materiality and the sensitivity of this estimate to changes in key assumptions.

We therefore identified the valuation of the Council's Land and Buildings including Council dwellings and investment Property balances as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

evaluated the Council's accounting policy for recognition of income from fees, charges and other service income for appropriateness;

gained an understanding of the Council's system for accounting for income from fees, charges and other service income and evaluated the design of the associated controls;

agreed, on a sample basis amounts recognised as income from fees, charges and other service income for occurrence and accuracy in the financial statements to supporting documentary evidence.

We have noted significant and numerous issues in assessing the valuation of Land and Buildings and Investment Property:

- the Council did not include any valuations in the draft financial statements and when included this has added £2.209m to non-current assets of the Council
- the Council was unable to provide us with the formal instructions issued to the valuer for the valuations undertaken
- the impairment certificate provided for 2020/21 was a draft version
- the Council's valuer has changed following preparation of the valuations reported in the draft accounts presented for audit. It has therefore been difficult to obtain evidence to support judgements which were not fully documented
- for both Investment Properties and Other Land and Buildings the Council struggled to provide sufficient appropriate evidence. We were eventually satisfied that we had sufficient evidence but final queries were only resolved in April 2023 and in some cases we had to try to obtain corroborating evidence from our own sources
- due to the lack of uniformity of formatting within the Council's Fixed Asset Register, it has proved difficult to select some sets of samples.
- engagement with and evidence provided by the Council's external valuers was insufficient, and we therefore performed additional work and engaged with GT's internal valuers to support the assumptions applied in the calculations of Council Dwellings and Investment Property valuations.
- the Property, Plant and Equipment note within the financial statements reports an infrastructure balance of £1.230m. There was no depreciation in year and no cumulative depreciation recognised. Infrastructure was not carried at depreciated historic cost. The adjustment required was not material to the financial statements and management has agreed to amend in line with the CIPFA Code. We will confirm this amendment on our review of the final version of the accounts.
- For both Investment Properties and Other Land and Buildings, the Council are unable to provide evidence as to when the properties have last been inspected. The Valuer states that properties are expected regularly however, there has been no evidence provided to us to support this.
- Investment Property was valued as at 1 January 2021 rather than 31 March 2021.

We have raised recommendations in the Action Plan at Appendix A in response to issues identified and all misstatements identified are listed in Appendix C.

#### Risks identified in our Audit Plan

#### Commentary

We have:

#### Valuation of pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£65.836m) in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have Therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report
- requested assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the Lancashire Pension Fund financial statements.

We identified a material misstatement within the Pension disclosures relating to the £4.8m payment in advance of employer contributions for 2021/22 and 2022/23. The relevant notes have been adjusted to appropriately recognise this pension asset.

Our audit work has not identified any other issues in respect of the valuation of the pension fund liability.

Risks identified in our Audit Plan	Commentary
Group Accounts	We have:
The Authority have not provided Group Accounts in the past as there were no material entities relevant to incorporate. As the figures for Tawd Valley Development Limited are qualitatively material within the subsidiary accounts, group accounts and associated disclosures would be required by the Council for 2020/21.	<ul> <li>reviewed the Council's assessment of control over its subsidiary.</li> </ul>
	<ul> <li>assessed the Council's consolidation process, alignment of accounting policies and accounting treatment for group accounts.</li> </ul>
	The draft financial statements did not include group accounts, but we received the group accounts and associated disclosures when the Council produced another version of the financial statements in September 2022.
	As the Audit Plan was based on forecasts, when we received the group accounts in September 2022, the values involved meant that the audit approach required was analytical procedures only. Therefore, we did not need to rely upon the work of a component auditor (i.e. the auditor of the subsidiary).
	Our audit work has not identified any issues in respect of the consolidation

# 2. Financial Statements – Key findings arising from the group audit

Component	Findings	Group audit impact		
West Lancashire Borough Council	<ul> <li>Statutory audit performed by Grant Thornton UK LLP</li> <li>Significant risks are those as outlined on pages 8 to 11 of this report and are relevant to the Council audit only.</li> </ul>	All issues arising are already outlined on pages 8 to 11 of this report for the work on the West Lancashire Borough Council's single entity financial statements.		
σ	We identified a material misclassification of £1.575m relating to a loan from the Council to the Tawd Valley subsidiary. This has been adjusted in the Council's balance sheet.	No adjustment for the loan misclassification is required as this balance is removed from the group accounts as a consolidation adjustment.		
P G Tawd Valley Developments Chimited	• The first draft of the financial statements for 2020/21 did not include group accounts	The audit work on the consolidation of Tawd Valley Development Limited is complete and we have not identified any issues with		
	<ul> <li>Analytical procedure are performed at group level to review the consolidated process</li> </ul>	respect to the consolidation.		
	• There are no significant risks for the group audit other than the identification of group accounts needing to be incorporated for the first time in 2020/21			
	• Tawd Valley Developments Limited is a wholly owned subsidiary.			

# 2. Financial Statements - key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Building valuations - £27.499m Page 27	The Council revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Council carries out a desktop revaluation to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. The total year end valuation of other land and buildings was £27.499m, a net increase of £1.405m from 2019/20 (£26.094m). As already noted on page 9, the draft financial statements did not include any revaluation of other land and buildings, and as a result of our audit challenge the Council revisited their position.	<ul> <li>assessment of management's expert, your internal valuer</li> <li>assessment of our auditor's expert, Gerald Eve</li> </ul>	Light Purple

#### Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - key judgements and estimates

judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council Dwelling	The Council revalues its Council Dwellings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Council financial statements is not materially different from the current value at the financial statements date, the Council carries out a desktop revaluation to ensure that there is no material difference and applies valuations where relevant. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	We performed the work below to assess the estimate:	
valuations – £191.205m		<ul> <li>assessment of management's expert, the external valuer</li> </ul>	
2171.200111		<ul> <li>assessment of our auditor's expert, Gerald Eve</li> </ul>	Light Purple
Page 28		<ul> <li>assessment of the completeness and accuracy of underlying information used determine the valuation</li> </ul>	
		<ul> <li>assessment of the reasonableness of change in valuation including with market trend report provided by our auditor expert Gerald Eve</li> </ul>	
		• the adequacy of disclosure of the estimate in financial statements.	
	The total year end valuation of Council Dwellings was £191.205m, a net increase of £20.287m from 2019/20 (£170.918m). The Council uses an external valuer to provide the valuations in this specialist area.	We have set out the material misstatements and control weaknesses in relation to this balance on page 9. After considerable work and after the amendments made by the Council, we can now conclude that the estimates in the amended financial statements use reasonable assumptions and input data. All material misstatements have been adjusted and reported in Appendix C.	

Assessment

Significant

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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# 2. Financial Statements - key judgements and estimates.

#### **Significant judgement**

or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property	The Council has investment property that in total	We performed the work below in terms of assessing the estimate:	
valuations - £17.722m	are valued in the balance sheet as at 31 March 2021 at £17.722m. The value of investment properties have decreased by £1.003m from 2019/20 (£18.725m).	<ul> <li>assessment of management's expert, the external valuer</li> </ul>	
		<ul> <li>assessment of our auditor's expert, Gerald Eve</li> </ul>	Light Purple
	Auditing standards require that Investment Properties are valued annually. The investment property is valued on an annual basis by the internal valuation team within the Council. All of the properties held by the Council were revalued as at 31/3/21.	<ul> <li>assessment of the completeness and accuracy of underlying information used determine the valuation</li> </ul>	
Page 29		<ul> <li>assessment of the reasonableness of change in valuation including with market trend report provided by our auditor expert Gerald Eve</li> </ul>	
		• assessment of the adequacy of disclosure of the estimate in financial statements.	
	This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	We have set out the material misstatements and control weaknesses in relation to this balance on page 9. After considerable work and after the amendments made by the Council, we can now conclude that the estimates in the amended financial statements use reasonable assumptions and input data. All material misstatements have been adjusted and reported in Appendix C.	

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## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments				Assessme
<ul> <li>É65.836m</li> <li>2021 is £65.836m (PY £53.148m) comprising the West Lancashire Borough Council's negliability in the Local Government Pension Scheme (LGPS). There has been a £12.418m actuarial gain during 2020/21.</li> <li>The Council uses Mercers to provide actuativaluations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</li> <li>The latest full actuarial valuation was completed in 2019. Given the significant valuation movements.</li> <li>This valuation represents a significant estibly management in the financial statemen due to the size of the numbers involved an</li> </ul>	Scheme (LGPS). There has been a £12.418m net actuarial gain during 2020/21. The Council uses Mercers to provide actuarial	<ul> <li>We have assessed the Council's actuary, Mercers, to be competent, capable and objective</li> <li>We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2020/21 roll forward calculation carried out by the actuary and have no issues to raise</li> <li>We have used PwC as our auditor expert to assess the actuary and assumptions made by actuary - see table below for our comparison of assumptions:</li> </ul>				Light Purple
	actuarial valuation is required every three	Assumption	Actuary Value	PwC range	Assessment	
	The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key	Discount rate	2.1%	2.1% - 2.2%	•	
		Pension increase rate	2.8%	Inflation less 0.9% to 0.7%	•	
		Salary growth	4.2%	1.25% to 1.5% above CPI	•	
		Life expectancy – Males currently aged 45 / 65	23.9	22.5 – 24.7	•	
		Life expectancy – Females currently aged 45 / 65	26.9	25.9 – 27.7	•	
		<ul> <li>We have confirmed the c the underlying information</li> <li>We have confirmed there</li> </ul>	on used to dete	ermine the estimate	Ű	
		the underlying information	on used to dete	ermine the estimate	0	ונ

• We are satisfied with the reasonableness of estimate of the net pension liability.

#### Assessment

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# **2. Financial Statements - key judgements and estimates**

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment	
Provisions for NNDR appeals - £0.849m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management has calculated a provision based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	We examined the estimate, considering the:		
		<ul> <li>appropriateness of the underlying information used to determine the estimate</li> </ul>	Light Purple	
		<ul> <li>impact of any changes to the valuation method</li> </ul>		
		<ul> <li>consistency of the estimate and the reasonableness of the increase in the estimate</li> </ul>		
P		<ul> <li>adequacy of disclosure of the estimate in the financial statements.</li> </ul>		
Page 3		We were satisfied with the methodology for the calculation of the provision.		
Allowance for Impaired Debt	The Council are responsible for calculating the allowance for	We examined the estimate, considering the:		
£5.975m	impaired debt based upon the latest information about collectability of debt.	<ul> <li>appropriateness of the underlying information used to determine the estimate</li> </ul>	Light Purple	
		<ul> <li>impact of any changes to the valuation method</li> </ul>		
		<ul> <li>consistency of the estimate and the reasonableness of the increase in the estimate</li> </ul>		
		<ul> <li>adequacy of disclosure of the estimate in the financial statements.</li> </ul>		
		We were satisfied with the methodology for the calculation of the allowance.		

#### Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

### 2. Financial Statements - key judgements and estimates

### Significant judgement or

estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation - £46.283r Due to the Covid-19 pandemic there has beer significant increase in the level of Covid related gro funding with associated complexity and management judgement required. This has comprised a mix of discretionary and non discretionary schemes.	principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient.	<ul> <li>the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income</li> <li>the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) - which impacts on where the grant is presented in the CIES.</li> <li>the adequacy of disclosure of judgement in the financial statements.</li> <li>The Council assessed the major business support grant programmes administered during the financial year to determine whether the Council was acting as principal (where the Council had discretion over the amount of funding to award or the criteria for who could be awarded funding) or agent (passing money to businesses on behalf of government).</li> <li>In acting as principal, the Council carried forward any unspent balances on these grants to 2021-2022 as receipts in advance. Where the Council acts as an agent, any unspent balances are carried forward as a creditor.</li> <li>In addition to this income, agency grants of £32.711m were received in the period although these were not disclosed with the appropriate memorandum disclosures within the draft financial statements. These disclosures have been included in the final accounts.</li> </ul>	Light Purple

#### Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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# **2. Financial Statements - key judgements and estimates**

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £0.617m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.	We have reviewed the Council's calculation of MRP and concluded that:	
		<ul> <li>the Council's MRP has been calculated in line with the statutory guidance</li> </ul>	Light Purple
	The year end MRP charge was £0.617m, a net decrease of £2.019m from 2019/20. This is largely due to a voluntary	<ul> <li>the Council's policy on MRP compiles with statutory guidance.</li> </ul>	
	provision of £2.3m made in 2019/20 to apply a capital receipt to reduce the borrowing requirement.	• MRP as a proportion of CFR is 0.59% and this is considered to be particularly low. While the MRP has been calculated accurately in line with the Council's MRP policy, we recommend that the Council consider whether the current policy achieves a reasonable MRP provision and amend the policy if necessary. We have issued a recommendation in Appendix A.	
		The Council when reviewing the mapping for the 2020/21 draft financial statements noted that the capital financing note in the first draft had omitted £0.338m for the HRA MRP.	
		The Council have included this in the final version of the financial statements and this adjustment is noted in Appendix C.	

#### Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey
   We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements - matters discussed with management.

This section provides commentary and a summary on the significant matters we discussed with management during the course of the audit. The issues may be raised in other parts of this report, but this section of our report brings together the key issues.

Significant matter	Commentary	Auditor view and management response
Late production and poor quality of the financial	The draft 2020/21 financial statements were late, received for audit in November 2021. The audit began but there was a low level of engagement, a high number of queries and samples with inadequate or no responses, as well as a significant number of amendments identified. We withdrew from the audit in March 2022 with a view to	The response to the audit process improved since resuming the audit in October 2022, but the number of material amendments in the financial statements is significant including a prior period adjustment when compared to version one.
statements re C a T a	return in July 2022 when the issues identified were rectified. In the mean-time the Council carried out a full review of the financial statements for 2020/21 and produced a revised version with material amendments. The Council were not ready to resume the audit in July 2022 as all queries had not been resolved and group accounts or Property, Plant and Equipment (PPE) updated valuations were not yet within the	The Council have prepared their draft financial statements for 2021/22 on time and they were authorised for issue on 27 July 2022.
	financial statements. A revised date of October 2022 was given to recommence the	Management response
34	audit. The quality of version one of the financial statements submitted for audit was inadequate. Group accounts were not prepared, little was consideration given to PPE valuations and the turnover of staff and capacity issues in the internal valuation team at the Council created a very challenging and resource intensive audit environment.	There have been some key staff changes during the past 12 months and a staff restructure aimed at aligning more resource with the final accounts process. A review of working practices also took place with the appointment of a new Corporate Finance Manager. These changes have taken time however we believe they will assist us moving forward.
Prior Period Adjustment	The Council has identified a number of issues within the 2019/20 accounts as a result of their re-mapping exercise of the 2020/21 financial statements, and therefore has made a prior period adjustment to amend for the material change in the classification of a grant.	See appendix C for further details of the amendments made. Management response Noted. These points have been addressed.
	Our work on the PPA note identified some PPA elements that were omitted from the disclosure. The Council have also amended non-material items, this has led to further audit work on the restatement of figures. In addition, the recognition of non-material Prior Period Adjustments is not required by the accounting standards and we therefore consider these adjustments to be inappropriate.	
	These amendments have impacted the main financial statements as well as the corresponding notes.	

# 2. Financial Statements - matters discussed with management.

Significant matter	Commentary	Auditor view and management response
Technical Review of the Accounts	Due to the Council providing group accounts for the first time partnered with the fact that there are a significant amount of changes from version one to version three of the	Adjustments have been agreed with management and these are listed in Appendix C.
	financial statements, we therefore completed a full technical review of the accounts.	The Council will need to ensure the issues amended for in
	The technical review of the accounts identified a number of areas throughout the financial statements where amendments were required.	the 2020/21 financial statements as a result of our review are made in future sets of the financial statements.
		Management response
		Agreed. We will ensure that these are addressed in future statements.
σ		
Page 3 Shoup Accounts	When version one of the draft statement of accounts was provided to the audit team, the Council did not disclose group accounts. As on the information provided, the subsidiary was deemed to be qualitatively material, it was recommended that the Council consider whether group accounts were therefore required.	The Council should assess their boundary annually for inclusion of group accounts.
ω	the Council did not disclose group accounts. As on the information provided, the subsidiary was deemed to be qualitatively material, it was recommended that the Council consider whether group accounts were therefore required.	inclusion of group accounts. Management response
ω	the Council did not disclose group accounts. As on the information provided, the subsidiary was deemed to be qualitatively material, it was recommended that the	inclusion of group accounts.

# 2. Financial Statements - matters discussed with management.

Significant matter	Commentary	Auditor view and management response
Other Land and Building valuations	When version one of the draft financial statements was provided to the audit team there were no revaluations of other land and buildings included.	The Council should carry out detailed assessments annually of whether the Other Land and Buildings
	As a result of our audit challenge the Council revisited this position and in the set of financial statements received in September £2.209m of valuations were added.	valuations are materially correct.
	The additional work required, as detailed on page 9, to obtain adequate assurances	Management response
_	over these valuations has been significant and additional audit resource has been required.	Noted. The out-sourcing of valuation work to a third party is underway at present. This will form part of the contractual requirement.
P G Management override of Controls	We identified one instance where internal controls were bypassed and a significant control weakness was identified in the use of a login that was active for an employee that had left the Council.	The Council should review their processes for the removal of leavers from IT systems and reinforce the IT policies in place to ensure an issue like this does not re-occur.
	This is a significant weakness in internal control.	
	This matter is detailed on page 8.	Management response
		Agreed. All leavers will be notified to ICT for removal of access rights to the financial systems.

# 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with Povernance. 37

Issue	Commentary	
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.	
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. We identified that senior officers do not complete annual declaration of interests forms.	
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.	
Written representations	A letter of representation will be requested from the Council, including specific representations in respect of the Group upon the conclusion of our audit. We will also consider what additional representations we will require due to the findings within this Report.	

# **2. Financial Statements - other communication requirements**



Issue	<b>Commentary</b> We requested from management permission to send confirmation requests for investments and bank confirmations. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.		
Confirmation requests from third parties			
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.		
	<ul> <li>Within accounting policies the following issues were noted and amendments have been agreed by the Council:</li> <li>Employee Benefits - for post employments benefits additional disclosure about the accounting for the components of the movement in the net pension liability will be added</li> <li>Financial Instruments - for interest and expected credit loss disclosure will be added</li> <li>Accounting Standards issued but not yet adopted will be amended to ensure all are relevant</li> <li>HRA will include details of the indices uplift within the disclosure</li> </ul>		
	Our work on estimates has already been reported on pages 13 to 19 and is not repeated here also.		
	With regard to financial disclosures, the number of amendments is significant. This is in part to the Council's own review of the mapping for 2020/21, but also the issues arising from our audit work and challenge that have required amendments. In addition, the technical review of the financial statements has identified many amendments to disclosures.		
	As already noted, due to the significance of the issues encountered in 2020/21 the issues identified will be incorporated into future financial statements, and because the Council has looked to improve its quality assurance processes it is hoped that the Council will be able to respond positively in future years.		
Audit evidence and explanations/ significant	As noted on page 3, the audit has encountered significant delays and challenges. Significant amounts of additional audit resource has been required due to the magnitude of the changes in the financial statements and the issues encountered.		
difficulties	Our significant issues section on pages 20 to 22 sets out the key areas we have been discussing as part of the audit.		

## **2. Financial Statements - other** communication requirements

	Issue	Commentary
(fot)	Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.
Our responsibility		Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:
As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the		<ul> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> </ul>
Whether there is a material Concertainty about the entity's ability		<ul> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul>
to continue as a going concern" (ISA (UK) 570).		Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:
		<ul> <li>the nature of the Council and the environment in which it operates</li> </ul>
		the Council's financial reporting framework
		• the Council's system of internal control for identifying events or conditions relevant to going concern
		management's going concern assessment.
		On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:
		<ul> <li>a material uncertainty related to going concern has not been identified</li> </ul>
		<ul> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>
		Our assessment will be updated as part of our closing procedures and the Council will provide an updated going concern assessment. As a significant amount of time has elapsed since the first draft of the financial statements we have a duty as does the Council to assess going concern for 12 months past the date of audit sign off.

# 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
Page 40	<ul> <li>Our work on the Narrative Statement is complete. The Council have agreed to changes in the following areas and we will review the final version of the accounts to confirm that appropriate amendments have been made:</li> <li>Organisational overview and external environment</li> <li>Governance</li> <li>Operational model</li> <li>Risks and opportunities: now included</li> <li>Strategy and resource allocation</li> <li>Performance</li> <li>Basis of preparation and presentation</li> <li>The Council should ensure that for both the Annual Governance Statement and the Narrative Statement that</li> </ul>
	quality assurance processes are in place to ensure the disclosure is compliant with technical guidance to avoid the number of adjustments that have been required.
Matters on which	We are required to report on a number of matters by exception in a number of areas:
we report by exception	<ul> <li>if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> </ul>
	<ul> <li>if we have applied any of our statutory powers or duties.</li> </ul>
	• where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses.
	Note that the issues that impacted the 'except for' qualified conclusion in 2019/20 have re-occurred in 2020/21.
	Our value for money work has identified three significant weaknesses in the Council's arrangements with four key recommendations. Our reporting of the VFM is on pages 28 to 31 and detailed in our Auditor's Annual Report where our conclusions are set out in further detail.

# **2. Financial Statements - other responsibilities under the Code**

Issue	Commentary	
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack unde WGA group audit instructions.	
	Please note that detailed work is not required as the Council does not exceed the threshold; however a return with reduced procedures will still need to be undertaken as part of the closing procedures of the audit.	
	The Council will need to amend their WGA return to reflect the audited financial statements.	
Certification of the closure of the audit	We anticipate completion and certification of the audit following the 26 July 2023 Committee.	

## **3. Value for Money arrangements**

### Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

• A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness

- More extensive reporting, with a requirement on the
- auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### **Financial Sustainability**

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

### Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

## 3. VFM - our procedures and conclusions

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. We identified the risks set out in the table below. We have performed further procedures in respect of these risks and have completed this element of our VFM work. Our conclusions are detailed below. Our Annual Auditor's Report makes reference to these significant weakness in arrangements, as required by the Code.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Pinancial Sustainability Ge	<ul> <li>We considered how the Council:</li> <li>identifies all the significant financial pressures it is facing and builds these into its plans</li> <li>plans to bridge its funding gaps and identify achievable savings</li> <li>plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</li> <li>ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning</li> <li>identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.</li> </ul>	Overall, we are satisfied that the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risk of significant weakness, but we have identified one improvement recommendation.	An improvement recommendation is that the Council as a matter of priority should document plans for delivering savings to balance budget for 2023/24 and in future years of the Medium Term Financial Forecast (MTFF). The plan should be sufficiently detailed and subject to regular process of monitoring by the appropriate Committee.

## 3. VFM - our procedures and conclusions

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
The arrangements for governance and improving economy, efficiency and effectiveness for the Council's company Tawd Valley Developments Limited	<ul> <li>We considered how the Council:</li> <li>uses financial and performance information to assess performance to identify areas for improvement</li> <li>evaluates the services it provides to assess performance and identify areas for improvement</li> <li>ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve</li> <li>ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.</li> </ul>	We are satisfied the Council has appropriate arrangements in place for the oversight of the Tawd Valley Developments Limited company, but we have identified one improvement recommendation.	An improvement recommendation is that the Council should continue to develop and agree a robust business case for the Tawd Valley Development Limited and define the performance indicators through which the Council will continue to review and evaluate performance of the subsidiary for the short, medium and long-term.
Late production and poor quality of the financial statements	As part of our work on governance we considered the Council's arrangements in place for the preparation of the financial statements including the response to the audit process.	The Council does not have satisfactory arrangements in place to prepare timely financial statements that are free from material error, and this is a significant weakness. We have raised one key recommendation in relation to this issue.	A key recommendation is that the Council must improve the timeliness of their financial statements preparation and ensure that effective quality review processes are in place to present draft financial statements that are in accordance with accounting standards and reporting requirements, and be free from material error.

### **3. VFM - our procedures and conclusions**

### **Risk of significant** weakness

Procurement

### **Procedures undertaken**

We reviewed the internal audit reports

in procurement are systematic and

of the issue and whether this was

procurement exercises.

reflective of procurement across the

to ascertain whether control weaknesses

would be required to ascertain the extent

reflective of broader issues with major

We have tested further procurement

weaknesses have been identified.

contracts and conclude that no further

Conclusion

### Outcome

The first key recommendation is that the Council should The Council does not have satisfactory undertake a sample review of procurement activity that meets arrangements in place to ensure all procurement procedures are followed, and the threshold requiring competitive tender under financial this is a significant weakness. We have regulations and contract procedure rules, from 2020/21 Council. We determined that further work raised two key recommendations and one through to the present, to ascertain whether there were further improvement recommendation in relation examples of significant non-compliance with the Council's to this issue. We do not consider use of Contract Procedure Rules, Financial Regulations and OJEU formal auditor's powers to be necessary. procurement regulations.

> This should include all current major procurements meeting the tender threshold.

Where any cases of non-compliance are found, assurance on the lawfulness of associated payments in regard to the Council's Contract Procedure Rules, Financial Regulations and OJEU procurement regulations should be obtained from Legal Services and reported to members along with and assessment of the exposure to risk.

The second key recommendation is that the Council must fully address the fourteen recommendations set out in the procurement audit report as a matter of priority. Assurance must be provided to members on progress and mitigating actions taken to protect the Council while new processes embed. The Council should also consider how lessons learned can be recognised and embedded across the Council.

It should be noted that there is an additional key recommendation not set out above as it has been identified via the work completed rather than in relation to a specific risk of significant weakness identified in planning. This relates to the independence of the internal audit function and is as follows:

The Council should ensure that the role of the Chief (Internal) Audit Executive maintains sufficient independence, from operational activities that may be subject to review. Consideration should also be given to restructuring the role to report directly into the Chief Executive and with unfettered access to the Chair of the Audit and Governance Committee in line with best practices and as recommended by the Public Section Internal Audit Standards (PSIAS).

Detail on all of the findings are set out in our Auditor's Annual Report.

## 4. Other statutory powers and duties

### lssue

Commentary

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

Other Statutory powers and duties

The use of other statutory powers and duties are not considered to be required.

### **5. Independence and ethics**

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

#### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see <u>Transparency report 2020</u> (grantthornton.co.uk)

### **5. Independence and ethics**

### Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified were identified which related to 2020/21, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	4,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the current fee for the audit of £153,884 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	19,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £19,000 in comparison to the total current fee for the audit of £153,884 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. None of the services provided are subject to contingent fees.

# Appendices

## A. Action plan – Audit of Financial Statements

We have identified ten recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue	Recommendations	
•	Our work on the Annual Governance Statement (AGS) provided for audit identified that the AGS was incomplete with many sections still to complete.	Ensure that the Annual Governance Statement presented in the draft financial statements has been subject to adequate quality assurance arrangements and is in accordance with specified guidance. Management response	
	There is specified guidance that sets out the disclosure required which should form part of the quality assurance checks the Council performs on this statement.		
Page 5(	While we consider the AGS to comply with required disclosures, there are changes to the Statement that should be made to further improve the quality of the AGS.	Agreed. This has now been implemented in line with good practice.	
•	Our work on the Narrative Report identified multiple areas where the Council needed to improve disclosure to either add required disclosure or enhance existing disclosure.	Ensure that the Narrative Statement presented in the draft financial statements includes all required disclosure in accordance with specified guidance.	
	There is specified guidance that sets out the disclosure required which should form part of the quality assurance checks the Council performs on this statement.	Management response Agreed	
•	Effective quality assurance processes were not in place for the production of the financial statements in 2020/21 as there were many errors and inconsistencies within the draft financial statements presented for audit.	Ensure that effective quality assurance processes are in place for the production of the draft financial statements and that they are subject to thorough review and stand back procedures prior to submission for audit	
		Management response Agreed	

#### Controls

- High Significant effect on financial statements
- Medium Limited Effect on financial statements
- Low Best practice

## A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
•	Our work has identified an issue with the management override of controls. We identified that two journals were posted an employee login when the employee had left the organisation. The login was used by another employee at the Council. This is a significant weakness in internal control. Our testing did not identify any issues with the nature of the two journals posted, but this represents a breach in expected protocols. The officer involved has since left the Council. The Council should ensure this does not happen in future and improve the	When an employee leaves the authority, the user login should be removed in a timely manner. Management response Agreed – all leavers will be notified to ICT for removal of access rights.
	timeliness of leavers IT access privileges removal.	
• Page 51	The Council has a lack of formal instructions for the valuation undertaken in 2020/21. The impairment certificate provided for 2020/21 is not a final version. The Council's valuer has changed since the person who undertook the valuations. It has been difficult when discussing valuations to obtain the required responses and the lack of complete instructions or a final impairment certificate has added to the challenge.	It is fundamental that the instructions for valuation are formally documented by the Council whether it be an external or internal valuer. Any outputs such as the impairment certificate that shows the judgements must be a signed final version in order that judgements and conclusions are adequately evidenced. <b>Management response</b> Agreed. As above, this work will be undertaken externally in future. A key element of the outsourcing requirement is the need for familiarity with CIPFA requirements.
•	For both Investment Properties and other land and buildings when we issued our sample it became clear that due to staff turnover that the Council were struggling to evidence the valuations at the level we require.	The Council should undertake a quality assurance review of the evidence held for significant valuations to ensure the information to underpin all main assumptions can be adequately evidenced.
		Management response
		Agreed
•	The MRP has been calculated accurately in line with the Council's MRP policy however, MRP as a proportion of CFR is 0.59% and this is considered to be	The Council should consider whether the current policy achieves a reasonable MRP provision and amend the policy if necessary.
	particularly low.	Management response
		This will be reviewed.

- Controls
- High Significant effect on financial statements
- Medium Limited Effect on financial statements
- Low Best practice

## A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
٠	The PPE note within the financial statements reports an infrastructure balance of £1.230m. There is no depreciation in year and no cumulative depreciation.	Review the accounting practice for the accounting for infrastructure and ensure the asset lives chosen are based on judgements that can be evidenced.
	Although the charge of depreciation will not be material, it is important that the Council follows the accounting standards and CIPFA Code of Practice in	Management response
	how to account for infrastructure assets.	Agreed
•	Our work has identified that Senior Officers within the Council do not submit	Senior Officers to submit declarations of interest annually.
σ	an annual declaration of interests. The most recent declarations are dated 2015 and submissions are only submitted as and when they are required.	Management response
Page	2010 and submissions are only submitted as and when they are required.	Agreed and actioned
5 2 •	When testing a sample of Grants Received in Advance, a sample of two Commuted Sums have been tested. The authority are unable to provide	The Council should carry out a full review of Grants Received in Advance and ensure that the Council review the accounting treatment going forward.
	third party documentation, and made the audit team aware that for all Commuted Sums there is no supporting evidence. We note this in the	Management response
	adjustments section of our report also, the total value of commuted sums is not material.	Agreed
•	Our work has identified through sample testing, that when a member of the Council is no longer in post, they can sometimes leave behind no trail of supporting evidence for transactions they have actioned. On a number of	It is recommended that the Council make evidence readily available and ensure a formal handover is undertaken once a member of staff leaves. This will ensure that all data is available upon request.
	occasions, the authority have been unable to provide sample evidence due the member of staff no longer being employed by the Council and	Management response
	additional work was required by the Council to evidence the sample items.	Agreed. Staff turnover has been an issue over recent times and often, given notice periods there is a limited time available for handover. We will look at how we can improve the handover process going forward.
	additional work was required by the Council to evidence the sample items.	there is a limited time available for handover. We will look at how we can impr

#### Controls

- High Significant effect on financial statements
- Medium Limited Effect on financial statements
- Low Best practice

## **B. Follow up of prior year recommendations**

We identified the following issues in the audit of West Lancashire Borough Council's 2019/20 financial statements, which resulted in two recommendations being peported in our 2019/20 Audit indings report. We have Gollowed up on the implementation of our recommendations and both are outstanding as the same issues have also occurred in 2020/21.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Delayed publishing of the Draft Financial Statements	This issue has arisen in 2020/21 also.
	The Council should review its arrangements for ensuring resilience within the finance team and its capacity to support the audit process.	
x	Fixed Asset Register and General Ledger	The same fixed asset register is in place and some difficult with reconciliation experienced.
	The Council should consider the adequacy of its Fixed Asset Register as a tool for managing its property, plant and equipment and supporting adequate financial reporting.	

#### Assessment

✓ Action completed

X Not yet addressed

### Prior Period Adjustment Amendments

The table below provides details of the changes identified by the Authority in respect to the prior year (2019/20) which have been made within opening balances of version 3 of the 2020/21 financial statements.

Detail		Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000
Levy (CIL but £4.23 This is the	fication from Capital Grants. The Code of Practice requires Community Infrastructure L) to be recognised as income in the Comprehensive Income and Expenditure Statement 34m was recognised in 2019/20 despite not having been applied to fund infrastructure. herefore transferred to Capital Grants Unapplied within the 2020/21 opening balances.		6,601
General	Fund		
Earmarke	red General Fund Reserve		(6,601)
creditors	s have been made due to the remapping of cash received in advance from debtors to s and due to the Council's share of land sales sites increase debtors and grants and tions in advance		(050)
Current o	debtors		(850)
Current of	creditors		(355)
Grants ir	n advance		(496)
General	Fund		1,701
Overall i	impact	£0	£0

### Prior Period Adjustment Amendments

The table below provides details of the changes identified by the Authority in respect to the prior year (2019/20) which have been made within version 3 of We are required the financial statements.

to report	Disclosure amendments identified	Auditor Comment
all non trivial misstatements to those charged with governance, whether or not the accounts have been edjusted by management.	<ul> <li>MIRS - The Council has amended prior year figures as follows:</li> <li>The opening balance as at 31 March 2019 for 'Earmarked General Fund Reserves', version one states this figure as £13.509m whilst version three states the figure as £9.275m. This is a difference of £4.234m due to a reclassification from Capital Grants. This is shown in the PPA note 41 in version three of the accounts. The Code of Practice requires Community Infrastructure Levy (CIL) to be recognised as income in the Comprehensive Income and Expenditure Statement, but has yet to be applied to fund infrastructure. The opening balance on the CIL of £4.234m is transferred to Capital Grants Unapplied to apply this as the previous financial statements did not classify the balance correctly. The below movements have also been made in order to recognize the CIL as income, so it represents capital resources not yet utilised.</li> <li>For 'General Fund Balances' under the category 'Adjustments between accounting basis and funding basis under regulations (note 6), version one states £5.876m whilst version three states this figure as £3.507m, resulting in a difference of £2.368m due to the reclassification from Capital Grants. This is shown in the PPA Note 41 in version one of the accounts.</li> <li>For 'General Fund Balances', under the category 'Transfers to/from Earmarked Reserves' version one of the accounts states this figure as -£2.033m whilst version three states £0.334k, resulting in a difference of £2.368m due to reclassification from Capital Grants. This is shown in the PPA Note 41 in version three does a -£2.033m whilst version three states £0.334k, resulting in a difference of £2.368m due to reclassification from Capital Grants. This is shown in the PPA Note 41 in version three does are 2.368m due to reclassification from Capital Grants. This is shown in the PPA Note 41 in version three does are 2.2033m whilst version three states £0.334k, resulting in a difference of £2.368m due to reclassification from Capital Grants. This is shown</li></ul>	This has been reflected in the prior period adjustment disclosure in Note 41. From our audit work performed we are satisfied with the basis of the adjustments undertaken. The primary reason is the change in classification of where the Community Infrastructure Grant was disclosed.
	<ul> <li>Income &amp; Expenditure Statement - The Council has amended prior year figures as follows:</li> <li>Cost of Services: The Gross cost in version one of the accounts is £75.752m whereas in version three this is £75.989m, resulting in a difference of £0.237m. The Gross income in version one of the accounts is £60.980m and in version three the figure is £58.545m, resulting in a difference of £2.435m. The Net cost in version one of the accounts is £14.772m whereas in version three it is £17.444m, resulting in a difference of £2.673m. This is due to changes in 'Growth and Development' of £2.566m and 'Wellbeing and Leisure' of £0.107m. The in-year receipts of £2.566m is being moved from the 'Growth and Development line of Net Cost of Services to Taxation &amp; Non-Specific Grant Income &amp; Expenditure in the CIES and reversed to Capital Grants Unapplied through the MiRS. The movement of £0.107m for 'Wellbeing and Leisure relates to an error identified by the Council within Financing &amp; Investment Income &amp; Expenditure figure that has been corrected.</li> <li>Surplus or Deficit on Provision of Services: The Gross cost in version one of the accounts is £10.245m whereas in version three this is £81.745m, resulting in a difference of £19.500m. The Gross income in version one of the accounts is £98.646m and in version three the figure is £79.146m, resulting in a difference of £19,500k. The Net cost in version one of the accounts is £2.599m and it has not changed in version three. This is due to a decrease of £6.346m in Other Operating Expenditure within both Gross Cost and Income albeit no change in Net costs. For Financing &amp; Investment Income &amp; Expenditure gross cost has decreased by £0.107m, gross income as remained the same and Gross cost has decreased by £0.107k, this is due to the error identified by the Council which moved this amount from here to 'Wellbeing and Leisure within cost of services. Then finally, Taxation &amp; non specific grant income &amp; expenditure has decreased by £2.565m. This is due to the adjustment made</li></ul>	This has been reflected in the prior period adjustment disclosure in Note 41. We recommend that this is included in the prior period adjustment note. It is also recommended that further detail should be included in the accounts as to why this amendment has been made. We will review the final version of the accounts to confirm that appropriate amendments have been made.

Disclosure amendments identified	Auditor Comment
accounts, as noted below: In version one of the accounts, the figure for 'Current assets' is £31.731m whereas in version three this is £28.591m. This results in a	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
the accounts, this is seen below: $\mathbf{v}$ In version one of the accounts, the figure for 'Net cash flows for Operating Activities' is £8.588m whereas in version three it is £4.924m,	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
<ul> <li>and three of the accounts, this is seen below:</li> <li>Net Cost of Services: The figure for 'Net Expenditure Chargeable to the General Fund &amp; HRA' in version three of the accounts is £13.254m whereas in version one the figure is as £18.503m, resulting in a difference of £5.249m. The figure for 'Adjustments between the Funding and Accounting Basis' in version three of the accounts is £4.190m whereas in version one the figure is as £-3.731m, resulting in a difference of £-7.921m. The figure for 'Net expenditure in Comprehensive Income and Expenditure' in version three of the</li> </ul>	We recommend that this is included in the prior period adjustment note. It is also recommended that further detail should be included in the accounts as to why this amendment has been made. We will review the final version of the accounts to confirm that appropriate amendments have been made.

### **Disclosure amendments identified**

### **Auditor Comment**

ote 6 Adjustments between accounting and funding bases under regulations - The Council has amended prior year figures, this is seen from e differences between version one and three of the accounts, this is seen below:	This has been reflected in the prior period adjustment note.
Total Adjustments to Revenue Resources: The figure for the 'General fund balance' in version three of the accounts is £6.441m whereas in version one, it is £9.130m. This is a difference of £2.689m as shown in PPA note 41. The figure for 'Capital grants unapplied' in version three of the accounts is £2.566m whereas in version one, it is -£0.240m. This is a difference of £2.806m as shown in PPA note 41. The figure for 'Movement in unusable reserves' in version three of the accounts is -£18.966m whereas in version one it is -£18.848m. This is a difference of £0.118m as shown in PPA note 41.	From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Total Adjustments between revenue and capital resources: The figure for the 'General fund balance' in version three of the accounts is - £2.934m whereas in version one, it is -£3.133m. This is a difference of -£0.199m as shown in PPA note 41. The figure for 'Capital receipts reserve' in version three of the accounts is £3.061m whereas in version one, it is £5.427m. This is a difference of £2.366m as shown in PPA note 41. The figure for 'Movement in unusable reserves' in version three of the accounts is -£6.625m. This is a difference of -£2.168m as shown in PPA note 41.	
Total Adjustments to Capital Resources: The figure for the 'General fund balance' in version three of the accounts is 0 whereas in version one, it is -£0.121m. This is a difference of -£0.121m as shown in PPA note 41. The figure for 'Capital receipts reserve' in version three of the accounts is -£5.207m whereas in version one, it is -£7.573m. This is a difference of -£2.366m as shown in PPA note 41. The figure for 'Mov.t in unusable version three of the accounts is £8.916m whereas in version one it is £10.965m. This is a difference of £2.049m as shown in PPA note 41.	
differences made are to account for the CIL, however, it is also noted that £0.121m recognized in Taxation & non-specific grant income & Senditure and £0.24m applied from the Capital Grants Unapplied reserve have also been adjusted between the two rows.	
ote 7 transfers to and from earmarked reserves - The Council has amended prior year figures, this is seen from the differences between rsion one and three of the accounts, this is seen below:	This has been reflected in the prior period adjustment note.
e balance at 31/03/2019 for version three is £12.865m and in version one it is £17.099m. This is a difference of £4.234m. The movement in year in rsion three is -£1.324m and in version one it is £1.045m. This is a difference of £2.369m. This is because this line within the accounts included the L and has subsequently en removed from the note.	From our audit work performed we are satisfied with the basis of the adjustments undertaken.
rsion three is -£1.324m and in version one it is £1.045m. This is a difference of £2.369m. This is because this line within the accounts included the L and has subsequently en removed from the note. <b>Det 9 Financing and Investment income and expenditure</b> - The Council has amended prior year figures, this is seen from the differences tween version one and three of the accounts, this is seen below:	satisfied with the basis of the
rsion three is -£1.324m and in version one it is £1.045m. This is a difference of £2.369m. This is because this line within the accounts included the L and has subsequently en removed from the note. 	satisfied with the basis of the adjustments undertaken. This has been reflected in the prior
rsion three is -£1.324m and in version one it is £1.045m. This is a difference of £2.369m. This is because this line within the accounts included the L and has subsequently en removed from the note. <b>Dete 9 Financing and Investment income and expenditure</b> - The Council has amended prior year figures, this is seen from the differences tween version one and three of the accounts, this is seen below: e figure for the 2019/20 total in version three of the accounts is £2.775m whereas in version one it is £2.882m. This is an increase of £0.107m. This	satisfied with the basis of the adjustments undertaken. This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the

Disclosure amendments identified	Auditor Comment
<ul> <li>Note 16 Financial instruments - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below:</li> <li>Financial Assets: The total for 'carrying value' in version three of the accounts is £18.742m whereas in version one it is £24.698m. This is a difference of £5.956m. The total for 'fair value' in version three of the accounts is £18.242m whereas in version one it is £24.698m. This is a difference of £6.456m These changes are shown in note 41 PPA adjustments and is due to changes in debtors and fair value as a result of the CIL.</li> <li>Financial Liabilities: The total for 'fair value' in version three of the accounts is £195.123m whereas in version one it is £94.335m. This is a difference of £-70.788m. The total for 'fair value' in version three of the accounts is £111,951k whereas in version one it is £118.148m. This is a difference of £6.197m. These changes are shown in note 41 PPA adjustments and is due to changes in investments/cash and fair value as a result of the CIL.</li> </ul>	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 18 Debtors - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The total in version three of the accounts is £7.179m whereas in version one of the accounts, it is £6.329m. This is a difference of £-0.85m and is due to amendments in central government bodies and other debtors as a result of the CIL. This has been shown in PPA note 41.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note O Creditors - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The total in version three of the accounts is £13.429m whereas in version one of the accounts, it is £13.074m. This is a difference of £-0.355m and is due to amendments in other creditors as a result of the CIL.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 24 Cash Flow statement operating activities - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The 'Non cash movements' figure in version three of the accounts is £-10.322m whereas in version one, it is £-6.381m. This is a difference of £3.941m and is due to an amendment in 'Capital grants for non-current assets charged through revenue'. As per the PPA note, this is due to the amendments made to account for the CIL, however £1.375m relates to REFCUS grants recognized in the Cost of Services omitted from the note, this has been identified by the Council.	This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note 25 Cash Flow statement investing activities - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The 'Net cash flows from investing activities' figure in version three of the accounts is £-3.409m whereas in version one, it is £-7.063,. This is a difference of £3.654m and is due to amendments in 'Other receipts from investing activities and purchase of PPE'.	note. From our audit work performed we are satisfied
Note 26 Cash flow statement financing activities - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The 'Net cash flows from financing activities' figure in version three of the accounts is £-0.587m whereas in version one, it is £-0.598m. This is a difference of £0.001m and is due to an amendment in cash payments for the reduction of outstanding liabilities.	note.

### **Disclosure amendments identified**

Auditor Comment

Note 30 Officer Remuneration - In Version 1 of the accounts, the table for Note 30 - Officer Remuneration shows a column for the Remuneration bands: £50,000-£54,999, £55,000-£59,999, £60,000-£64,999, £65,000-£69,999 and then the total. The figures for number of employees for 2019/20 totalled 21 however the amounts shown within these remuneration bands didn't sum to the total presented. Within Version 3 of the accounts, the same table then had additional remuneration bands included: £70,000-£74,999, £85,000-£89,999, £95,000-£99,999, £110,000-£114,999. The number of employees for the remuneration bands then totalled the same number as the total presented.	We recommend that this is included in the prior period adjustment note. It is also recommended that further detail should be included in the accounts as to why this amendment has been made. We will review the final version of the accounts to confirm that appropriate amendments have been made.
Note 32 Grant Income - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The 'Total government grants & contributions' figure in version three of the accounts is £5.888m whereas in version one, it is £3.201m. This is a difference of £-2.687m and is due to an addition of capital grants and contributions. The Council have provided a note below Note 32 to state that the 2019/20 figures have been restated to reflect capital grants applied from the Capital Grants Unapplied Reserve and Capital Grants recognized in the CIES. Grants and Contributions Received in Advance: The total figure in version three of the accounts is £7.039m whereas in version one, it is £6.543m. This is a difference of £-0.496m and is due to an increase in Homes England grant income.	This has not been reflected in the prior period adjustment note, however a note has been added below Note 32 to state reasons for the adjustment. This has been reflected in the prior period adjustment note. From our audit work performed we are satisfied with the basis of the adjustments undertaken.
Note Capital Expenditure and Capital Financing - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below: The Opening Capital Financing Requirement as per version three is £104.922m whereas at version one this is £104.868m a difference of £0.054m From version three to version one of the accounts, there has been a £0.198m difference in 'Government grants and other contributions', a £3.271m difference in 'Major Repairs Reserve', a £-2.365m difference in 'Capital Receipts Reserve – developments', a £-3.469m difference in 'Direct Revenue Contributions' and a £2.366m in 'Minimum Revenue Provision'. These net to nil as they are a reclassification of capital expenditure and financing. The 'Closing Capital Financing Requirement' figure in version three of the accounts is £102.685m whereas in version one, it is £102.632m. This is a difference of £-0.053m. This has not been shown in PPA note, however, the Council have provided a note below Note 34 to state that the 2019/20 figures have been restated to reflect capital grants applied from the Capital Grants Unapplied Reserve and Capital Grants recognised in the CIES.	This has not been reflected in the prior period adjustment note, however a note has been added below Note 34 to state reasons for the adjustment.
<ul> <li>Housing Revenue Accounts - The Council has amended prior year figures, this is seen from the differences between version one and three of the accounts, this is seen below:</li> <li>The 'Total Expenditure' figure in version three of the accounts is -£20.920m whereas in version one, it is -£20.823m. This is a difference of -£0.097m and is due to an credit made towards 'Supervision and management' costs and this amount debited to Income under 'Contributions towards expenditure'. This has not been shown in PPA note 41.</li> <li>Note 11 Sources of Funding for HRA Capital Expenditure - Within Version 1, the amount for Capital Receipts for 2019/20 under note 11 'Sources of Funding for HRA Capital Expenditure' is £1.058m. Within Version 3, this amount is £1.162m, an increase of £0.104m.</li> </ul>	We recommend that this is adjusted in the prior period adjustment note. It is also recommended that further detail should be included in the accounts as to why this amendment has been made. We will review the final version of the accounts to confirm that appropriate amendments have been made.

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# **C.** Audit Adjustments – 2020/21 adjusted misstatements

Impact of adjustments made from version one to version four of the accounts.

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The table below provides details of adjustments identified during the 2020/21 audit which have been amended by the Council

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000
Current assets have decreased by £1.575m and long-term assets have increased by £1.575m, this is due to a misclassification of a loan in Tawd Valley Development Limited.		
Non-current assets		1,575
Current assets		(1,575)
Capital investments were recognised as Assets under Construction in the balance sheet despite these being held for sale on completion and therefore fulfilling the recognition criteria for inventory. The assets have been reclassified as inventory.		
+gventory		4,157
Bessets under Construction C		(4,157)
ନ୍ମ Prors of income and expenditure within service lines and Taxation and non specific grant income and expenditure		
Cost of services	705	
Income	2,497	
Current creditors		
Taxation and non specific expenditure	(9,903)	(3,441)
Taxation and non specific grant income	10,055	
The Council did not provide valuations for Other Land and Buildings in version one of the accounts.		
Other Land and Buildings		2,209
Other Land and Buildings revaluation reserve		(2,209)
Remapping of cash lodgements account to creditors and debtors resulting in an increase in the balance of debtors and decrease in creditors		
Current debtors		305
Current creditors		581
General Fund		(886)
Overall impact	3,441	(3,441)
@ 2022 Creat Thomas II/ UD		

# C. Audit Adjustments - 2020/21 primary statements



#### Impact of adjustments made from version one to version three of the accounts.

Below we have detailed adjustments identified during the 2020/21 audit which have been identified by the Council and amended for version three of the financial statements that impact primary statements.

### Detail

**Income and Expenditure Statement** – The Council has amended the accounts from version one to three due to errors they identified within version one. The net impact of this was that the 'Total Comprehensive Income and Expenditure has been amended from version one which was -£10.808m to -£12.723m, this is a decrease of £1.915m. This is due to the following amendments.

Cost of Services – Gross Cost as at version one is £80.958m this has increased to £81.663m as at version three, this is an increase of £0.705m. Gross Income has decreased from £68.661m as at version one to £66.164m as at version three this is a decrease of £2.497m. The net impact is an increase of £3.302m. This is due to amendments made within the service lines. Both Gross Cost and Gross Income has been substantively tested as at values stated within version three and we are satisfied with this amendment.

Surplus (-) or Deficit on Provision of Services – Gross Cost as at version one is £99.288m this has decreased to £89.385m as at version three, this is a decrease of £9.903m. This is mainly due to the amount of £8.898m for 'Taxation and non-specific grant income and expenditure' Gross Cost not included as at version three. Gross income has decreased from £97.507m as at version one to £87.452m as at version three, this is a decrease of £10.055m. The net impact is an increase of £0.152m. This is due to a decrease in 'Financing and Investment income & expenditure income' Net Cost of £0.139m, this is due to the sub-categories 'Gains and Iosses on trading accounts' and 'Other' decreasing by this amount.

Other Comprehensive Income and Expenditure as at version one is -£12.589m whereas as at version three it is -£14.656m, this is due to the 'Surplus (-) or deficit on revaluation of non-current assets decreasing by £2.067m, this is because the Council did not provide valuations for Other Land and Buildings in version one of the accounts.

MIRS – The Council has amended the accounts, the balance as at 31 March 2021 was £106.115m as at version one and has increased to £108.031m as at version three, this is an increase of £1.916m. This is due to the following amendments:

- The total comprehensive income and expenditure for 'Fund Balances General' has decreased by £0.151m which has meant the 'Usable Reserves total' has subsequently decreased by £0.152m. 'Unusable Reserves' has increased by £2.067m. Therefore, the net impact as per Council Reserves total is an increase of £1.915m.
- Adjustments between accounting basis and funding basis under regulations has decreased by £2.830m for 'General Fund Balances' which has been reclassified by decreasing the 'Capital Receipts Reserve' by £0.134m, increasing the 'Unapplied Capital Grants' by £2.707m, decreasing the 'Usable Reserves' by £0.256m and increasing the 'Unusable Reserves' by £0.256m.
- The Transfers to/from Earmarked Reserves had a decrease of £2.707m in 'Fund Earmarked Reserves' which was transferred to 'General Fund Balances', creating an increase of £2.707m.

Work on the MIRS has been completed and no issues have been raised on version three of the values provided. The consistency checker has been completed by the Council and the MiRS is consistent with other areas in the draft SoA. The reasons why the movements have been is linked to the income and expenditure and balance sheet adjustments identified.

### C. Audit Adjustments - 2020/21 primary statements

### Detail

Balance Sheet - The Council has amended the accounts within the Balance Sheet from version one to version three as follows:

- Long Term Assets have increased by £2.209m, this is due to an increase within Property, Plant and Equipment. This is in mainly due to the Council not providing valuations in version one of the accounts.
- Current Assets have increased by £0.305m, this is due to an increase in Short Term Debtors. This is due to a remapping of cash lodgments account to creditors resulting in an increase in the balance of debtors as this was a contra asset. This has been substantively tested and no issues have been noted.
- Current Liabilities have decreased by £0.581m this is due to a decrease in Short Term Creditors. This is due to a cash lodgment account recoded from debtors, a journal adjustment and an insertion of a new creditor. Work has been carried out on these adjustments and no issues have been identified.

The above has resulted in the change in net assets to be an increase of £1.933m. Total reserves has also decreased by £1.933m. This is split between usable reserves which has a £0.133m increase and unusable reserves which has decreased by £2.066m.

Cash Flow Statement - The Council has amended the accounts from version one to version three by the following:

- Net (surplus) or deficit on the provision of services was -£1.781m as at version one and -£1.933m as at version three this is a decrease of £0.152m.
- Adjustments for non-cash movements (note 24) was £19.942m as at version one and £20.421m as at version three, this is an increase of £0.479m.
- Page Adjustments for items that are investing or financing activities (note 24) was -£4.023m as at version one and -£8.654m as at version three, this is a decrease of £4.631m.

Work has been carried out on the above changes and these changes have been fed through the accounts and no issues have been identified.

# C. Audit Adjustments - 2020/21 disclosure notes amended by the authority

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes from Version One to Version Three of the Draft Financial Statements.

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the third set of financial statements presented for audit

Disclosure amendments identified	Adjusted?
<ul> <li>Note 6 Adjustments between accounting and funding bases under regulations - The Council has amended the accounts from version one to three due to errors they identified within version one. This is seen below:</li> <li>Total Adjustments to Revenue Resources: The figure for 'General fund balance' in version three of the accounts is £7.004m whereas in version one, it is £12.122m, this is a difference of £5.108m. The figure for 'Capital Grants Unapplied' in version three of the accounts is £2.986m where in version one it is -£0.117m. This has changed due to CIL accounting correction and agrees to Note 10.</li> <li>Total Adjustments to Capital Resources: The figure for 'Capital Receipt Reserve' in version three of the accounts is -£2.289m. The figure for 'Capital Receipt Reserve' in version three of the accounts is -£2.414m whereas in version one it was £2.279m. The 'Capital Grants Unapplied' in version three is -£0.396m whereas in version one it is 0.</li> <li>Work has been carried out on the above changes and these changes have been fed through the accounts and no issues have been identified.</li> </ul>	yes
Note 7 Transfers to and from Earmarked reserves – The Council has amended the accounts from £28.610m as at version one to £19.302m as at version three this is a decrease of £9.308m, this is due to the Council removing the line Capital Reserves as it is amalgamated within another total within version three.	yes
Note 9 Financing and Investment Income and Expenditure – The Council has amended the accounts from £4.297m as at version one to £4.158m as at version three, this is a decrease of £0.139m. This is due to the 'Gains and losses on trading accounts' value decreasing from £0.0026m to 0k and the 'Other' value decreasing from £0.114m to nil.	yes
Note 10 Taxation and Non-Specific Grant Income – The Council has amended the accounts from £15.937m as at version one to £18.848m as at version three, this is an increase of £2.911m. This is due to a £0.012m decrease in Council Tax Income, a £0.012m increase in non-ring-fenced government grants and a £2.911m increase in Capital grants and contributions. These movements have occurred due to income that related to non-ring fenced general COVID grants were classified as other income/fees and charges in version 1 of the accounts, as well as applied Community Infrastructure and capital grants. These have been reclassified which has resulted in the grant income balance increasing.	yes

.....

## C. Audit Adjustments - 2020/21 disclosure notes amended by the authority

### dun o nto i do ntifi o d

Disclosure amendments identified	Adjusted
<ul> <li>Note 11a Property Plant and Equipment - The Council has amended the Net Book Value as at 31 March 2021 from £232.374m as per version one of the accounts to £234.584m as at version three, this is an increase of £2.209m. This is due to the following:</li> <li>Additions have increased by £0.143m this is due to a decrease in Council Dwellings of £0.040m and an increase of assets under construction of £0.183m.</li> <li>Revaluations increase/decrease through Revaluation Reserve has increased by £2.066m this is due to an increase within Other Land and Buildings. This is due to the Council not providing revaluations within version one of the accounts. This is a result of our audit challenge that revaluations were revisited.</li> <li>Other movements in cost of valuation have decreased by £0.892m. This is due to a decrease within Other Land and Buildings this has then been debited to Other movements in depreciation and Impairment.</li> <li>There is an infrastructure balance of £1.230m, however there is no depreciation in year and no cumulative depreciation. In addition, the misleading presentation within the note has been amended. Depreciation balances were included for assets that had been revalued in the year, depreciation has been amended to nil.</li> </ul>	yes
Note 16 Financial Instruments – The Council has amended the accounts for Financial assets, the total classed as Financial Instruments as at version on for Carrying Value was £24.698m and the amount as at version three is £26.811m, this is an increase of £2.113m. For Fair Value, the value as at version one is £24.698m and as at version three is £26.811m however, the valuer as at version one has been incorrectly summed and should have stated £23.998m. Therefore, the movement is an increase of £2.113m, this is due to the movement of £2113m for amortised cost. The Council has amended the accounts for Financial liabilities, the total classed as Financial Instruments as at version one for the Carrying Amount was £96.656m as at version three to a set version one for the Carrying Amount was £96.656m as at version three to a set version one for Fair Value was £134.529m and the amount as at version three is £122.102m this is a decrease of £12.427m. This is due to a decrease in total financial liabilities of £0.581m and an increase of £13.008m within not classed as financial instruments.	yes
Note 18 Debtors – The Council has amended the accounts from £19.174m to £19.479m an increase of £0.305m for Debtors. However, within the note, there has been a reclassification between Other Local Authorities and Other Debtors, and this movement changed the mix of the note by £5.012m. This was due to incorrect items originally included within the other local authorities category in version 1 of the draft accounts when they should have been within other debtors.	yes
Note 20 Creditors – The Council has amended the accounts by a decrease of £0.581m. This is due to an increase in Other Creditors relating to a Cash Lodgments Account recoded from debtors, a journal adjustment, and the insertion of a new creditor.	yes
Note 21 Provisions – Although the bottom-line has not changed, the Council has reclassified £0.108m from within 'Amounts Used' and moved this to within 'Additional Provisions made.'	yes
Note 23 Unusable Reserves – The Council has amended the accounts from £72.637m as at version one to £74.703m as at version three of the accounts, this is an increase of £2.066m. This is due to the increase made wholly within the Revaluation Reserve due to the increase in the 'Surplus non-current or deficit on the revaluation of assets not posted to the Surplus or Deficit on the Provision of Services'.	yes
Although the bottom-line has not changed, the Council has reclassified the value of £0.396m for the 'Application of grants to capital financing from the capital grants unapplied account' and debited £0.272m to 'Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement' and £0.124m to 'Capital expenditure charged against the General Fund and HRA balances'.	

# C. Audit Adjustments – 2020/21 disclosure notes amended by the authority

**Disclosure amendments identified** Adjusted? Note 24 Cash Flow Statement Operating Activities - The Council has amended the accounts from £19.942m to £20.421m this is an increase of £0.479m. yes However, within the note there has been a reclassification of the following items: Change in Creditors has increased by £1.873m Change in Debtors has decreased by £1.146m Carrying amount of non-current assets sold or disposed increased by £0.005m. Other non-cash items charged to the deficit on the provision of services has increased by £0.249m As well as this, the capital grants for non-current assets charged through revenue has decreased by £4.631m leading the non-cash movements to decrease by this amount also. Note 25 Cash Flow Statement Investing Activities - The Council has amended the accounts from -£0.039m to £4.164m, this is an increase of £4.303m. This is yes due to a decrease in the purchase of property plant and equipment of £0.093m and Other Receipts from Investing Activities increasing by £4.396m. NG e 27 Expenditure and Income Analysed by Nature - The Council have amended the total expenditure value from £99.288m as at version one of the accounts yes to \$89.385m as at version three. This is a decrease of £9.903m. This is due to the following movements: • **CE**mployee benefit expenses has increased by £0.073m Other Services Expenses has increased by £3.645m Support Service Recharges decreased by £16.869m Depreciation, amortisation and impairment increased by £1.014m Revenue Expenditure Funded from Capital was debited into this note as at version three therefore increasing the balance by £2.536m. Interest payments increased by £1.469m. Disposal of Assets decreased by £1.771m. The Council has amended the total income value from £97.507m as at version one of the accounts to £87.452m as at version three. This is a decrease of £10.055m. This is due to the following movements: Fees, charges and other income' has decreased by £9.795m Interest and investment' income has increased by £2.311m Income from Council tax and NDR has decreased by £8.711m Government Grants and Contributions has increased by £7.911m. In total, the value for 'Surplus or Deficit on Provision of Services' has increased by £0.152m. Note 31 External Audit Costs - The Council have amended the total audit fee value from £0.082m as at version one to £0.116m as at version three, this is an yes increase of £0.034m. This is due to the following amendments:

- Fees payable in relation to the audit of the accounts and inspection fees has decreased by £0.029m. This is the scale fee published by PSAA within the audit plan.
- Fees relating prior year has increased by £0.063m, this was identified by the audit team as at version one of the accounts, the Council has subsequently amended before providing version three.

To note, the external audit fee will be amended again by the Council when the fee is finalised, see Appendix D.

# **C.** Audit Adjustments - 2020/21 disclosure notes amended by the authority

### Disclosure amendments identified

Adjusted?

	Aujusteu:
<ul> <li>Note 32 Grant Income - The Council has amended the total for non ring-fenced government grants from £6.783m as at version one to £11.995m as at version three, this is an increase of £5.212m. This is due to the Council debiting Capital Grants and Contributions of £5.200m to Grant Income and there has also been an increase of £0.012m from S31 Business Rates &amp; Council tax grants.</li> <li>The total amount credited to services increased from £31.590m as at version one to £34.288m as at version three, this is an increase of £2.698m. This is due to the following: <ul> <li>An increase of £0.079m in 'Capital Grants',</li> <li>An increase of £1.708m in 'Other Grants and Contributions'.</li> </ul> </li> <li>In addition to this income, agency grants of £32.711m were received in the period although these were not disclosed with the appropriate memorandum disclosures within the draft financial statements. These disclosures have been included in the final accounts.</li> </ul>	yes
<ul> <li>Note 34 Capital Expenditure and Capital Financing - The Council has amended the closing capital financing requirement from £103.959m as at version one of the accounts to £104.327m as at version three, this is an increase of £0.368m. This is due to the following:</li> <li>Access under construction increased by £0.183m</li> <li>Bovernment Grants and Other Contributions decreased by £0.124m.</li> <li>Anew line for 'Major Repairs Reserve' was added in version 3 which equated to £3.386m</li> <li>Benoval of a line from version 1, 'Capital Receipts Reserve – developments' which equated to £0.470m</li> <li>Direct revenue contributions increased by £3.510m</li> <li>Minimum revenue position decreased by £0.368m - the Council omitted the HRA debt repayment within version one.</li> <li>The Council have amended the change in capital financing requirement from £1.327m as at version one to £1.642m as at version three this is an increase of £0.315m. This is due to the following:</li> <li>The increase in underlying need to borrow decreased by £0.434m</li> <li>From version one of this section, 'movement in other long-term liabilities', 'voluntary set aside' and 'minimum revenue provision' were removed in version three, these summed to £0.749m.</li> <li>To note, in version one of the accounts, the Council incorrectly displayed change in capital financing requirement as -£1.327m instead of £1.327m.</li> </ul>	yes
Housing Revenue Account - From Version one to Version three of the accounts, the total expenditure for 2020/21 has decreased from -£24.815m as at version one to - £25.299m as at version three this is a decrease of £0.485m due to the line in the note being separated with a new line within income, 'Contributions towards expenditure' which has meant the total income has then increased by £0.485m and the 'Supervision and management' line within expenditure has decreased by £0.485m. The reclassification is due to the way the HRA statement has been prepared - every detail code is allocated to one category in the HRA statement; 5065 is supervision & Management. The costs on 6471/5065 were identified as supervision and management after the had closed the ledger a manual adjustment was made to the HRA statement. The costs are primarily electrical testing, along with some response and void repairs.	yes

# C. Audit Adjustments - 2020/21 disclosure notes amended by the authority

Disclosure amendments identified	Adjusted?
Collection Fund Statement - In Version one of the accounts, 'Contributions to previous year deficits' was £0.946m for Council tax and the 'income due in year' ad a balance of £69.645m however within version three of the account, the 'income due in year' has been debited £0.946m to make a balance of £70.591m /here contributions in previous years deficits have been credited £0.946m, making the balance nil. This is because the £0.946m was an initial error and relates of Council tax hardship payment that is a GF item and not a collection fund item. This was incorrectly included within 'Contributions to previous year deficits' /ithin version one of the accounts. There is also a decrease of £3.196m in the closing fund balance which is simply due to the incorrect summation of totals.	yes
lote 1 EFA Outturn - Revenue outturn reported in the narrative report is not consistent with the first column of the EFA. The EFA note has been amended to econcile back to the Narrative Report.	yes
stimation Uncertainty - The disclosures of estimation uncertainty do not meet the requirements of IAS 1 to: Identify the asset, liability affected and provide the arrying amount, explain the assumptions that give rise to the uncertainty and provide a sensitivity or range of outcomes that support the assertion that this	yes
as a significant risk of a material effect.	
as a significant risk of a material effect. lote 37 Pension - We identified a material misstatement within the Pension disclosures relating to the £4.8m payment in advance of employer contributions for 021/22 and 2022/23. The relevant notes have been adjusted to appropriately recognise this pension asset.	yes
lote 37 Pension - We identified a material misstatement within the Pension disclosures relating to the £4.8m payment in advance of employer contributions for	yes yes

# C. Audit Adjustments - 2020/21 disclosure notes amended by the authority

Disclosure omission	Adjusted?
Note 11a Capital Commitments – The disclosure currently reads the following 'At 31st March 2021 the Council had entered into a number of contracts for the construction or enhancement of non-current assets in future years budgeted to cost £12.182m . Similar commitments as at 31st March 2020 were £2.008m . The entirety of this commitment relates to Council Dwellings works including, window replacement, roofing, structural £10.546m.	Yes
We recommended that this is amended to "At 31st March 2021 the Council had entered into a number of contracts for the construction or enhancement of non-current assets in future years budgeted to cost £12.182m. Similar commitments as at 31st March 2020 were £2.008m. The largest commitment relates to works at Skelmersdale Town Centre of £10.546m.'	
Note 31 External Audit Costs – The prior year audit fee of £0.0067m has not been disclosed separately.	Yes
The current year audit fee will need to be changed to reflect the final fee.	
we recommended that the prior year audit fee is disclosed separately to the correct fee.	
Φ Accounting policies – The accounting policy on HRA valuation does not include the indices uplift within the disclosure. We recommended that the Andices uplift is included within the accounting policy disclosure in relation to HRA valuation.	Yes
Accounting policies – The accounting policy on Employee benefits – for post-employment benefits, the policy lacks key details about the accounting for the components of the movement in the net pension liability. We recommended that the accounting policy includes more detail about the components of the movement in the net pension liability.	Yes
Accounting policies – The accounting policy on Financial Instruments - there is no mention of the accounting for interest, or of ECL. We recommended that the accounting policy include more detail for interest and expected credit loss.	
Accounting policies – The accounting policy on Accounting Standards issued but not yet adopted - Refers to amendments to the Code for 2020/21 – that is not relevant to this disclosure. The items referred here are already in effect and reflected in the Code for 2020/21. We recommended that the accounting policy is updated to reflect the correct disclosures.	

# C. Audit Adjustments - unadjusted misstatements 2020/21



#### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000		Reason for not adjusting
Two PPE additions when tested were incorrect. For one the work was not carried out and for another there was no evidence to support the payment as the officer involved had left the Council. The total value of both items was £0.06m. Based upon an extrapolation over the population of the additions sample, PPE additions may be overstated by £0.699m.	699	(699)	Matter immaterial to the results of the Council and its financial position at the year-end.
From testing a sample of invoices to confirm completeness over expenditure, it was found that one item had been over-accrued for £0.254m. As this is not work on a specific balance within the financial statements we are unable to extrapolate.	(254)	254	Matter immaterial to the results of the Council and its financial position at the year-end
When testing a sample of creditors, it was found that one item had been over-accrued for £0.029m. Based upon an extrapolation over the population of the creditors sample, creditors may be overstated by £0.204m.	(204)	204	Matter immaterial to the results of the Council and its financial position at the year-end
When testing a sample of Grants Received in Advance, a sample of two Commuted Sums have been tested. The authority are unable to provide third party documentation, and made the audit team aware that for all Commuted Sums there is no supporting evidence.	144	144	Matter immaterial to the results of the Council and its financial position at the year-end
Overall impact	£385	(£385)	

## C. Audit Adjustments – prior year unadjusted misstatements 2019/20



#### Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements. Note that none of the issues identified below in 2019/20 impact the 2020/21 audit as we carry out work on revaluations annually, so the issues are replaced with any findings relating to 2020/21.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The Council has carried out a full review of the valuation of investment properties 2019/20. These are valued at 1 April 2019. The Code states that "The fair value of investment property shall reflect conditions at the end of reporting period" that is, 31 March 2019. We have used indices to assess the reasonableness of managements estimate that suggested on average the Council's investment properties were overvalued by around £0.406m.	-406	-406	-406	Matter immaterial to the results of the Council and its financial position at the year-end.
Overall impact	-£406	-£406	-£406	
Detail	Comprehensive Income and Expenditure Statement £'000	Statement o Financia Position £' 000	I net expenditure	Reason for not adjusting
The Council has not revalued operational land buildings but has used local data to determine whether the estimate of value at the year-end is materiality correct As part of our work, we have used indices to assess the reasonableness of managements estimate that suggested on average the Council's operational land buildings are undervalued by £0.485m.	485	485	5 485	Matter immaterial to the results of the Council and its financial position at the year-end.
Overall impact	£485	£48	5 £485	

## **D. Fees**

Please see below our fees to date charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£153,884	[TBC]
Total audit fees (excluding VAT)	£153,884	[TBC]

Non-audit fees for other services	Proposed fee	Final fee
ထို Ocertification of Housing Benefit Claim	£19,000	£19,000
Certification of Housing capital receipts grant	£4,000	£4,000
Total non-audit fees (excluding VAT)	£23,000	£23,000

The initial fee for the audit is that informed to you in the Audit Plan in July 2021, this was £62,844. It was then discussed with the S151 Officer that an additional £42,000 will be added. We advised the Committee in our reports of May, July and October 2022 and January, May 2023 that the delay in producing the financial statements on time, and the other issues noted in that update report would impact the audit fee for the 2020/21 year and that there would again be a substantial increase.

Due to the issues identified as part of our value for money work (3 significant weaknesses), there has been significant additional work needed to investigate and report on these issues that also has an impact on the fee.. We have needed to bring in specialist colleagues to complete the work which is a cost to the audit.

In addition, the issues noted within this Report about the extra work required to revisit the financial statements that changed materially and to revisit all work undertaken to date has led to additional delays. The number of meetings and correspondence required to progress this audit has been time intensive.

Due to the issues noted above, there will be a further increase of £49,000. This brings the total fee to date to £153,884.

The final fee is to be confirmed.

All increases in audit fees will need to be approved by Public Sector Audit Appointments (PSAA).



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## Auditor's Annual Report on West Lancashire Borough Council

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2020/21 ය July 2023

## Contents



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or 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.

### Introduction

#### Summary of reporting to date

In January 2023 we brought an interim Auditor's Annual Report to the Audit and Governance committee. The purpose of the report was to update members of the Audit and Governance Committee as Those Charged with Governance (TCWG) with our interim findings on the Council's value for money arrangements for the 2020/21 financial year. Our work on the value for money conclusion was substantially complete, with some queries on procurement to follow up with officers.

We have now concluded that work and are issuing this final version of the report.

Our financial statement audit is also complete subject to final checks and the reapproval of the revised financial statements, and we are issuing the final Audit Findings Report together with this report.

### Value for money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 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 VFM work covers arrangements in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

We have also considered the impact of the COVID-19 pandemic.

The significant risks we identified as part of our planning processes are reported on page 4.

## Introduction (continued)

#### Significant risks

Our 2020/21 Audit Plan and Addendum to the Audit Plan reported to you on 28 July 2021 and 25 October 2022 noted the following significant risk areas for additional focus. The work to address the risk is also noted.

#### **Financial Resilience**

As part of our work on financial sustainability, we will consider your arrangements in setting, monitoring and reporting your budget.

#### Tawd Valley Developments Limited

As part of our work on governance and improving economy, efficiency and effectiveness we will consider your arrangements with the company, as well as the oversight by the Council of the company's business plans and outcomes.

#### BLate production and poor quality of the financial statements

As part of our work on governance we will consider your arrangements in place for the preparation of the financial statements including the response to the mudit process.

#### Procurement

As part of our work on governance and improving economy, efficiency and effectiveness we will review the arrangements the Council has in place to ensure appropriate procurement procedures are followed.

The outcome of our work to address the risks is noted in the executive summary on page 5, and detailed in Appendix C.

#### Use of formal auditor's powers

The following are the formal powers thar auditors can consider as part of their work. We do not consider use of formal powers to be required.

#### Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

#### Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

#### Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

#### Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

#### Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

### **Executive summary**



### Value for money arrangements and key recommendations

A summary of our findings is noted below. There are three significant weakness areas identified. These are reported in detail on pages 6 to 7 with four key recommendations on pages 8 to 12.

Criteria	Risk assessment – planning stage	Conclusion after work conducted
Financial - <del>g</del> ustainability Q Q Q	Potential risk of significant weaknesses identified in relation to financial resilience	No significant risks identified but we have made one improvement recommendation.
Governance	Potential risks of significant weakness identified in relation to the late production of the financial statements	Significant weaknesses identified in relation to the late production and quality of the financial statements, and the management reporting structure of Internal Audit. Two key recommendations are reported and two improvement recommendations.
Improving economy, efficiency and effectiveness	Potential risk of significant weaknesses identified in relation to procurement and in relation to Tawd Valley Developments Limited	Significant weakness identified in relation to procurement. Two key recommendation are reported and three improvement recommendations.

No significant weaknesses in arrangements identified or improvement recommendation made.

No significant weaknesses in arrangements identified, but improvement recommendations made.

Significant weaknesses in arrangements identified and key recommendations made.



#### Financial sustainability

Our review of the Council's financial sustainability indicates that West Lancashire Borough Council completed the 2020/21 financial year in a breakeven position and continues to demonstrate a stable financial position. The Council is currently developing plans to address medium term deficits from 2023/24 onwards.

Overall, we are satisfied that the Council has appropriate arrangements in place to manage risks to its financial sustainability.

We have not identified any risk of significant weakness, but we have identified one improvement recommendation. Further details can be found on pages 12 to 14 of this report.

#### Governance

Our work has focussed on developing an understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic. We have looked at business-as-usual governance and adapted structures for COVID-19 including a review of the arrangements for the internal audit function and reporting, risk management, budget management, financial reporting and internal controls.

There were significant delays in producing the first draft of the financial statements for the financial statement audit and a number of material adjustments were required. The length of time to conduct the audit has been significant, with delays to July 2023 largely due to queries relating to Property, Plant and Equipment and Investment Properties valuations. Therefore, we have concluded that during 2020-21 the Council did not have satisfactory arrangements in place to prepare timely financial statements that are free from material error.

A second issue identified is that a recent restructure and change in reporting responsibility for Internal Audit may give rise to potential conflicts of interest or independence threats. 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.

Overall, we have identified significant weaknesses in the late production and quality of the financial statements and with the management reporting structures for Internal Audit. These are set out in more detail on page 7 with key recommendations on pages 9 to 10.

Our other reporting of governance can be found on pages 16 to 20 including three improvement recommendations.

### **Executive summary (continued)**



#### Improving economy, efficiency and effectiveness

Our work has focused on understanding the Council's arrangements for securing economy, efficiency and effectiveness in is use of resources.

We looked at Tawd Valley Development Ltd and how changes to these arrangements contributes to VFM at the Council and the Council's oversight and governance arrangements in place. We did not identify any significant matters to report in this respect.

We identified a significant weakness regarding procurement compliance, other Council arrangements within this theme were found to be adequate. The significant weakness in procurement arrangements is set out in more detail on page 8 and we have made **two** key recommendations relating to this on pages 11 to 12.

The Council has identified instances of non compliance with internal financial regulations, and contract procedure rules in the record keeping for some contracts.

The Council does not have satisfactory arrangements in place to ensure all procurement procedures are followed.

Our other reporting of the arrangements can be found on pages 21 to 26 including two improvement recommendations aimed at further strengthening the arrangements at the Council for improving economy, efficiency and effectiveness.

#### COVID-19 arrangements

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The impact of COVID-19 has presented new risks to the Council, and this has cut across all service areas.

Our review has not identified any significant weaknesses in the Council's VFM arrangements for responding to the Covid-19 pandemic.

Further details can be seen on page 27 of this report.

## Significant Weaknesses in arrangements

#### Timing of the production and quality of the financial statements

The audit deadline was missed in 2018/19, and in 2019/20 the draft 2019/20 financial statements were therefore late. The audit opinion for 2019/20 was issued in June 2021. The delay was due to issues with the quality of the financial statements and the low level of engagement with the audit process. In 2019/20 the VFM Conclusion was an 'except for' conclusion and the issues experienced were similar to the previous year.

The draft 2020/21 financial statements were late, received for audit in November 2021. The audit began but there was a low level of engagement, a high number of queries and samples with inadequate or no responses, as well as a significant number of amendments identified. We withdrew from the audit in March 2022 with a view to return in July 2022 when the issues identified were rectified. In the mean-time the Council carried out a full review of the financial statements for 2020/21 and produced a revised version with material amendments. The Council were not ready to resume the audit in July 2022 as all queries had not been resolved and group accounts or Property, Plant and Equipment (PPE) updated valuations were not yet within the financial statements. A revised date of October 2022 was agreed to recommence the audit. Version 3 of the accounts was with additional material amendments within them as a result of completing all our queries we had a paised. We have also asked for an internal technical review of the financial statements and there are a number of additional significant disclosure changes required as a result.

The response to the audit process has improved since resuming the audit in October 2022, but the number of material amendments in the financial statements is significant including a prior period adjustment when compared to version 1. The quality of version 1 of the financial statements submitted for audit was inadequate - group accounts were not prepared, little consideration given to PPE valuations and the turnover of staff and capacity issues in the internal valuation team at the Council is proved a challenge for the audit.

The Council did prepare their draft financial statements for 2021/22 on time and they were authorised for issue on 27 July 2022. Therefore, the Council is showing improvement in the timeliness of the preparation of their financial statements.

#### Conclusion

The Council does not have satisfactory arrangements in place to prepare timely financial statements that are free from material error, and this is a significant weakness. We have raised one key recommendation in relation to this issue.

#### Internal Audit management arrangements

Following a management restructure across the Council taking place after the 2020/21 financial year end, the former role of the Internal Audit Manager, the effective "Chief Audit Executive" per the Public Sector Internal Audit Standards (PSIAS) has now been rebranded as the Corporate Compliance and Governance Manager (CCGM). The new direct reporting for the post is into the Director of Finance (s151 Officer). The role has responsibilities for the following services at the Council:

- Internal Audit Services,
- Procurement,
- Information Governance including Counter Fraud Services and
- Risk and Insurance.

We acknowledge that the restructure has been partly driven by the need to centralise the procurement function in response to some internal audit reports on procurement issues. The centralisation of the procurement function and the raised profile that comes with the appointment of a senior officer within the corporate team is something we strongly support. However, in our view, the new arrangements creates a significant weakness in the Council's risk management strategy as it compromises the independence of the Head of Internal Audit and creates a 'self-review' threat. Efforts to mitigate these risks, such as excluding the Head of Internal Audit from working on the procurement function, also undermines the Internal Audit process by removing the senior officer responsible for the annual Head of Internal Audit Opinion from the process. This is particularly acute, as Procurement is an area that requires significant further Internal Audit follow up and review. Other potential conflicts of interest arise from responsibility for compiling the risk assurance process, which is also a key element of setting the internal audit plan.

There is a further potential independence thereat associated with the Head of Internal Audit reporting to the Director of Finance, who would also be a key responsible officer for much of the subject matter that Internal Audit would be reviewing. We understand that the CCGM has unfettered access to the Chief Executive, Chief Operating Officer and Chair of the Audit and Governance Committee but we have concerns that this does not entirely remove the threat to independence. Collectively, these threats to independence are significant and are likely to undermine the effectiveness and impact of the Internal Audit Service.

#### Conclusion

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, and this is a significant weakness. We have raised one key recommendation and one improvement recommendation in relation to this issue.

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# Significant Weakness in arrangements (continued)

#### **Control failures in Procurement**

We note that post the 2020/21 year-end as part of the 2021/22 audit plan, Internal Audit had found significant control issues with procurement undertaken on a contract. The total value of the procurement stated in the report was £769,450. Some of the transactions under review had taken place in 2020/21. The outcome was a 'no assurance' report with 14 high priority recommendations. The control weaknesses identified in this report, were of a similar nature to the findings of as previous report on undertaken in 2018/19.

We reviewed the internal audit reports to ascertain whether control weaknesses in Procurement are systematic and reflective of procurement across the Council. We Betermined that further work would be required to ascertain the extent of the issue and whether this was reflective of broader issues with major procurement exercises.

We tested additional procurement documentation for a sample of contracts and no additional issues were identified. The Council identified that one of the contracts chosen for testing had issues with the previous procurement process and was subject to an internal audit review in 2020/21 which included some procurement elements, and the report noting that Council procurement rules had not been followed.

#### Conclusion

The Council does not have satisfactory arrangements in place to ensure all procurement procedures are followed, and this is a significant weakness. We have raised two key recommendations and one improvement recommendation in relation to this issue.

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The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council We have defined this recommendation as 'key recommendation'.

	Recommendation	The Council must improve the timeliness of their financial statements preparation and ensure that effective quality review processes are in place to present draft financial statements that are in accordance with accounting standards and reporting requirements, and free from material error.
	Why/impact	Having financial statements that are audited within expected timelines is an important part of the Council's governance and financial reporting processes. Delays in the audit due to the significant delay and ability of the Council to respond to audit issues and request for evidence impacts the delivery of current and future audits, making it very difficult to get back on track for any future audit years.
	Summary findings	The financial statements audit is substantially complete for 2020/21. We received the 2020/21 financial statements for audit in November 2021 after the deadline . There were significant delays in producing the first draft of the financial statements and a number of material adjustments were required to get to a final audited version. The length of time to conduct the audit has been significant, with further delays suffered into 2023 largely due to queries relating to Property, Plant and Equipment and Investment Properties valuations.
2 —	Management comment	We acknowledge the delays in the production of the financial statements for 20/21. To a large degree these were due to us introducing changes to the working practices and processes within the team for the production of the accounts. This work is now complete and the 21/22 Draft Accounts were completed within the timescales. We are in the process of reviewing how the property valuation work is completed with a view to externalizing the 22/23 work to a national provider with familiarity of the audit requirements

The range of recommendations that external auditors can make is explained in Appendix B.

The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council We have defined this recommendation as 'key recommendation'.

**Recommendation** The Council should ensure that the role of the Chief (Internal) Audit Executive maintains sufficient independence, from operational activities that may be subject to review. Consideration should also be given to restructuring the role to report directly into the Chief Executive and with unfettered access to the Chair of the Audit and Governance Committee in line with best practices and as recommended by the Public Section Internal Audit Standards (PSIAS).

	Why/impact	Lack of independence on the part of the Chief Internal Auditor may compromise their ability to discharge their function effectively, particularly in regard to coverage of operational activity in the procurement function and the resources directorate more generally.
 υ	Summary findings	A high level of independence is required by PSIAS and the Council's Risk Management Toolkit which restricts the role of the internal audit function to providing independent assurance rather than management of other services of the Council. At present the Councils' nominated Chief Internal Auditor has other operational responsibilities, such as management of the Procurement Department, Insurance Services and Information Governance.
age 8		We note that the role also reports directly to the Director of Resources. While not uncommon in other Councils, this can be an additional obstacle to independence due to the extent of focus of the internal audit plan of financial matters and processes.
		Given the significant issues identified in the Council's procurement arrangements, it is particularly important that the Council's Chief Internal Auditor is able to maintain independence from both the procurement function and the resources directorate in which it sits.
	Management comment	We accept the recommendation. We are reviewing the reporting lines of Head of Audit and Governance and in future the post will report directly to the Chief Operating Officer with the Director of Transformation, Housing and Resources undertaking day to day line management responsibility. The post already has un-restricted access to the Chair of Audit and Governance Committee. The Procurement Manager will, with immediate effect, report directly to the Head of Finance (Section 151). The Head of Audit does not currently report to the Director of Resources as stated above but to the Head of Finance. We feel that changing the reporting lines in this way will ensure the independence required.

The range of recommendations that external auditors can make is explained in Appendix B.

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The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council We have defined this recommendation as 'key recommendation'.

Recommendation	The Council must fully address the fourteen recommendations set out in the procurement audit report as a matter of priority. Assurance must be provided to
	members on progress and mitigating actions taken to protect the Council while new processes embed. The Council should also consider how lessons learned
	can be recognised and embedded across the Council.

 Why/impact
 We acknowledge that the Council has taken significant steps to restructure and centralise the procurement team in the future, in response to the findings of the procurement audit. However, it is important that the specific control failures highlighted are addressed in detail, over and above the improvements in leadership and high level corporate control.

 Summary findings
 We note that post 2020/21 year end as part of the 2021/22 audit plan, Internal Audit had found significant control issues with procurement undertaken on a

ngs We note that post 2020/21 year end as part of the 2021/22 audit plan, Internal Audit had found significant control issues with procurement undertaken on a Council contract. Some of the transactions under review had taken place in 2020/21. The outcome was a 'no assurance' report with 14 high priority recommendations. The control weaknesses identified in this report, were of a similar nature to the findings of as previous report undertaken in 2018/19.

Management comment
We accept the recommendation made and note the acknowledgement of the steps taken to date to centralise all procurement work within the Council. In terms of the recommendations made in the audit report, these are now implemented with the exception of the full centralization which is in progress. All audit recommendations are being tracked and regular progress updates are being provided to the Corporate Management Team and taken to Audit and Governance Committee. Centralising the Procurement function will ensure compliance and consistency of practice in relation to procurement activity in future.

The range of recommendations that external auditors can make is explained in Appendix B.

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The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council We have defined this recommendation as 'key recommendation'.

**Recommendation** The Council should undertake a sample review of procurement activity that meets the threshold requiring competitive tender under financial regulations and contract procedure rules, from 2020/21 through to the present, to ascertain whether there were further examples of significant non-compliance with the Council's Contract Procedure Rules, Financial Regulations and OJEU procurement regulations.

This should include all current major procurements meeting the tender threshold.

Where any cases of non-compliance are found, assurance on the lawfulness of associated payments in regard to the Council's Contract Procedure Rules, Financial Regulations and OJEU procurement regulations should be obtained from Legal Services and reported to members along with and assessment of the exposure to risk.

Pa		We acknowledge that the Council has taken significant steps to restructure and centralise the procurement team in the future, in response to the findings of the procurement audit. However, it is important that the Council can identify and assess if similar issues have occurred in other procurement processes.
 je 84	Summary findings	We note that post 2020/21 year end as part of the 2021/22 audit plan, Internal Audit had found significant control issues with procurement undertaken on a Council contract. Some of the transactions under review had taken place in 2020/21. The outcome was a 'no assurance' report with 14 high priority recommendations. The control weaknesses identified in this report, were of a similar nature to the findings of as previous report undertaken in 2018/19.

Management<br/>commentWe accept the recommendation. And will undertake the sample review as stated. Any areas where non-compliance is found assurances will be sought as set<br/>out and findings reported to members with an assessment of risk.

The range of recommendations that external auditors can make is explained in Appendix B.

## **Financial sustainability**



#### We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans;
- plans to bridge its funding gaps and identify achievable savings;
- Page 85 ach deli strc
  - plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
  - ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning; and
  - identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

#### 2020/21 Financial Overview

The Council was able to deliver a breakeven financial position in line with budget in 2020/21, and continued to project a sustainable position following two challenging financial years under pandemic conditions (2020/21 and 2021/22).

The Council was able to deliver a revenue surplus of £0.27m under budget for 2020/21. The Council was already in the process of managing increased financial pressures at the start of 2020/21 and the position was made significantly more challenging with the need to deliver services under COVID-19 conditions. This outcome was achieved with the help of additional funding received, including COVID-19 un-ringfenced grant of £1.75m of which £0.5m was able to be carried forward to 2021/22, in combination with savings and planned used of reserves.

We note that the outturn for 2021/22 is also positive, enabling a further contribution to reserves.

The relatively healthy financial performance for 2020/21 extended to the Housing Revenue Account (HRA), where a favourable budget variance of £0.517m was achieved.

Capital expenditure outturn of £8.4m in 2020/21 reflected 76% of the budgeted programme. It is not unusual for capital budgets to be underspent, particularly as councils emerge from pandemic conditions and the Council has taken care to explain the variances and re-phasing in its public reporting.

#### Medium term financial pressures

The Council has recognised that it faces further significant financial pressures in the context of uncertain economic conditions, that will need to be addressed as a matter of urgency over the medium term. Acknowledging the capacity issues in producing 2020/21 accounts and the subsequent delay to the audit process, we have considered Medium-Term Financial Forecast (MTFF) revisions in 2021/22 and the latest iterations for the five years from 2022/23.

At the start of the financial year 2020/21 the Council was working to a MTFF that projected an emerging funding gap of £1.9m by 2021/22.

The forecast position was revised to £1.2m during the 2021/22 budget setting process and we note that in September 2022 the Council were forecasting a significant budget funding gap rising to £3.014m over the three-year period 2023/24 to 2025/26.

We note that over 2020/21 and 2021/22 the Council has been able to deliver at or in excess of plan and has established a good track record of devising prudent and accurate financial forecasts over this period. Particularly in areas of key sensitivity include income generation projections and the impact of high-costs and inflation. The Council's process of providing regular updates to Cabinet and Council on the medium-term position will become increasingly important.

## Financial sustainability (continued)

#### Arrangements to close the projected funding gap

In order to address the original medium term funding gap of £1.9m, the Council implemented its Sustainable Organisational Review Process (SORP) to close the gap by 2022/23. Approximately £1m of savings were delivered from management restructures by the financial year 2020/21, however a further £0.9m of additional income generation schemes could not be delivered primarily due to disruption caused by the pandemic. Following revision of the MTFF in July 2021, additional savings schemes of £0.43m were approved and incorporated into the 2021/22 budget. We are therefore satisfied that arrangements were adequate for 2020/21 and that the Council has demonstrated a good track record of financial management in this regard.

While the financial position has been managed over the past two years, without major revisions to the SORP, it is likely that this will be required for 2022/23 and over the medium merm, and it is likely that finance and the Council service departments will need to be requipped and supported to facilitate a renewed period of transformational change. We bave raised a recommendation in this report regarding this matter.

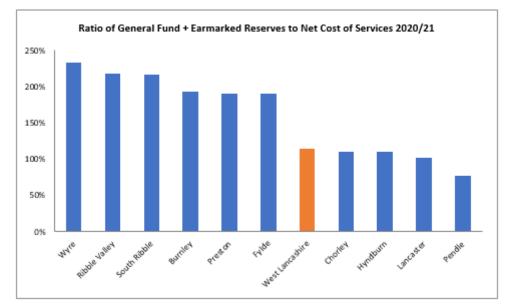
#### Aligning finances to wider strategy

We have reviewed the extent to which the Council financial plans were appropriately linked to corporate strategy and other supporting plans and found that this was generally done well, however we note that the plans for delivery of a balanced budget for 2023/24 and beyond is not fully documented. We have raised an improvement recommendation for this aimed at improving the existing arrangements at the Council.

#### Managing financial risk

The Council has operated a policy of using the planned drawdown on reserves to close short term funding gaps, while sustainable mitigating schemes are developed and implemented over the medium term. In order to bridge the funding gap, while the SORP and other savings were delivered, the 2020/21 budget included the planned use of £0.78m of reserves, which reduced to £0.51m following better than expected outturn. A further £1.24m of reserves were planned for use in 2021/22 however, this was not required following better than expected outturn.

We have undertaken benchmarking of reserves as a proportion of the net cost of services, against neighbouring district councils. While the Council is not notably more vulnerable than other Councils, it is towards the lower end of the rankings. This indicates that, although there remains some scope to continue to use reserves to enable the phasing of sustainable savings, the opportunity is limited and must be closely controlled during the current period of enhanced financial uncertainty and risk. Note that the benchmarking includes all general and earmarked usable reserves, whereas in reality, only a portion of this would be available for use in managing financial risk due to much of it being already committed for specific purposes.



#### Conclusion

Overall, we are satisfied that the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risk of significant weakness, but we have identified opportunity to for improvement, included overleaf.

### $\widehat{\mathfrak{L}}$ ) Financial sustainability

	1. Recommendation	The Council as a matter of priority should document plans for delivering savings to balance budget for 2023/24 and in future years of the Medium Term Financial Forecast (MTFF). The plan should be sufficiently detailed and subject to regular process of monitoring by the appropriate Committee. We note from interview with the S151Officer that the Council has established a Budget Committee. This shows the Council's intention to prioritise financial sustainability as an area of focus.
ן י	Why/impact	Failure to document savings plans and subject them to adequate scrutiny may impact on the council's ability to deliver a balanced budget.
01	Summary findings	Review of the council's MTFF identified that the Council is yet to identify savings to balance the budgets for 2023/24 and beyond. The council has recently inaugurated a Budget Committee with responsibility for monitoring financial performance including the budget. Interview with S151 Officer confirmed the Council is considering a few options including rationalisation of its estates. However, the Council is yet to formalise these options into a programme to enable delivery.
	Management comment	Savings plans are being developed at present to bridge the MTFF budget gap and will be presented to the Budget and Council Plan Committee for consideration and to February 23 Council for approval.



The range of recommendations that external auditors can make is explained in Appendix C.

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### Governance



#### We considered how the Council:

 monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

annual budget setting processapproaches the financial statements

approaches and carries out its

and audit process

- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

#### Governance Overview

Our review identifies that the Council has worked hard to strengthen arrangements over several areas in 2002/21 and subsequently. Having gone through the significant challenges posed by the pandemic these changes should better equip the Council to meet current challenges such as rising costs and national recruitment difficulties. We note that in regard to the revised role of the Head of Internal Audit, there are a number issues that need to be resolved.

#### Monitoring and Assessing Risk

The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government 2016. The Council also fulfils a governance role in the oversight of Tawd Valley Development Company, a wholly owned subsidiary of the Council.

The Council has a Risk Management Policy which is part of the Council's overall risk management framework. The aim of the Council's framework is to ensure that risks are identified, managed and reported efficiently and effectively to improve efficiency and the delivery of services, improve allocation of resources and enhance risk reporting. The Council's risk management framework also includes an annual risk assessment process carried out through the Corporate Risk Register (CRR) reviewed by the Executive Overview and Scrutiny Committee and presented to the Cabinet annually. We are satisfied that the Council's arrangements for managing and assessing risk were adequate throughout 2020/21, and we will follow up continued effectiveness in our 2021/22 audit.

#### **Budget Setting Process**

We have looked at the budget setting process followed for 2021/22 and noted the good level of information provided to Cabinet and full Council at several intervals throughout the year. The process is multilayered, involves the finance staff and responsible officers (budget managers and their staff) for the budget area. The budget for each year is presented in the form of a General Revenue Account (GRA) estimate to Cabinet for review in or around January and sent to full Council for approval. The budget is usually presented along with additional papers such as the GRA Reserves Policy which describes the reserves protocol of the Council and includes details and values of reserves maintained by the Council. The GRA estimate is an update to the council's MTFF and is considered separately.

#### **Budgetary Control and Financial Reporting**

We are satisfied with the process in place for oversight of the budget. The finance department engage with budget holders monthly. The frequency and content of quarterly budget monitor reports, outturn and ongoing revisions to the medium-term position to Cabinet and Council, are effective and well established, and facilitate challenge. This will become increasingly important as the financial position becomes more challenging from 2023/24 onwards.

During 2019/20, the external audit team experienced significant delays with receiving audit working papers and supporting documents for the financial audit. This continued in 2020/21. Inquiries with the s151 Officer revealed the cause of the delay due to the departure of some of the key members of the finance and valuation team, the pandemic and the time to train and development graduate and new staff.

The s151 Officer confirmed the team is now better resourced with the arrival of some new key senior team members. Some further delay experienced in completing the 2020/21 statement of accounts was due to new team members refining the financial reporting process to enable seamless process to produce future statements of accounts. The 2021/22 Statements of Accounts were produced in lien with the published requirements and the audit will commence of the 2021/22 statements once the 2020/21 audit is complete.

## **Governance (continued)**

#### Significant weakness - timing of the production and quality of the financial statements

The quality and timeliness of the financial statements produced for audit and the length of time to conduct the audit indicate significant weaknesses in the Council's arrangements. We have made a key recommendation relating to this matter.

#### Monitoring and Ensuring Appropriate Standards

The Council has effective arrangements to monitor and enforce standards. As part of these arrangements, we noted that the Corporate and Environmental Overview and Scrutiny Committee is responsible for considering reports from the Local Government and Social Care Ombudsman and the Housing Ombudsman. A report received from Ombudsman for 2020/21 included a summary of sixteen complaints against the Council for which two cases were upheld. One of the upheld cases resulted into a formal apology from the Council while the other case resulted in a recommendation for the Council to review and revise its tenancy agreements and complaints processes for allotment sites. This is a good

#### Ginternal Audit Services

We note that in common with many Council's, the internal audit function is provided by an inhouse team. The function covers Internal Audit Services and arrangements for reviewing and preventing fraud and corruption.

In 2020/21, progress through the audit plan was affected by the pandemic. We note that the audit team is served by one full time Internal Audit Manager and 2.8 FTE Internal Auditors and note that the demand for potential internal audit reviews continue to challenge the capacity of the team.

We considered the extent to which Internal Audit recommendations are being implemented by the Council and whether they are implemented on a timely basis. This we sought to assess through review of the annual internal audit report and by interviewing the Council's Chief (Internal) Audit Executive. Our review identified areas for improvement in the reporting of progress against internal audit findings and in the monitoring of internal audit services at the Council, and we have raised an improvement recommendation to address this.

The Council participates in the National Fraud Initiatives (NFI) data matching exercise carried out centrally by the Cabinet Office and aims to identify potential fraud cases by matching various datasets from the Council's transactions against other similar information nationally. However, there is no evidence that the datasets released to the Council are followed up adequately as the Council does not have a dedicated counter fraud officer and relies on the various departments to review the datasets without any formal reporting or adequate monitoring of the review. We have made a recommendation on this point to make sure that NFI data is used appropriately to help mitigate fraud.

#### Significant weakness - internal audit management arrangements

During 2021/22, we note that the Internal Audit Manager's responsibility was enlarged to include management of the Council's procurement team and risk management. In our view, the arrangements outlined above creates a significant weakness in the Council's risk management strategy as it effectively creates issues of independence and 'self-review' threat. We have reviewed these arrangements, both in terms of team capacity and managing potential independence issues and serf-review threats and concluded the current arrangement, particularly around procurement services creates significant risks to the Council and we have made key recommendations relating to this matter. Further information on this issue and the key recommendations we have made are included in the executive summary to this report.

#### Conclusion

Overall, other than where noted, there are no further significant weaknesses identified in the Council's governance arrangements.

We have identified significant weaknesses in the existing arrangements of the Internal Audit reporting structure, and in the timeliness and quality of the financial statements.

We have made key and improvement recommendations aimed at strengthening the arrangements at the Council.

### Governance

1. Recommendation	The Council should improve on the annual internal audit report by including a summary of the implementation of internal audit recommendations and take steps, via the Audit Committee, to hold services to account for taking effective and timely action to address these during the year.	
Why/impact	It is important that Internal Audit maintains a high level of status and credibility within the Council, and specifically, that internal audit findings and recommendations are effective and promptly addressed. Failure to regularly monitor action taken by Council departme to address recommendations can undermine the effectiveness of the internal audit function.	
Summary findings	We noted that in the Internal Auditors Annual Report to the Audit Committee, there was limited information on the delivery of recommendations arising from Internal Audit Reviews during the year.	
Management comment	We accept the recommendation. The 21/22 Annual Internal Audit Report includes a summary of progress on the implementation of recommendations. We will expand the information and explanation. We would point out that we report progress on the implementation of all audit recommendations at each Audit and Governance Committee.	
	Why/impact Summary findings	



The range of recommendations that external auditors can make is explained in Appendix C.

## Governance

2	Recommendation	<ul> <li>The Council should consider how it uses the National Fraud Initiatives datasets released by the Cabinet Office NFI team and improve on the reporting of the follow-up (within the internal audit report) to the Audit and Governance Committee of the Council on the work undertaken and outcomes of work undertaken. The Council may wish to consider inclusion of the following in the annual internal audit report:</li> <li>Summary of potential fraud matches flagged by the NFI data matches</li> <li>Summary of actual work carried out on the datasets with the highest level of risk</li> </ul>
Page 91	Why/impact	Without monitoring the work undertaken on the datasets flagged as suspicious for further review by the Cabinet Office NFI team, likelihood of the council's officers carrying out reviews is highly unlikely especially when these officers already have other competing and important day jobs to fulfil.
	Summary findings	Cabinet Office estimates that fraud and error is likely to be in the range of 0.5% and 5% for the £503 billion of government expenditure where fraud and error is not measured (source: <u>Fraud</u> and Error - The Committee of Public Accounts - House of Commons (parliament.uk)). The Council

and Error - The Committee of Public Accounts - House of Commons (parliament.uk)). The Council participates in the National Fraud Initiatives NFI data matching exercise carried out centrally by the Cabinet Office and aims to identify potential fraud cases by matching various datasets from the council's transactions against other similar information nationally. However, there is no evidence that the datasets released to the Council is followed up adequately as the Council does not have a dedicated counter fraud officer and relies on the various departments to review the datasets without any formal reporting or adequate monitoring of the review.

**Management comment** We will review and consider the inclusion of the information set out in the recommendation. High risk data matches are investigated fully. All findings are reported back to the Cabinet Office as required and summary details of findings are reported to the Audit and Governance Committee.



#### The range of recommendations that external auditors can make is explained in Appendix C.

### Improving economy, efficiency and effectiveness

#### We considered how the Council:

 uses financial and performance information to assess performance to identify areas for improvement

- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses
- whether it is realising the expected benefits.

#### Overview of arrangements for securing economy, efficiency and effectiveness

Overall, we are satisfied that the Council has adequate arrangements in place to continually monitor and manage its performance to ensure value for money in the delivery of its services. The on-going review and subsequent re-prioritising of the Tawd Valley development company provides evidence of this willingness to review and change its approach based on changing outcomes. However, we do have concerns over the procurement process issues identified by Internal Audit during 2020/21 and we consider this a significant weakness in arrangements that needs to be addressed.

#### Review of Service Performance, Monitoring and Assessment

West Lancashire Borough Council's vision is "West Lancashire together; the place of choice to live, work, visit and invest". To achieve this vision, the Council has put together the following priorities:

- Create empowered, engaged and inclusive communities
- Support businesses to adapt and prosper
- Become a greener West Lancashire
- Be a financially sustainable Council by 2023
- A clean, safe environment with affordable homes to buy or rent for everyone in West Lancashire
- Everyone to be healthy, happy, safe and resilient.

The Council produces a corporate performance indicator quarterly to report performance across services carried out by the Council. Our review of the Q4 2020/21 report identified that the report was easy to understand and uses a good combination of symbols, numbers and commentary. We note that the report is also divided into the following six sections: Shared Services, Corporate & Customer Services, Housing & Regulatory Services, Environmental Services, Growth and Development Services, Wellbeing and Leisure Services. The report also shows trends in the form of performance from previous quarters and includes benchmark information where possible.

The Council has developed a set of performance indicators (PI's) to assess and monitor performance across the Council's services and reports on this quarterly. A review of the quarterly performance indicators for Q4 2020/21 highlights a total of 36 KPIs with measurable targets of which 26 indicators met or exceeded target. The performance report is easy to read, includes the Council's planned target (where one is set), includes comparatives against similar quarters of the previous year where available. The PIs are able to be used by the Council as a vehicle to drive corporate strategy by mapping PI's to Council priorities.

The PI's could make better use of benchmarking against Councils of similar size in the England. In addition, the PI's did not have any metric to monitor Financial Sustainability, despite this being an increasingly important priority. We have raised recommendations aimed at strengthening arrangements at the Council. The Council consistently reports on details of spend £500 in line with Government's transparency initiatives. However, inquiry from management about the use of benchmarking of costs of providing services across the council identifies that the Council does not currently benchmark its costs against those of comparative councils.

### Improving economy, efficiency and effectiveness (continued)

#### Commercial activity - Tawd Valley Development Ltd

The Council has set up a wholly owned subsidiary company, Tawd Valley Developments Limited, established in 2018. The subsidiary provides a commercial housing development service with the following aims:

- To provide quality, value for money, homes across a range of tenures for the people of West Lancashire
- To deliver new homes through effective procurement of suppliers and contractors
- As far as possible given the market in the borough deliver schemes on time and to budget
- To deliver financial returns which are able to be reinvested into further schemes,
- To deliver financial returns for the Council as shareholder and lender to the Company.

The subsidiary is currently configured and operating on a commercial basis and was tended to generate significant financial returns for the Council in future years. However, Wuring 2020/21 the ability of the company to deliver financial returns of the scale originally envisaged became increasingly unlikely. The subsidiary had been budgeted to make a significant contribution to Council income within the Council's medium term financial forecast providing a key element of the future financial sustainability. However, recent performance of the subsidiary has led to the Council significantly reducing the planned contributions from the company in the Council's Medium Term Financial Forecast. This reflects prudent financial management arrangements on the part of the Council and the financial risk has therefore been mitigated in 2020/21 and 2021/22.

We note that the post COVID economic landscape and changes to the rules around out of borough investment has significantly reduced the potential for commercial benefit in line with the original business case.

We have considered the high-level governance and decision making in relation to the set up and running of the development company and are satisfied that the company has sufficient arrangements in place for governance and decision making. We are also satisfied that this was not a reflection of the premise of the original business case, but rather of a changing regulatory and economic landscape, including future access loans from Public Works Loan Board (PWLB).

The commercial performance of the subsidiary was closely monitored by the Council during 2020/21 and the risks to future viability were understood and presented to members for review. We also note that in 2021/22 the Council continued to monitor the performance of the subsidiary and had undertaken an independent review of the operations and future viability of the subsidiary to inform decision making. An initial decision to pause any further investment in the subsidiary was followed by a decision to continue operations under a revised business case.

We understand that a revised business case will be submitted to members for the subsidiary by the end of 2022/23. If the Council decides to continue supporting the subsidiary, it should be on the basis of a revised business case with clearly defined performance indices through which the Council will continue to review and evaluate performance over the medium term. We have raised an improvement recommendation to this effect. We will continue to monitor progress on this issue in our 2021/22 audit.

We also noted that the accounts of the subsidiary were not consolidated into the initial draft of the Council's 2020/21 Financial Statements. This issue was raised through our audit of the Council's financial statements and will be incorporated into the final audited version. We note that the draft 2021/22 financial statements includes group accounts for Tawd Valley Development Ltd.

# Improving economy, efficiency and effectiveness (continued)

#### Other Partnerships and Commercial Activity

The Council works closely with partners to help deliver services across the Council. These include Serco who provided leisure services across the borough, Lancashire County Council and BT Lancashire Services (BTLS). BTLS had a ten-year contract with the Council for the provision of Revenues, Benefits and IT Services since October 2011, we note that this ended during 2021/22 and the Council has taken the decision to bring the service back in-house. We note that the Council's risk register rightly includes risks to delivery of the service in-housed and this should ensure on going monitoring and management of the risks associated with managing the services in house. We will continue to monitor the management of this risk during 2021/22.

#### **Procurement Services**

The Council's procurement service is managed internally and was in 2020/21 decentralised, menning that individual services were responsible for their own compliance with procurement poly and achieving value for money. Service departments were allowed to manage their own procurement services using the tools and guidance provided by the procurement department of the Council. This system has its merits in that it gives the departments the autonomy required to be agile in their procurement process and to source goods and services from suppliers that they deem most suitable. The disadvantages were the lack of effective monitoring from the central procurement team, exacerbated by the lack of an effective electronic procurement system to enable consistency in approach. With a decentralised procurement system, it is also harder to promote value for money as departments can source their own suppliers.

In response to significant control weaknesses that emerged following the internal audit review of procurement, the Council acted to address the issues and we understand that the Council is now in the process of implementing a new centralised procurement function. It is also in the process of implementing an e-procurement system, but no go-live date has yet been confirmed.

We note that the issue of procurement on a Council contract that Internal Audit reviewed was identified by an external party through the Freedom of Information FOI request and had not been identified by the Council's internal processes. This raises concerns about the effectiveness of the existing arrangements at the Council to monitor procurement compliance. Compliance monitoring arrangements should be reviewed as part of the ongoing implementation of the centralised procurement function. Our review of internal audit reports and Audit and Governance Committee papers identified that the Council does not consistently report the use of procurement waivers to the Audit & Governance Committee. We have made an improvement recommendation to review and strengthen arrangements in the context of the procurement control weaknesses noted.

The table below sets out the volume and value payments processed during 2020/21 to give an indication of the scale of transactions that may be subject to contract procurement regulations.

Quarter	# of items > £500 paid	Value £'000 of items > £500 paid
Q1 2020/21	2,916	26,833
Q2 2020/21	1,151	6,904
Q3 2020/21	2,200	12,297
Q4 2020/21	2,760	15,815
Total	9,027	61,849

#### **Procurement Team**

The Council has recently undergone reorganisation and the procurement department is currently overseen by the Council's Internal Audit Manager who is also the Council's Chief (Internal) Audit Executive. Our assessment of this arrangement is that it creates risks of independence as well as 'self-review' threats and we have raised recommendations in this report in relation to the matter. We have dealt with this issue under the Governance theme set out in the previous section.

#### Significant weakness- control failures in Procurement

We note that post 2020/21 year end, and as part of the 2021/22 audit plan, Internal Audit had found significant control issues with procurement for works for a Council contract. We consider that the extent of the issues identified in the report are of sufficient magnitude to raise a significant weakness in arrangements and two key recommendations identified. We have also made one improvement recommendation.

#### Conclusion

Overall, except for the significant weakness regarding procurement compliance, there were no further significant weaknesses identified in the Council's governance arrangements for securing economy, efficiency and effectiveness. We have identified a significant weakness in procurement arrangements and made a key recommendation to assess the wider extent and impact of these control issues. We have also made an improvement recommendation aimed at strengthening the arrangements at the Council for improving economy, efficiency and effectiveness.

#### (&) Improving economy, efficiency and effectiveness

**1. Recommendation** The Council has opportunities to improve on the Corporate Performance Reporting in the following ways:

- To better align the performance report and KPIs to the Council's strategic priorities.
- To develop and include performance indicators for Council's priority of becoming financially sustainable by 2023
- The Council should consider how the use of cost benchmarking information could be used to monitor delivery on a more routine basis.

 Why/impact
 Implementing the above will lead to goal congruence across the Council and enable officers and members assess progress towards attainment of Council's priorities.

 Summary findings
 The Council produces a corporate performance indicator quarterly to report performance across services carried out by the Council. Our review of the Q4 2020/21 report identified that the report was easy to understand and uses a good combination of symbols, numbers and commentary. The PI's could make better use of benchmarking against Councils of similar size in the England. Lastly, the PI's did not have any metric to monitor Financial Sustainability, despite this being an increasingly important priority.

 Management comment
 The KPI's now in place align the performance report and KPIs to the Council's strategic priorities. Performance Indicators in relation to the Council's priority of becoming financially sustainable by 2023

The KPI's now in place align the performance report and KPIs to the Council's strategic priorities. Performance Indicators in relation to the Council's priority of becoming financially sustainable by 2023 are now in place. These PI's are recorded in Pentana and are regularly reviewed by managers and reported on to members and management.

With regard to Benchmarking, we accept this recommendation. There are the "Key Financial Indicators" and "Headline Report" reports available via the LGA about cost of services and other Councils that we have access to for this purpose. Ensuring a comparison is done on a like for like basis is key to this process in order to ensure it is meaningful.

#### The range of recommendations that external auditors can make is explained in Appendix C.

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### Improving economy, efficiency and effectiveness

	2. Recommendation	The Council should continue to develop and agree a robust business case for the Tawd Valley Development Limited and define the performance indicators through which the Council will continue to review and evaluate performance of the subsidiary for the short, medium and long-term.	
Page 96	Why/impact	Clearly defined and agreed performance indicators will give clarity to officers of the subsidiary and enable the Council to track performance against agreed objectives.	
	Summary findings	Tawd Valley Developments Limited is a wholly-owned subsidiary of the Council established in 2018 to provide quality, value for money, homes across a range of tenures for the people of West Lancashire. The company commenced commercial operations since 2018 and is subject to ongoing monitoring by the Council. We note that the subsidiary has been subject to independent review over the three years its been engaged in commercial activities. This indicated the need for significant revisions to the assumptions used in the original business case.	
	Management comment	The revised Business Plan for Tawd Valley Developments will be presented to Council in February 2023. This sets out the focus of future activity of the company and progress and performance is monitored through the cross party Shareholder Committee meetings. Once the revised Business Plan is approved, we will look to review the performance indicators and to ensure that these are reported on at each meeting of the Shareholder Committee.	



#### The range of recommendations that external auditors can make is explained in Appendix C.

### (3) Improving economy, efficiency and effectiveness

	3. Recommendation	Compliance monitoring of procurement arrangements should be reviewed as part of the ongoing implementation of the centralised procurement function. As part of this our review, the presentation of reports on tender and contract procedure waivers to the Audit and Governance Committee shoul be strengthened.	
	Why/impact	This would strengthen existing controls over the procurement process.	
Page 97	Summary findings	Our review of internal audit reports and Audit and Governance Committee papers identified the Council does not consistently report the use of procurement waivers to the Audit and Governat Committee.	
	Management comment	We note the recommendation. We will include this as standard information in periodic reports to the Audit and Governance Committee.	



#### The range of recommendations that external auditors can make is explained in Appendix C.

### **COVID-19 arrangements**

In March 2020, the Chief Executive implemented an emergency governance structure so that operational decisions could be effectively managed, and that key issues and risks could be escalated quickly to Chief Officers. The Council also responded quickly to adapt service delivery and meet Government requirements.

The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. I n aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

The Council was able to deliver to budget in 2020/21 and 2022/23 with the assistance of Government COVID-19 support funding.

<sup>(D)</sup> The Council has maintained its quarterly reporting of performance against the targets in the Council Plan throughout the year.

The Council has adapted to new ways of working and was quick to transition staff online at the start of the pandemic, ensuring that key meetings could still be delivered. The Council rolled out agile working across the organisation and ensure that all staff can work flexibly.

Our review to date has not identified any significant weaknesses in the Council's VFM arrangements for responding to the Covid-19 pandemic.

#### Conclusion

Our review has not identified any significant weaknesses in the Council's VFM arrangements for responding to the COVID-19 pandemic. The Council and its members and officers demonstrated their commitment to protecting the services provided during the unparalleled times of the COVID-19 pandemic.



## Appendices

## **Appendix A - Responsibilities of the Council**



Page 100

### Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement. The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



## Appendix B - An explanatory note on recommendations

#### A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	This will be considered and reported upon in the final Auditor's Annual Report	n/a
D Key 101	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	9 to 12
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	15, 18, 19, 23, 24, 25

# Appendix C - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial resilience was identified as a potential significant weakness as mart of our work on financial Sustainability, see page 4 for more details.	Considered the Council's arrangements in setting, monitoring and reporting the budget.	We are satisfied that the Council has appropriate arrangements in place to ensure it manages risks relating to financial resilience.	Appropriate arrangements are in place, with one improvement recommendation raised in relation to this issue.
A ate production and poor quality of the financial statements was identified as a potential significant weakness as part of our work on governance, see page 4 for more details.	Considered the arrangements in place to prepare the financial statements including the response to the audit process.	The Council does not have satisfactory arrangements in place to prepare timely financial statements that are free from material error.	Significant weakness identified with one key recommendation raised in relation to this issue.
The arrangements for governance and improving economy, efficiency and effectiveness for the Council's company Tawd Valley Developments Limited were identified as a potential significant weakness, see page 4 for more details.	Considered the arrangements with the company and the oversight the Council has in place.	We are satisfied the Council has appropriate arrangements in place for the oversight of the Tawd Valley Developments Limited company.	Appropriate arrangements are in place, with one improvement recommendations raised in relation to this issue.
Procurement was identified as a potential significant weakness as part of our work on governance and improving economy, efficiency and effectiveness, see page 4 for more details.	Considered whether the Council has appropriate arrangements in place to ensure procurement procedures are followed	The Council does not have satisfactory arrangements in place to ensure all procurement procedures are followed.	Significant weakness identified with two key recommendations and one improvement recommendation raised in relation to this issue.



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#### [LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP Royal Liver Building LIVERPOOL L3 1PS

[Date] -

Dear Sirs

#### West Lancashire Borough Council Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of West Lancashire Borough Council and its group undertaking, Tawd Valley Developments Limited, for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land buildings and investment properties, depreciation, significant income and expenditure accruals, fair value of PWLB debt and AIP loan notes and valuation of pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the group and Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as *[they are immaterial to the results of the Council and its financial position at the year-end OR list reasons]*. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
  - a. the nature of the group and Council means that, notwithstanding any intention to liquidate the group and Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- xv. We have considered the valuation of our land and buildings, investment properties and council dwellings. We confirm that these valuations are based on accurate inputs appropriate to the type of asset and in line with accounting standard requirements and CIPFA code requirements. We are satisfied the values in the financial statements accurately reflect the value of the assets and are not materially different.
- xvi. We are aware that the valuations of our investment properties were performed as at 1 January 2021. We confirm that we have adequately considered how these asset values have changed between that date and the balance sheet date and are satisfied that the valuation of investment property in the accounts is materially correct as at 31 March 2021.

#### Information Provided

- xvii. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

#### **Annual Governance Statement**

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

#### Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

#### Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 26 July 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council





AGENDA ITEM:

AUDIT AND GOVERNANCE COMMITTEE:

26 July 2023

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

Contact for further information: Mrs J Pendleton (Extn. 2603) (E-mail: Jacqui.Pendleton@westlancs.gov.uk)

## SUBJECT: INTERNAL AUDIT ANNUAL REPORT AND OPINION 2022/23

Wards affected: Borough wide

## 1.0 PURPOSE OF THE REPORT

1.1 To present the 2022/23 Internal Audit Annual Report and Opinion for consideration.

## 2.0 **RECOMMENDATION**

2.1 That the Internal Audit Annual Report and Opinion for 2022/23 be noted.

## 3.0 BACKGROUND

- 3.1 The United Kingdom Public Sector Internal Audit Standards require the Internal Audit Manager to deliver an annual opinion and report. Consideration of the report is included in this Committee's Terms of Reference.
- 3.2 The report identifies matters which the Corporate Compliance and Governance Manager considers relevant to Member's consideration of the Annual Governance Statement and Statement of Accounts.

## 4.0 SUMMARY OF FINDINGS

4.1 Based upon the work undertaken by Internal Audit in respect of 2022/23 the opinion of the Corporate Compliance and Governance Manager on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is moderate assurance.

## 5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

## 6.0 FINANCIAL AND RESOURCE IMPLICATIONS

6.1 All activity referred to in this report is covered by existing budget provisions.

## 7.0 RISK ASSESSMENT

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

## Background Documents

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

## Equality Impact Assessment

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

## **Appendices**

Appendix 1. - Internal Audit Annual Report and Opinion 2022-23.



# Internal Audit Service

# Annual Internal Audit Report and Opinion 2022/23

Jacqui Pendleton Corporate Compliance & Governance Manager West Lancashire Borough Council

July 2023

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# **Executive Summary**

The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Councils Internal Audit Charter. The Corporate Compliance and Governance Manager is obliged, under PSIAS, to provide an annual report summarising the work undertaken by internal audit during the financial year just closed, and to provide an overall opinion on West Lancashire Borough Council's frameworks of governance, risk management and control.

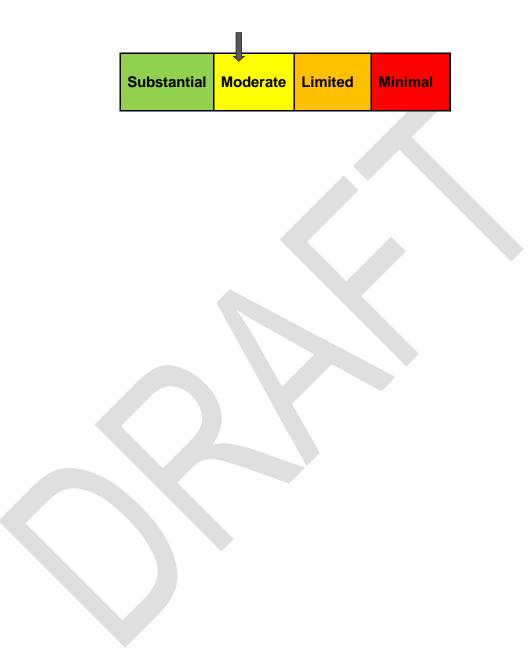
In respect of 2022/23, 24 assurance audits were completed, 20 of which recorded an audit opinion. The overall audit opinions given in the assurance audit reports can be summarised as:

Assurance Opinion	Assessment of Internal Control	Number
Substantial Assurance	Level of Assurance = High	1
	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. There is a low risk of fraud, negligence, loss or	
	damage to reputation.	
Moderate Assurance	Level of Assurance = Medium 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. There is a medium/low risk of fraud, negligence, loss or damage to reputation.	8
Limited Assurance	Level of Assurance = Low	11
	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.	
	There is a medium risk of fraud, negligence, loss or damage to reputation.	
No Assurance	Level of Assurance = None	0
	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.	
	There is a high risk of fraud, negligence, loss or damage to reputation.	

Additionally, the Internal Audit Service have undertaken seven follow up reviews which have resulted in confirmation that Internal Audit recommendations have been implemented or work is

progressing well to implement recommendations. All of the follow up reviews undertaken have seen their assurance opinion increase.

Based upon the work undertaken by Internal Audit in respect of 2022/23, the opinion of the Corporate Compliance and Governance Manager on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is **Moderate Assurance**.



# 1. Introduction

- 1.1 In accordance with the Accounts and Audit Regulations 2015, the Council must ensure that it provides adequate and effective internal audit arrangements in respect of its accounting records and systems of internal control, and that it conducts an annual review of the effectiveness of these. In addition, these arrangements must be delivered in accordance with the Public Sector Internal Audit Standards (PSIAS), revised in January 2017.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) 2017 define internal audit as:

"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."

- 1.3 The work carried out by the Internal Audit Service involves reviewing and reporting on the control environment established by management to:
  - Determine and monitor the achievement of the Council's objectives.
  - Identify, assess and appropriately manage the risks to achieving the Council's objectives.
  - Facilitate policy and decision making.
  - Ensure economical, effective and efficient use of resources.
  - Ensure compliance with established policies, procedures, laws and regulations.
  - Safeguard the Authority's assets and special interests.
- 1.4 The work streams set out in the Internal Audit Plan 2022/23, approved by this committee on 31 May 2022 are a primary source of assurance upon which the Corporate Compliance and Governance Manager's opinion is based. The plan presented and approved by Audit and Governance Committee Members was a twelve-month plan running from 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023.
- 1.5 In arriving at this opinion, assurance can never be absolute and therefore, only moderate assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on
  - A summary of the Internal Audit work completed during the year
  - The results of any follow up audit reviews in respect of previous and current years internal audit work
  - The results of other review bodies where appropriate
  - A summary of the developments within Internal Audit during the year
  - The quality and performance of the internal audit service and the extent of the compliance with the Public Sector Internal Audit Standards (PSIAS)
  - The Corporate Compliance and Governance Managers key observations and knowledge of the organisation.
- 1.6 It can be confirmed that there was no impairment to Internal Audit objectivity during 2022/23.

# 2. Internal Audit Work Undertaken During 2022/23

- 2.1 During the financial year 2022/23 the Internal Audit Service had a full complement of 3.8 FTE staff. Part way through the year, one Internal Auditor was promoted to the post of Information Governance and Operational Compliance Manager (DPO) within the Corporate Compliance and Governance Service. A number of unsuccessful recruitment exercises have been undertaken to recruit to this Internal Auditor vacancy. It has now been agreed that this post will be reviewed and changed to a career graded post as recommended by the PSIAS external assessor.
- 2.2 The 2022/23 Internal Audit Annual Plan was compiled by the Corporate Compliance & Governance Manager using a Risk Based approach, consulting with members of the Corporate Management Team and considering the Councils objectives considering known local and external influences on risks to their achievement.
- 2.3 The 2022/23 plan was approved by the Audit and Governance committee on 31 May 2022 and was kept under review throughout the financial year. A few amendments were made to the Internal Audit plan throughout the year, and these were reported to this committee at the earliest opportunity. Any audits that were not undertaken during 2022/23 have been reassessed and where appropriate transferred to the 2023/24 Internal Audit Annual Plan.
- 2.4 During the year, 24 audit reviews have been completed to report stage, these include planned and unplanned reviews. The assurance opinions, where applicable, Internal Audit provided on the audit reviews carried out in the year are as follows:

Assurance Audits	Audit Opinion
Country Park and Rangers	Limited
Drainage and Watercourses	Limited
Clinical Waste	Limited
Playground Inspections	Limited
Environmental Protection - Response to Complaints	Limited
Property Services Compliance - Gas	Limited
Property Services Compliance – Electric	Moderate
Voids	Limited
Business Grants Covid - 19 Post Payment Assurance	N/A
Commercial Property Compliance – Leisure	Limited
Assurance Mapping	N/A
Corporate Governance	Moderate
Procurement – Fleet Contract - Tyres	Limited
Financial Systems	
Housing Benefits and CTRS	Moderate
Creditors	Moderate
Debtors	Moderate
Council Tax	Moderate
Business Rates	Substantial
Payroll – Implementation of Fusion LCC	Limited

Final Reports Issued

Rents	Moderate
Treasury Management – Corporate Credit Card	Moderate
Information Governance	
GDPR – Door Security	Limited
NHS DPST submission	N/A
Compliance	
Public Sector Internal Audit Standards Review	N/A

- 2.5 With the full support of the Councils Corporate Management Team, a positive drive to address and ensure full implementation of outstanding audit recommendations has taken place during the year. This has seen weekly summary reports on the status of outstanding audit recommendations being provided to the Chief Operating Officer, Corporate Director and Heads of Service. There has been a significant reduction in outstanding audit recommendations from previous years.
- 2.6 Internal Audit have continued to work with Service Managers to ensure that any new audit recommendations are implemented in accordance with agreed Management Action Plans. In addition to weekly summary reports, progress to implement recommendations is also being formally reported to CMT on a quarterly basis and the Internal Audit Recommendation Escalation Procedure is utilised where required.
- 2.7 During 2022/23 a monthly compliance report was introduced and provided to each Head of Service for their respective service area. The report RAG rates the service in relation to their compliance status for Internal Audit, Risk Management, Insurance, Information Governance and Procurement. The Corporate Director of Transformation, Housing and Resources and Corporate Compliance and Governance Manager discuss the contents of the report with each Head of Service and set targets for improvement or action where necessary.

## Counter Fraud Work and Investigations

- 2.8 A review of the Councils' counter fraud arrangements was delayed due to other audit work priorities associated with unplanned work and will now be undertaken by the Corporate Compliance & Governance Manager during 2023/24 using CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and the Fighting Fraud and Corruption Locally A Strategy for the 2020's. Details of findings and any action plan produced will be reported to CMT and the Audit and Governance Committee during 2023/24.
- 2.9 The Corporate Compliance & Governance Manager acts as the Councils Key Contact for the National Fraud Initiative (NFI). During the year the Corporate Compliance & Governance Manager worked with colleagues across the Council to collate data sets for upload into the Cabinet Offices NFI portal. This allowed for effective data matching using data from other local authorities and public sector organisations, e.g., Department for Work and Pensions, National Health Service, to be undertaken. Results have been received and there are currently 79 reports available containing 1951 matches. High fraud matches will be reviewed in the first instance and outcomes will be reported to the Audit and Governance Committee in due course.
- 2.10 In addition to planned activity, Internal Audit have a role in the investigation of fraud and irregularity, responding to items referred to it in accordance with established procedures. There have not been any referrals for investigation during 2022/23.

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# 3. Internal Audit Developments

- 3.1 The Internal Audit Service is always looking to improve and be as efficient as possible whilst providing a first-class service and adding value. An annual review of working papers and reporting was undertaken, and slight amendments to the format of the report were made and implemented during the year.
- 3.2 The Internal Audit Service is required to comply with the PSIAS. Each year an internal assessment in relation to ongoing compliance with PSIAS is undertaken by an Internal Auditor in liaison with the Corporate Compliance and Governance Manager and findings form part of the Quality Assurance and Improvement Programme (QAIP). Every five years the Internal Audit Service must undergo an external review of their compliance with PSIAS, and this must be reported to Management and Audit & Governance Committee. An external review was undertaken by CIPFA in February 2023 and further information is detailed in Section 5 of this report.
- 3.3 All members of the Internal Audit Service work flexibly and have adapted to new ways of working and undertaking Internal Audit Reviews. This year there has been an increase in the number of face-to-face meetings now that Covid 19 restrictions have been removed. Even though Covid 19 restrictions have been lifted Internal Auditors have continued to use other methods for collecting and analysing evidence which worked well, and this has led to more efficient use of time.
- 3.4 The Internal Audit Service will continue to review its practices to ensure that it stays current and continue to add value to the Council.

# 4. Corporate Compliance and Governance Manager's Key Observations

## **Corporate Governance**

- 4.1 The Internal Audit Service undertook the annual review of the Councils compliance with the CIPFA Delivering Good Governance in Local Government Framework 2016 Edition for the financial year 2022/23. The final report is about to be issued and this will be monitored using Pentana. The Council's Corporate Management Team (CMT) will have up to date information on the status of findings and recommendations via a dashboard in Pentana.
- 4.2 Governance Assurance Statements (GAS) have been provided to CMT members to complete for the 2022/23 financial year. This enables them to demonstrate their compliance with Corporate Governance Principles and if required report any issues that they perceive to be a significant governance issue.
- 4.3 Work to address the significant governance issues reported in the Annual Governance Statement 2021/22 has been ongoing and good progress has been made. This progress has been reported in the Annual Governance Statement 2022/23.
- 4.4 The planned assurance work undertaken by Internal Audit helps to inform the production of the Annual Governance Statement (AGS). The AGS for 2022/23 will be reported to the Audit & Governance Committee as part of the Council's financial statements for the year in due course.

## **Risk Management**

- 4.5 During the year a significant amount of work has been undertaken to further embed Risk Management in the Council. The Risk Management Policy and Toolkit was reviewed and updated during the year and presented to the Audit and Governance Committee for approval. Staff and Members have received training by the Risk and Insurance Officer and a range of training information and videos are readily available to staff and members to access on the Risk Management intranet page.
- 4.6 All Council risks are recorded on the Pentana Risk system, and these are routinely monitored, updated as and when required and reported on by risk owners/champions. Key risks are reported to the Executive Overview and Scrutiny Committee and Cabinet every six months which gives members the opportunity to review and if required challenge.
- 4.7 During 2022/23 an external assessment of Risk Management in the Council was undertaken by the Council's insurers. The following positive results were reported:
  - Strong, clear and consistent messaging from Leadership around Risk Management
  - Embedded processes for Corporate Risks around review, escalation and monitoring from both officers and members at the council.
  - Use of Risk Appetite to support review and decision making.
  - Comprehensive suite of training material for staff, newsletters, webinars, 3<sup>rd</sup> party delivery.
- 4.8 Overall the Council was judged to have a Level 3 Managed risk maturity. The assessor noted that "given the complexity of services provided and the resources often available to support risk management within the public sector, a good score is considered at level 3, Managed, whilst most local authorities would be judged to be level 2, In Development."

- 4.9 The following key opportunities were recommended and work to implement these is ongoing:
  - Operational risk management is behind the corporate risk management; it requires further work to embed a process and ensure risks are reviewed and reported at Head of Service level.
  - Key person dependency on the Risk and Insurance Officer post holder, consider utilising a Risk Champions network within departments to support the Risk & Insurance Officer in managing the risk management process.
  - Incorporate Risk Management into other areas of reporting and consideration, such as performance.

## Information Governance

- 4.10 Information Governance has continued to be a priority for the council and work has taken place to ensure that the Council remains compliant with UK GDPR.
- 4.11 To enable the Council to continue to utilise NHS patient level data for strategic service planning purposes, it must comply with the requirements of the NHS Data Security and Protection Toolkit (DSPT). Work was undertaken to ensure that each of the NHS DSPT statutory assertions was complied with. Internal Audit undertook an independent review of each assertion and supporting evidence before it was successfully uploaded to the NHS portal before the statutory deadline date.

## **Business Grants**

4.12 The Council has recently received a report from the Department of Business, Energy and Industrial Strategy to confirm that their review of a sample of support grants processed by Staff at the Council has been completed and it was found that none of the businesses reviewed had been identified as being ineligible for the grant they received. This is testament to the diligence and hard work of the Council staff involved in the management and processing of grants to local businesses and the internal systems that were introduced in a very short timeframe.

## Procurement

- 4.13 During 2022/23 the Councils Procurement Service underwent significant change and moved from a decentralised service to a centralised service. The Service was initially part of the Corporate Compliance and Governance Service, managed by the Corporate Compliance and Governance Manager, however, the Council's external auditor expressed concern about this management arrangement in relation to the potential or perceived conflict of interest and impact on the Corporate Compliance and Governance Manager's independence. In order to address the external auditors findings and recommendations the management of the procurement service was transferred to the Head of Finance, Procurement & Commercial Services.
- 4.14 Additional value for money work was carried out by the external auditor due to the outcome of the internal audit report on the work carried out at Derby Street and Robert Hodge Centre. At the time of writing the outcome of this work is not yet known. There is a risk that any findings and recommendations made by the external auditor may impact on the Corporate Compliance and Governance Manager's annual opinion.

# 5. Quality Assurance and Improvement Programme (QAIP)

5.1 An internal self-assessment of the Internal Audit Services compliance with PSIAS has been undertaken during 2022/23 and the QIAP action plan updated accordingly. Work has been undertaken to address the actions noted in the self-assessment in time for the external assessment that was undertaken in February 2023.

## **External Assessment**

5.2 An external assessment must be conducted at least every five years, in accordance with the PSIAS. The five-year assessment was due in early 2023 and the appointment of the External Assessor and scope of the external assessment was approved by the Audit and Governance Committee at its meeting in October 2022. The external assessment took place in February 2023 by CIPFA which confirmed that the Internal Audit Service "Generally Conforms" to Internal Professional Practice Framework, PSIAS and Local Government Application Note. The next external assessment is due for February 2028.

## Internal Assessment

- 5.3 The Internal Audit Service have defined processes in place for conducting its Internal Audit Reviews including the use of standard documentation for audit briefs, working papers and reports.
- 5.4 The Corporate Compliance & Governance Manager reviews and signs off all Audit Briefs before they are provided to the auditee. Quality assurance is also undertaken by the Corporate Compliance & Governance Manager to ensure consistency, quality and compliance with the service's standard planning, fieldwork and reporting processes. Additionally, the Corporate Compliance & Governance Manager reviews all pre-draft, Draft and Final Reports before they are issued.
- 5.5 As part of the final report issuing process, a customer survey is issued, and results maintained which forms part of one of the services key performance indicators.
- 5.6 The Corporate Compliance & Governance Manager meets with each Internal Auditor on a monthly basis for a one-to-one session and regular team meeting are also held.

# Internal Audit Performance Indicators

Indicator	Target	2022/23 Actual	Purpose
% 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 2023	97%	This measures the extent to which the Internal Audit Plan agreed by Audit and Governance Committee is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the Council's systems.
% Audit recommendations accepted by management, analysed by Priority Level	Priority 1 = 100% Priority 2 = 95% Priority 3 = 90%	100%	Acceptance of audit recommendations by Management ensures that where improvements are required to the internal control environment, appropriate action will be taken to secure these enhancements.
			However, there can be occasions where recommendations are disputed. In these cases, there may be justifiable reasons for management not supporting the recommendation, e.g., compensating controls have been put in place.
			Conversely, management can take the decision to accept the risks identified, particularly if insufficient resources preclude action being taken.
			However, this will mean that there are vulnerabilities in systems of internal control, which are not being addressed and details of which must be recorded on Pentana.
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%	Ensures that Audit Reports are issued in a timely manner with any findings and recommendation being relevant.
Customer Satisfaction Feedback	95% of feedback is Very Good, Good or Average rating	100%	Ensures that the service being provided by Internal Audit continues to add value. Any negative feedback will be treated constructively and help to improve the service as required.

5.7 The following Performance Indicators were used during 2022/23 and the results for the year are as follows:

# 6. Organisational Independence

- 6.1 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 Corporate Compliance and Governance Manager can confirm that that there have not been any impairments to the objectivity and independence of the team.
- 6.2 The framework also 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, Monitoring Officer and Senior Management.
- 6.3 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.
- 6.4 The Corporate Compliance and Governance Manager assumes responsibility for the following Services:
  - Internal Audit
  - Risk Management
  - Insurance
  - Information Governance
- 6.5 In order to ensure that the independence of the Corporate Compliance and Governance Manager is not impeded when internal audit reviews are undertaken in the areas, she has responsibility for, appropriate controls have been put in place. These controls include:
  - Scope of work being agreed by both the Corporate Compliance and Governance Manager and Corporate Director of Transformation, Housing & Resources or the Head of Finance, Procurement and Commercial Services.
  - Any findings requiring immediate attention will be reported to the Head of Finance, Procurement and Commercial Services and the Corporate Director of Transformation, Housing and Resources.
  - Audit reports will be addressed to the Corporate Director of Transformation, Housing & Resources and implementation of recommendations will be required in accordance with the Internal Audit Recommendation Escalation Procedure.
  - In the event that the Corporate Compliance and Governance Manager does not adhere to the Internal Audit Recommendation Escalation Procedure, the Principal Auditor can and will report non-compliance to the Head of Finance, Procurement and Commercial Services, Corporate Director of Transformation, Housing & Resources and if necessary, the Chair of the Audit and Governance Committee.

# 7. Overall Opinion for 2022/23

- 7.1 Based upon the work undertaken by Internal Audit in respect of 2022/23, the opinion of the Corporate Compliance and Governance Manager on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is **moderate assurance**. This means that there is a generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some council objectives.
- 7.2 Whilst it should be acknowledged that there are a number of audit reviews that received a limited opinion, work to address and implement recommendations has been carefully monitored and the Corporate Compliance and Governance Manager is satisfied with the progress that is being made by Service Managers. A number of follow up audit reviews have been undertaken and all have seen their assurance rating move up to the next rating.
- 7.3 Additionally, the support and work by management to address the outstanding audit recommendations from previous years has resulted in a high volume of outstanding audit recommendations being fully implemented and embedded into Council systems and processes. Work to address the significant governance issues that were reported in the 2019/20 and 2020/21 Annual Governance Statements has been ongoing and mainly addressed.
- 7.4 In forming my opinion on the Council's internal control environment, risk management process and corporate governance, I have considered the work undertaken by the Internal Audit Service throughout the year, reports undertaken by external parties, progress made to implement recommendations made by Internal Audit, conversations with members of CMT and utilised documentation that has been provided throughout the year.
- 7.5 It must be noted, however, that at the time of writing the Council's external auditor has not signed off the accounts for the years 2020/21 or 2021/22. The outcome of the external auditors findings may present a risk to the Councils control framework, and result in a future change to this opinion.
- 7.6 It should also be noted that no system of control can give absolute assurance against material misstatement or loss and, accordingly, this opinion does not provide such an absolute assurance.

# Definition of Corporate Compliance and Governance Manager Opinions

Opinion	Definition
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of Council objectives.
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non- compliance or scope for improvement were identified which may put at risk the achievement of Council objectives.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of Council objectives.
Minimal	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of Council.



AUDIT AND GOVERNANCE COMMITTEE: 26 July 2023

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

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

## SUBJECT: INTERNAL AUDIT ACTIVITIES – PROGRESS REPORT

Wards affected: Borough wide

## 1.0 PURPOSE OF THE REPORT

1.1 To advise of progress against the 2023/24 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 2023/24 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 2023 to 30 June 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 Internal Audit Annual Plan for the period 1 April 2023 to 30 June 2023 is satisfactory with 14% 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.

## 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 Activities – Progress Report

July 2023

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	endix B Definition of Audit Assurance Opinions and Priority Levels for Recommendations for 3/24	

# 1. Summary of Progress against Internal Audit Plan 2023/24

Assurance Audits	Stage of Audit	Audit Opinion	Reported to A&G committee
Parking Services	Pre-Draft report		
Community Infrastructure Levy	Fieldwork		
Ormskirk Gift Card			
Starters/Movers/Leavers			
Aids & Adaptations - Private Sector Housing	Pre-Draft Report		
Money Advice Service	Brief Issued		
Cleaning Services			
Governance Review Project - CIPFA Audit Committee Guidance Compliance			
New Homes Bonus / Council Tax	Audit Brief Issued		
Procurement			
Rate Revaluation - Commercial Properties			
Corporate Governance – Annual Review to support AGS	Fieldwork		
Grant Management - Cross Cutting	Pre-Draft Report		
Agency Staffing			
Housing Benefits and CTRS			
Creditors			
Debtors			
Business Rates			
Payroll			
Rents			
Main Accounting, incl. Treasury Management			
Information Governance			
Cyber Security			
NHS DPST submission	Complete		
Data Security	Fieldwork Complete		
Fraud			
Managing the risk of Fraud and Corruption Self-Assessment			
Tenancy Fraud			

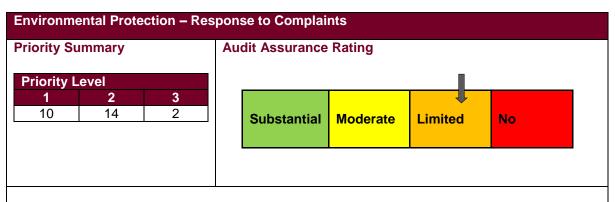
- 1.1 For the period 1 April 2023 to 30 June 2023 progress against the plan for the financial year 2023/24 has been satisfactory. As of 30 June 2023, 14% of planned audit work is either completed or nearing completion.
- 1.2 All work relating to 2022/23 has now been completed in full and final reports issued.
- 1.3 There remains a vacancy of one Internal Auditor following an unsuccessful exercise to recruit a suitable temporary replacement via an agency.

## 2. Audit Assurance Reports

Summary details of the final reports relating to the 2022/23 financial year, issued during the period 15 May 2023 to 30 June 2023 are as follows.

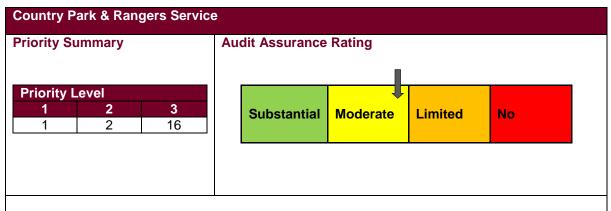
Definitions of the Priority Levels and Audit Assurance Ratings for Internal Audit reviews undertaken during 2022/23 are detailed in Appendix A.

The new definitions of the Priority Levels and Audit Assurance Ratings for Internal Audit reviews to be undertaken during 2023/24 are detailed in Appendix B.:



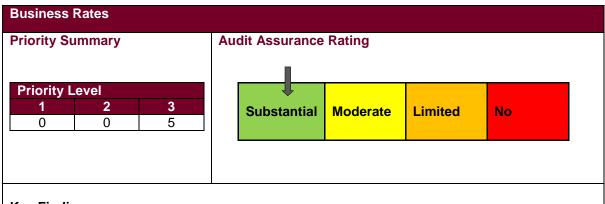
#### **Key Findings:**

- There was no central repository or system in place for recording relevant information for each Leisure owned asset.
- There was no system for recording or visiting all Leisure owned Council Assets to ensure that building and internal fixtures are in a good order.
- A review of leases is required to establish Council and Lessee requirements.
- The new Leisure Procurement Project Co-ordinator has identified areas of improvement since moving into the role and has been pro-active into introducing new systems to ensure compliance.



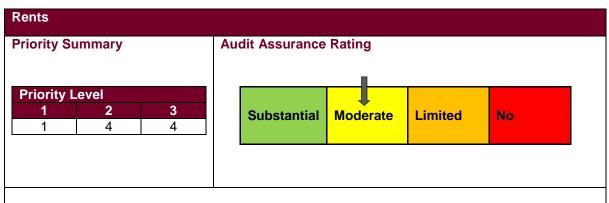
#### **Key Findings:**

- A review of the strategies in place to ensure that they are in line with the Council Plan, Vision and Priorities is required.
- A review of the way the West Lancashire countryside spaces could be promoted with a view to encourage visitors and volunteers to these sites, including update of the webpage is required.
- A One Council approach in respect of the procurement of grass cutting should be explored, by liaising with the Clean and Green Team and Procurement Service.



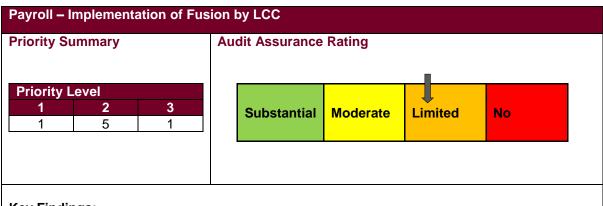
#### **Key Findings:**

- The estimated bad debts and estimated repayment used in the NNDR1 submission should be monitored.
- The working instructions used in the Business Rates section should be updated in accordance with current legislation.



## **Key Findings:**

- Additional checks need to be incorporated into current system processes for garage tenancies where a housing tenancy ceases or a right to buy sale is finalised.
- A few errors around the VAT status on non- Council tenant garage rent accounts were noted and a review of this category of charge should be undertaken.



## Key Findings:

- Issues from the implementation of the new Payroll system by LCC impacted a number of WLBC staff members salary payments.
- Reporting of payroll totals to WLBC.
- Future Payroll contracts should include the need for parallel run and confirmation of output on new systems, this should be from the tender document through to written contract.

# 3. Performance Indicators 2023/24

3.1 The % Completion of the Internal Audit Annual Plan indicator represents the % of the Internal Audit Annual Plan completed.

Indicator	Target	As of 15 January 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 2024	14%
* rain     2024       % Audit     ************************************		N/A
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.	N/A
Customer Satisfaction Feedback	95% of feedback is Very Good, Good or Average rating	N/A

## 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 weekly basis

## <u>2020/21</u>

Two Internal Audit recommendations remain outstanding for 2020/21, and the relevant service area is currently working on their implementation.

## <u>2021/22</u>

From the final reports issued for 2021/22, and at the time of reporting there are 123 open or partially completed recommendations. It should be noted that out of the 123 open recommendations, 121 are within their implementation date, leaving two (1.6%) overdue.

## 2022/23

From the final reports issued for 2022/23 to date, There are 134 open or partially completed recommendations with 93 within their implementation date, leaving 41 (31%) recently becoming due.

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

Financial Year	P1	P2	Р3	Total
2020/21	1	1		2
2021/22	22	74	27	123
2022/23	32	64	38	134
Total	55	139	65	259

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

Appendix A. - Definition of Audit Assurance Opinions and Priority Levels for Recommendations for 2022/23

#### Audit Assurance Opinions

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.

Assurance Opinion	Assessment of Internal Control
Substantial	Level of Assurance = High 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. There is a low risk of fraud, negligence, loss or damage to reputation.
Moderate	Level of Assurance = Medium 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. There is a medium/low risk of fraud, negligence, loss or damage to reputation.
Limited	Level of Assurance = Low 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. There is a medium risk of fraud, negligence, loss or damage to reputation.
No	Level of Assurance = None 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. There is a high risk of fraud, negligence, loss or damage to reputation.

Priorities for Recommendations		
Priority 1	<ul> <li>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:</li> <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	<ul> <li>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:</li> <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	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.	

Appendix B. - Definition of Audit Assurance Opinions and Priority Levels for Recommendations for 2023/24

#### **Audit Assurance Opinions**

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.

Assurance	
Assessment of Internal Control	
Level of Assurance = High	
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.	
There is a low risk of fraud, negligence, loss or damage to reputation.	
Level of Assurance = Medium	
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.	
There is a medium/low risk of fraud, negligence, loss or damage to reputation.	
Level of Assurance = Low	
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.	
There is a medium risk of fraud, negligence, loss or damage to reputation.	
Level of Assurance = Minimal or None	
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.	
There is a high risk of fraud, negligence, loss or damage to reputation.	

Priorities for Recom	mendations
Critical	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. Risk Exposure - Very High
High	Recommendation concerning absence or non-compliance with key control/s which creates significant risks within the organisation. Substantial weakness identified. Risk Exposure - <b>High</b>
Medium	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. Risk Exposure - Moderate Action should be taken with six months
Low	Recommendation concerning minor issue which is not critical, but implementation would improve the system and/or strengthen controls. Risk Exposure - Low Action should be taken with twelve months
Advisory	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.



AUDIT AND GOVERNANCE COMMITTEE 26 JULY 2023

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)

### SUBJECT: Quarterly Report on Procurement Exemptions

Wards affected: Borough Wide Interest

### 1.0 PURPOSE OF THE REPORT

1.1 To report on the Council's use of an exemption from Public Contracts Regulations 2015 and/ or Council's Contract Procedure Rules.

#### 2.0 RECOMMENDATIONS TO AUDIT AND GOVERNANCE COMMITTEE

2.1 That the Council's exemption activity as reported in appendices to this report be noted.

#### 3.0 BACKGROUND

- 3.1 Public bodies must comply to the regulations set down in Public Contract Regulations 2015 and their own internal Contract Procedure Rules in relation to the use of public monies.
- 3.2 In exceptional circumstances, a waiver of certain Public Contract Regulations 2015 and / or Contract Procedure Rules may be required in order to achieve the Council's aims.

### 4.0 MONITORING OF EXEMPTIONS

- 4.1 The Council has not had cause to grant an exemption from Public Contract Regulations 2015 and / or Contract Procedure Rules during the last quarter.
- 4.2 The Council has granted one exemption during the last 12 months.

# 5.0 INDIVIDUAL EXEMPTION REPORTS

- 5.1 Each exemption granted in the last 12 months is annexed to this report.
- 5.2 Appendix 1 details an exemption granted in January 2023 in relation to ESRI.

# 6.0 SUSTAINABILITY IMPLICATIONS

6.1 There are no significant sustainability impacts associated with this report.

# 7.0 FINANCE AND RESOURCE IMPLICATIONS

- 7.1 There are no significant financial and resource implications arising from this report.
- 7.2 Individual exemption reports assess the financial impact of the decision.

### 8.0 RISK ASSESSMENT

- 8.1 Without the use of an exemption the Council may not be able to carry out its duties to the public.
- 8.2 Each exemption is considered on its own merit and risk-based decision is made.

### 10.0 HEALTH AND WELLBEING IMPLICATIONS

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

#### **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 exemption.

#### Appendices

1. Appendix 1 – Esri Exemption Report Jan 23.

#### West Lancashire Borough Council

#### Procurement Practice Note No. 17: Exemption to Contracts Procedure Rules to be granted by Chief Operating Officer

The attached document should be completed by the officer seeking the exemption.

The document should then be signed by the officer seeking the exemption and presented to the Procurement and Contracts Manager who should then complete the relevant section of the document either endorsing the request for an exemption to Contracts Procedure Rules or detailing why it may not be wise to grant the exemption requested.

The Procurement and Contracts Manager should then present the request document to the Chief Operating Officer for signature.

Any queries about the completion and/or submission of the attached pro forma should be made to the Procurement and Contracts Manager, the Procurement Officer, or the Finance and Audit Manager.

#### Request for Exemption from Contract Procedure Rules

#### to be granted by the Chief Operating Officer

#### To: Chief Operating Officer

From: Tim Hodge

Service: Estates

Title of proposed Contract: Arc GIS Software Licence and Maintenance – supplied by ESRI

What will be purchased under the Contract: ESRI provide GIS (Geographical Information System) solutions for WLBC. The software that they predominantly supply is ArcMap which is used by several members of staff within the Council. ArcMap also links with Uniform and this contract covers the support that they provide for any issues that arise within these systems. We are purchasing 6 licences for ArcMap and maintenance (support) for these systems.

#### Estimate value of Contract: £ 23,415

**Contracts Procedure Rule to which exemption is sought:** 6. Where the estimated value or amount of a proposed contract will exceed £10,000 but will not exceed £50,000 the appropriate Senior Officer shall obtain not less than three written quotations and accordingly, these Rules shall have no application in relation to such contracts insofar as they relate to the invitation, submission, custody, acceptance or opening of tenders. (Notes 2, 3, 11, 16 and 24)

It is not practicable to approach Cabinet (or another appropriate body of Members) to request an exemption to the above Contracts Procedure Rule because Time Constraints

**Reason that compliance with Contract Procedure Rules is not practicable:** N15. (i) Rule 4 relates to the waiver of Contract Procedure Rules under special circumstances. 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

Insert details of any competitive prices which have been obtained or benchmarking exercises carried out: None carried out

If Contracts Procedure Rules are exempted how can the Council be sure that the procurement process will be fair and transparent and that value for money will be obtained?

Price quoted is reasonable compared to previous years costs

#### Additional Information:

This is a temporary, one-off solution and work with procurement over the next 12 months will benchmark the pricing against other similar software or explore the use of other software's and complete a tender process. The aim would be to secure a longer term contract with optional extension periods.

If an exemption to Contract Procedure Rules is granted by the Chief Operating Officer you will need to produce, for your Head of Service's sign-off, an appropriate article for publication in the next "Members Update"; state here the issue number of the Members Update in which the article will appear: 1

I hereby request an exemption to the Contract Procedure Rule stated above for the reasons explained

Rnosting

Signed by officer seeking exemption:

Date: 26/01/2023

#### **Comments from Procurement**

(i) Having considered this request for an exemption to Contracts Procedure Rules it is my opinion that there are no factors which would prevent the Chief Executive from granting the exception if she is so minded to do.

\*\*The service area are aware this is a one off solution and work will be required in the coming months to secure a more long term, benchmarked or tendered solution.\*\*

	(alacon)	
Signed		Procurement and Contracts Manager

Date ......26.01.23.....

#### Grant of Exemption

Having considered the above I hereby exercise my delegated authority and grant the exemption to the Contract Procedure Rule(s) sought.

(F

Director of Transformation and Resource

Date: 27/01/2023

Signed

Signed

- Chief Operating Officer

Date 27/01/2023

Once this document has been signed by the Chief Operating Officer it should be returned to the officer seeking the exemption; the Chief Operating Officer may wish to keep a copy for record purposes

PROCUREMENTPRACTICENOTENO.17



AUDIT AND GOVERNANCE COMMITTEE: 26 July 2023

Report of: Head of Legal and Democratic Services

Relevant Portfolio Holder: Councillor Y Gagen, Leader

Contact for further information: Mrs K Lovelady (Ext 5075) (E-mail: <u>kay.lovelady@westlancs.gov.uk</u>) Mrs J Williams (Extn. 3264) (E-mail: <u>judith.williams@westlancs.gov.uk</u>)

# SUBJECT: REGULATION OF INVESTIGATORY POWERS ACT - USE OF POWERS

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 Powers Act 2000 (RIPA).

#### 2.0 RECOMMENDATIONS TO AUDIT AND GOVERNANCE COMMITTEE

2.1 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.

#### 3.0 BACKGROUND

3.1 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.

#### 4.0 MONITORING OF RIPA ACTIVITY

- 4.1 In the last 12 months no covert surveillance has been authorised.
- 4.2 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.

### 5.0 SUSTAINABILITY IMPLICATIONS

5.1 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.

#### 6.0 FINANCE AND RESOURCE IMPLICATIONS

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

### 7.0 RISK ASSESSMENT

7.1 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.

### 8.0 HEALTH AND WELLBEING IMPLICATIONS

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

#### **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.



AGENDA ITEM:

AUDIT AND GOVERNANCE COMMITTEE:

26 July 2023

Report of: Head of Finance, Procurement and Commercial Services

Contact for further information: Mr T Furber (E-mail: <u>tony.furber@westlancs.gov.uk</u>) Mrs J Pendleton (Ext 2603) (E-mail: <u>jacqui.pendleton@westlancs.gov.uk</u>)

### SUBJECT: Annual Governance Statement 2021/22 and 2022/23

Wards affected: Borough wide

### 1.0 PURPOSE OF THE REPORT

1.1 To consider the Council's Annual Governance Statement for 2021/22 and 2022/23

#### 2.0 **RECOMMENDATION**

- 2.1 That the Annual Governance Statement 2021/22, set out in Appendix 1, be approved and commended to the Leader and Chief Operating Officer for signature.
- 2.2 That the Annual Governance Statement 2022/23, set out in Appendix 2, be approved and commended to the Leader and Chief Operating Officer for signature.
- 2.3 Any subsequent changes to the Annual Governance Statements, following receipt the final external audit reports, be undertaken by the Head of Finance, Procurement and Commercial Services (s151 officer) in consultation with the Chair of Audit and Governance Committee.

#### 3.0 BACKGROUND

- 3.1 The Accounts and Audit Regulations require the Council to publish an Annual Governance Statement with its financial reports.
- 3.2 The terms of reference of this Committee include responsibility for approving the Annual Governance Statement and commending it for signature by the Leader and Chief Operating Officer.

### 4.0 CURRENT POSITION

- 4.1 The Annual Governance Statement provides a summary of the Council's internal control environment and a review of its effectiveness. The draft statements for 2021/22 and 2022/23 confirm that the framework was adequate and working effectively. However, it should be noted that the external audit of the Councils accounts has not concluded for 2020/21 or 2021/22 and therefore there may need to be revisions to the draft statements following the issue of the external auditors final audit reports.
- 4.2 Within the Annual Governance Statements, the council acknowledges its responsibility for ensuring that a sound system of governance is maintained and details the foundations of the governance framework and the key roles of those responsible for the development and maintenance of the governance environment.
- 4.3 The Annual Governance Statements also record the progress made to address any previous significant governance issues and reports any ongoing significant governance issues highlighted from the recent review and how they will be addressed by the Council.

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

#### 7.0 RISK ASSESSMENT

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

#### 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. Annual Governance Statement 2021/22
- 2. Annual Governance Statement 2022/23

### 2021-22 ANNUAL GOVERNANCE STATEMENT

#### 1. Introduction and Scope of Responsibility

This statement provides an overview of how West Lancashire Borough Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. Governance comprises the systems and processes, culture, and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community.

A summary of signification governance challenges which the Council faces is given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is remaining to be done. This provides transparency and gives assurance that the Council is committed to continually improve the way in which it functions.

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively.

The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

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

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

West Lancashire Borough Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government 2016.

This statement explains how the Council has complied with the code and also meets the requirements the <u>Accounts and Audit Regulations (England & Wales) Regulations 2015</u> regulation 6 (1) which requires all relevant bodies:

- Conduct a review of the effectiveness of the system of internal controls.
- Prepare an Annual Governance Statement.

It should be noted that the Council also fulfils a governance role in relation to Tawd Valley Development Company for which it is a shareholder.

#### 2. What is Corporate Governance?

Corporate Governance generally refers to the processes by which organisations are directed, controlled, led, and held to account. The Council's governance framework aims to ensure that in conducting business it:

- Operates in a lawful, open, inclusive, and honest manner
- Ensures that public money is safeguarded, properly accounted for and used economically, efficiently, and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the way it operates.

### 3. **The Purpose of the Framework**

The governance framework comprises the systems, processes, culture, and values by which the Council is directed and controlled and the mechanisms through which it accounts to, engages with, and leads the community. The framework brings together an underlying set of legislative requirements, good practice principles and management processes and enables the Council to monitor the achievement of its Vision and priorities:



By adhering to this framework, it enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Both risk management and internal control are a significant part of the Council's framework and are designed to manage risk to a reasonable level. These safeguarding processes cannot eliminate all risk of failure to achieve policies, aims and strategic objectives and can therefore only provide reasonable and not absolute assurance of their effectiveness.

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

### 4. Annual Review of Effectiveness of the Governance Framework

The Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. After conducting the review, the council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance.

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which for the basis of the Council's Code of Corporate Governance.

The seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) are as follows:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.



The review of effectiveness is informed by:

- Corporate Management Team and Senior Managers Responsibility for the development and maintenance of the governance environment and internal control lies with the Chief Operating Officer and Corporate Management Team within their service areas. Their feedback and comments are provided in annual Governance Assurance Statements and are an essential part of this review.
- The Internal Audit Manager's Annual Report and Opinion 2021/22 In terms of the year to March 2022 the Internal Audit Manager can provide "moderate assurance" that the Council's governance, risk and control framework was generally sound and operated reasonably consistently in the year. The full report and opinion is set out in the <u>Internal</u> <u>Audit Annual Report and Opinion 2021/22</u> that was presented to Audit & Governance Committee 27 July 2022.
- Feedback, recommendations, and comments made by the external auditors and other review agencies and inspectorates.

#### **Decision Making and Scrutiny**

The Council approved the overall policy and budgetary framework for the financial year 2021/22. Cabinet subsequently made decisions at various points throughout the year that were in line with this policy and budget framework. The decisions of the Cabinet have been the subject of scrutiny through the Council's Overview and Scrutiny Committees which met regularly during the year.

Each Overview and Scrutiny Committee had a work programme for the year and reviewed a range of current activities and potential issues as part of that programme.

All decisions made by Committees, Council, Cabinet, Cabinet Member (under their delegated powers) and Chief Officer executive decisions are recorded and published online for transparency.

Delegation arrangements for Cabinet Members are reviewed annually by the Legal and Democratic Services Manager as part of the Constitution review process.

The Council publishes a calendar of meetings and deadlines for the submission of agenda items. Agendas and reports are produced promptly and provided to the relevant Members.

#### Audit and Governance Committee

The Audit and Governance Committee provides independent assurance on the adequacy of the Council's risk, governance, and assurance environment. All political parties are represented on the Audit and Governance Committee.

The Committee met regularly during 2021/22, considering reports, from the Monitoring Officer, the Section 151 (S151) Officer, the Internal Audit Manager (now known as the Corporate Compliance & Governance Manager), and the External Auditor.

#### **Standards Committee**

The Standards Committee role is to promote and maintain high standards of conduct throughout the authority and create a sense of 'ethical well-being' and ensure that Councillors and Co-opted Members within West Lancashire follow the highest standards of conduct. The Annual Report of the Standards Committee is one of the Council's sources of governance assurance. The annual report for 2021/22 was presented to members of the Standards Committee on 20 September 2022.

#### Tawd Valley Development Shareholders Committee

The Tawd Valley Development Shareholders Committee are a cross party committee who have discussions about the future direction of Tawd Valley Developments (TVD), evaluate the company's effectiveness against agreed objectives and business plan; and assess any risks to the Council due to TVD activities. The committee was set up during 2021/22 with the first meeting taking place in March 2022.

#### **Corporate Management Team (CMT)**

CMT consists of the Chief Operating Officer, Corporate Directors, Monitoring Officer, and Heads of Service. It provides senior management and leadership in the development, delivery and communication of Council and borough-wide policy and performance. It has a key responsibility for the development and maintenance of the governance environment.

As part of the corporate governance review for 2021/22 members of CMT have provided formal assurance in respect of their service area, by their responses to the Governance Assurance Statement questionnaires.

#### **External Audit**

Grant Thornton is the Council's appointed External Auditor for 2021/22. The work of the Council's External Auditor includes an examination of the Council's financial statements and an assessment of the degree to which the Council has the required arrangements in place to deliver value for money in the use of its resources.

#### Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of Council activities. It is the duty of the Internal Audit Manager to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council.

Based upon the work of Internal Audit during 2021/22, the Internal Audit Manager provided the Council with an overall opinion of Moderate. Internal audit carried out follow up audit reviews for all recommendations made and reported results to CMT and the Audit and Governance Committee.

The Public Sector Internal Audit Standards were introduced from April 2013 and updated in April 2017. The service was the subject to an external review during 2018/19 which was assessed as being generally compliant with the Public Sector Internal Audit Standards 2017.

#### **Financial Sustainability**

The Council has seen a substantial reduction in the revenue it receives from Central Government over the past decade in real terms and, consequently, has utilised its reserves to achieve a balanced budget over this period. Balanced budgets were achieved for 2021/22 and 2022/23.

#### Financial Management Code

Strong financial management is an essential part of ensuring public sector finances are sustainable, and CIPFA launched a Financial Management Code to support this. Councils are required to be compliant with the Code.

A key goal of the code is to improve the financial resilience of organisations by embedding

enhanced standards of financial management. The code incorporates existing requirements on local government, to give a comprehensive picture of financial management in the Council.

Our evaluation has demonstrated that the requirements of the code are being satisfied.

# How WLBC achieves the Seven Principles

From the evaluation work undertaken during the year the following sections look at how the Council is held to account for the seven principles of Corporate Governance.

# A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub Principle	How West Lancashire Borough Council Achieves
	the Principle
<ul> <li>Behaving with integrity.</li> <li>Demonstrating strong commitment to ethical values.</li> <li>Respecting the rule of law.</li> </ul>	<ul> <li>The Council has an agreed constitution which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. It also refers to the adherence of the Seven Principles of Public Life (the 'Nolan Principles').</li> </ul>
	<ul> <li>The Council has put processes in place to minimise the risk that its councillors and employees act in an improper way (influenced by prejudice, bias or conflict of interest) when dealing with stakeholders.</li> </ul>
	<ul> <li>The Council has Codes of Conduct for councillors and employees. Additionally there is a suite of policies and procedures for councillors and employees which define the standards of behaviour expected. Deviation from these policies may result in the use of the embedded disciplinary processes in place.</li> </ul>
	<ul> <li>The Council has approved Management and Employee Core Expected Behavioural Standards in place. All employees of the Council are expected to display the Employee Core Expected Behavioural Standards whilst they are undertaking their duties. Employees who are appointed as supervisors and managers are expected to display certain Manager Expected Behavioural Standards as well as the Employee Core Expected Behavioural Standards.</li> </ul>
	<ul> <li>The Council's Vision and Priorities and, People's Strategy are clear and demonstrates its commitment to its stakeholders.</li> </ul>
	• The Standards Committee ensure that there are high standards of ethical governance from elected members of the Council. The committee provides a summary of its work in its annual report.
	<ul> <li>The Chief Operating Officer is designated Head of Paid Services and is responsible for reporting to Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the</li> </ul>

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	discharge of functions and the organisation of officers.
	<ul> <li>The Head of Finance, Procurement and Commercial Services is the designated Chief Finance Officer and is responsible for ensuring lawfulness and financial prudence of decision making, administering the financial affairs of the Council, contribute to the corporate management of the Council through the provision of professional financial advice, provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors and the elected mayor and will support and advise councillors and officers in their respective roles; and provide financial information to the media, members of the public and the community when required.</li> </ul>
	<ul> <li>The Legal &amp; Democratic Services Manager undertakes the role of the Monitoring Officer. Details of the role of the Monitoring Officer is documented in the Monitoring Officer Protocol and Council Constitution. The role includes maintaining the Council Constitution, ensuring that Council decisions are taken in a lawful and fair way, correct procedures are followed, and that all applicable laws and regulations are complied with.</li> </ul>

# B: Ensuring openness and comprehensive stakeholder engagement

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul> <li>Openness.</li> <li>Engaging comprehensively with institutional</li> </ul>	The Council publishes all relevant information (as required by the Local Government Transparency Code 2015) on its website.
<ul> <li>stakeholders.</li> <li>Engaging with individual citizens and service users effectively.</li> </ul>	The Council's website contains comprehensive information pertaining to the services provided by West Lancashire Borough Council and its partners.
	• The Council's decision-making information, including committee agendas and minutes (not restricted) is available via the council's website and intranet.
	The Council undertakes consultation exercises regularly including budget proposals.

# West Lancashire Borough Council Statement of Accounts 2021/22

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul> <li>Defining outcomes.</li> <li>Sustainable economic, social and environmental benefits.</li> </ul>	<ul> <li>The Council is committed to community engagement and involvement.</li> </ul>
	• The Council has a clear vision for the future as set out in its Vision and Council Priorities which considers all relevant economic, social and environmental factors. Outcomes are reported in the Annual Council Report which available on the Council website.
	<ul> <li>The Council has structured budget and treasury management processes in place.</li> </ul>
	<ul> <li>Each Council service area has its own service action plan that contributes to delivering an effective service.</li> </ul>
	<ul> <li>The Council's wholly owned company, Tawd Valley Developments has its own website where information regarding current and future developments and the Annual Review Report are documented. A TVD Shareholders committee is also in place and is made up of cross-party membership.</li> </ul>
	<ul> <li>The Council declared a Climate Emergency in 2019 and has a Climate Change Strategy and Action Plan 2023 in place which can be found on the Council Website.</li> </ul>
	<ul> <li>Climate Action news is available on the Council Website and details actions to deliver carbon reduction projects across West Lancashire.</li> </ul>

# C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

# D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principle	How West Lancashire Borough Council Achieves the Principle
Determining interventions.	The Council operates a Scrutiny and Review
<ul> <li>Planning interventions.</li> <li>Optimising achievement of intended outcomes.</li> </ul>	Committee system, and the decision-making process allows for challenge where necessary.
	<ul> <li>The Council has a robust financial strategy with financial planning protocols in place (Medium Term Financial Strategy, annual budget monitoring and Forward Plans).</li> </ul>
	Cabinet receives regular reports on the General Revenue, Housing Revenue and Capital Budgets.

# West Lancashire Borough Council Statement of Accounts 2021/22

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	• The Council engages and undertakes consultation exercises with its stakeholders in relation to service provision changes and new initiatives.
	The Council Plan is underpinned by individual Service Action Plans which set out the core priorities and activities for each service.

# E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul> <li>Developing the entity's capacity.</li> <li>Developing the capability of the entity's leadership and other individuals.</li> </ul>	The Council has an agreed constitution which details roles and responsibilities of councillors and key officers of the Council.
	<ul> <li>The Council requires all new employees and councillors to undertake an induction process.</li> </ul>
	The Council has an Our People Strategy 2020-23     in place.
	<ul> <li>The Council has a number of human resource policies in place to support employees and managers.</li> </ul>
	<ul> <li>Employee training needs are identified through the annual appraisal process.</li> </ul>
	<ul> <li>The Council has a training system in place which includes mandatory modules for employees to complete and a selection of other useful training modules.</li> </ul>
	<ul> <li>Financial Regulations are contained within the Council's Constitution and all employees are required to operate within them.</li> </ul>
	<ul> <li>A number of new projects are being progressed as part of the Council's Our Futures Strategy.</li> </ul>
	The Council works with a number of partners to deliver services throughout the borough.

#### How West Lancashire Borough Council Achieves **Sub Principle** the Principle • The Council has a Risk Management Framework ٠ Managing risk. which includes a Policy and Toolkit and is • Managing performance. updated annually. All Members and Council staff • Robust internal control. have received training in. Managing data. The Council's Performance Management is • • managed using the Pentana Risk System. • Strong public financial management. A system of scrutiny and review is in place as part • of the Council's decision-making process. The Council has an Audit and Governance Committee who meet guarterly and provide independent assurance of the adequacy of the Council's Risk Management Framework and the associated control environment. The Council has a Standards Committee in place • and are required to promote and maintain high standards of conduct throughout the Council and create a sense of 'ethical well-being' and ensure that Councillors and Co-opted Members within West Lancashire follow the highest standards of conduct. An internal audit service is maintained and reports guarterly to the Audit and Governance Committee. The role of the Head of Internal Audit is undertaken by the Corporate Compliance and Governance Manager (CCGM). The CCGM conforms with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019). The Council maintains policies and arrangements in respect of Anti-fraud, Bribery & Corruption, Anti-Money Laundering and Whistleblowing. A data management framework and procedures are in place and are readily available to all members of staff. The Council has appointed a Senior Information Risk Owner and Data Protection Officer. The DPO provides the Council with independent assurance regarding compliance with the data protection law. The Council has an Information Governance Committee (IGC) and has appointed Information Asset Owners who are required to attend and contribute to IGC meetings. Effective arrangements are in place and operating

# F. Managing risks and performance through robust internal control and strong public financial management

# West Lancashire Borough Council Statement of Accounts 2021/22

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	effectively for the collection, storage and sharing of information.
	The Council complies with the NHS Data Security and Protection Toolkit.
	<ul> <li>The Council has a robust financial strategy with Financial Planning protocols in place (Annual Budget Monitoring, Medium Term Financial Strategy and Forward Plans), and</li> </ul>
	The Council's Financial Statements are available to the Public on the Council's website.

# G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Sub Principle	How West Lancashire Borough Council Achieves the Principle
Implementing good practice     in transparency.	<ul> <li>The Council adheres to the Local Government Transparency Code 2015, with relevant information accessible via the Council's website.</li> </ul>
Implementing good practices     in reporting.	<ul> <li>The Council's Financial Statements and External Auditor's Letter is available on the Council's</li> </ul>
Assurance and effective accountability	website for 2012/13 to 2019/20. For 2020/21 and 2021/22 draft financial statements are available on the Council website and the External Auditor is in the process of reviewing these statements.
	<ul> <li>The Council produces Financial Statements in accordance with CIPFA's Practice on Local Authority Accounting in the UK following International Financial Reporting Standards (IFRS). The Financial Statements are scrutinised by the External Auditor with a separate report produced, and</li> </ul>
	<ul> <li>An Annual Governance Statement is produced and incorporated into the Council's approved Financial Statements.</li> </ul>
	<ul> <li>The Council has undergone an LGA Peer review and published the findings on its website.</li> </ul>

#### 5. Significant Governance Issues (SGI)

In addition to identifying those areas where the Council meets the principles of Corporate Governance, it is also appropriate to identify areas of improvement that can be undertaken during the next financial year. These are termed as 'Significant Governance Issues' and can be defined as an issue that:

- Seriously prejudices or prevents achievement of a key target
- Has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business
- The external auditor regards as having a material impact on the accounts/value for money conclusion
- Audit and Governance Committee advises that it should be considered significant
- The Internal Audit Manager identifies and reports on it as significant
- It has been reported as significant by external bodies for example Ombudsman, Information Commissioner, independent consultants
- The issue, or its impact, has attracted significant public interest, or has seriously damaged the reputation of the Council
- May make it harder to prevent fraud or other misuse of resources
- May put financial stability, security or data integrity at risk.

# Action taken to address Significant Governance Issues Identified During 2021/22 Review:

This section provides a summary of the strategic actions taken to address the Council's significant governance issues reported in the Annual Governance Statement 2020/21.

Action to be addressed	Action Taken	Responsible Officer(s)	Status
The Local Code of Corporate Governance requires an update.	The draft Local Code of Corporate Governance has been devised and will be presented to Audit & Governance Committee in July 2023 and a subsequent Council meeting for review and adoption.	Monitoring Officer, Corporate Compliance & Governance Manager	Partially Complete
The Council is not fully GDPR compliant. Whilst it is acknowledged that extensive work has been undertaken to ensure WLBC becomes compliant there are still several steps required to achieve full compliance.	The Effective Data Management (EDM) Project addressed the Internal Audit Recommendations relating to GDPR and moved the Council to full compliance.	EDM Project Team	Complete
The Council has seen a substantial reduction in the revenue it receives from Central Government over the past decade in real terms and, consequently, has utilised its reserves to achieve a balanced budget over this period. Balanced budgets were achieved for 2021/22 and 2022/23, but the Council's Medium Term	The Council's approved budget for 2022/23 continued with the medium-term use of reserves. The Medium-Term Financial Strategy for 2023/24 onwards was presented to Council in February 2023. This identified a budget gap totalling £2.7m across the years to 2025/26. Action is underway to identify the necessary savings and efficiencies to address this gap	Head of Finance, Procurement & Commercial Services (s151 Officer) Corporate Finance Manager (Deputy s151)	Ongoing

# West Lancashire Borough Council Statement of Accounts 2021/22

Action to be addressed	Action Taken	Responsible Officer(s)	Status
Financial Strategy shows a budget gap of £1.5m in 24/25 and a further £1.2m in 2025/26. These will require urgent action and targeted decision making to achieve a balanced budget for 2024/25 and beyond.			
The Council undertook office upgrade work following the Sustainable Organisation Review Project and to address some Health and Safety requirements. Following an Internal Audit Review the way in which the work was procured was found not to be in accordance with the Councils Contract Procedure Rules or Public Contracts Regulations 2015.	Details of the findings of the Internal Audit Review have been reported to the Council's external auditor and the Audit and Governance committee. Additional controls have been introduced within the service area. These will be subject to periodic internal audit review. The service area responsible for the office upgrade works ensures that procurement of services and contractors is now carried out in line with guidance from the Procurement Service. The Council's Procurement	Property Services Manager Corporate Compliance & Governance Manager	Complete
There has been a delay in the completion of the external audit of the Council's Financial Statements for 2020/21 due to issues out of the Council's control, including, Covid-19, staffing resources and the need to meet new requirements such as the completion and incorporation of Group Accounts in the Financial Statements.	The Council's Procurement Service delivery model has been reviewed and a business case for centralisation has been agreed. The Audit of the 20/21 Accounts is now substantially complete, but the finalisation of the document itself, ready for publication, including all identified amendments, has yet to be completed. A restructure of the Finance Team has been undertaken. The draft financial statements for 2021/22 have been produced on time and external audit of the Council's 2021/22 Financial Statements is due to commence.	Head of Finance, Procurement & Commercial Services (s151 Officer) Corporate Finance Manager (Deputy s151)	Ongoing

# Significant Governance Issues Identified During 2021/22 Review

The 2021/22 annual governance review undertaken by the Council's Internal Audit Service has identified the following issues:

Significant Governance Issue	Action to Address the issue
The Local Code of Corporate Governance has been updated, however, it must be reviewed and agreed by members of CMT and the Audit and Governance Committee.	The Corporate Compliance & Governance Manager and Legal & Democratic Services Manager (Monitoring Officer) will present the document to CMT for review and agreement.
	A review of the document will be undertaken annually and presented to Audit & Governance Committee at their October 2023 meeting.
The Council has seen a substantial reduction in the revenue it receives from Central Government over the past decade in real terms. Whilst balanced budgets, including a planned use of reserves, have been achieved for both 2022/23 and 2023/24, there remain significant budgetary pressures going forward, which are further exacerbated by the continued absence of a long-term financial settlement.	There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired because of a need to close facilities and reduce levels of service provision.
The financial statements for 2020/21 and 2021/22 have been finalised. The external audit review for 2020/21 is now substantially complete and detailed work on that for 2021/22 is due to commence shortly.	The external audit review for 2020/21 is substantially complete and all relevant amendments arising from the Auditor's work will incorporated into the final version of the documents. The Council will likewise respond to any findings in respect of 2021/22 when received.

#### 6. **Conclusion**

This Annual Governance Statement demonstrates that the systems and processes employed provide a comprehensive framework upon which to give assurance appropriate governance arrangements were in place during 2021/22.

The governance arrangements outlined in this Annual Governance Statement have been applied throughout the year and will continue to be applied throughout 2022/23. The annual review has provided an effective process to identify any governance issues and to put in place the necessary improvement actions. Additionally, the challenging approach we take to Corporate Governance has identified areas that the Council would like to improve further, and these actions are recorded in an action plan that is monitored by the Corporate Management Team.

The annual review process and action plan demonstrates the culture of the Council to robustly challenge itself and constantly seek out opportunities to improve. The annual review has identified, overall, that the Council continues to have an effective framework of governance.

#### 7. Certification

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year except for those areas identified as requiring improvement. We propose over the coming months to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Signed:

Signed:

Jacqui Sinnott-Lacey Chief Operating Officer Councillor Yvonne Gagen Leader of the Council

Date:

Date:

### 2022-23 ANNUAL GOVERNANCE STATEMENT

#### 1. Introduction and Scope of Responsibility

This statement provides an overview of how West Lancashire Borough Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. Its purpose is to give an objective and honest appraisal of the Councils governance framework.

Governance comprises the systems and processes, culture, and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community.

A summary of significant governance challenges which the Council faces is given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is remaining to be done. This provides transparency and gives assurance that the Council is committed to continually improve the way in which it functions.

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively.

The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

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

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

West Lancashire Borough Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government 2016.

This statement explains how the Council has complied with the code and also meets the requirements of the <u>Accounts and Audit Regulations (England & Wales) Regulations 2015</u> regulation 6 (1) which requires all relevant bodies to:

- Conduct a review of the effectiveness of the system of internal controls.
- Prepare an Annual Governance Statement.

It should be noted that the Council also fulfils a governance role in relation to Tawd Valley Development Company for which it is a shareholder.

#### 2. What is Corporate Governance?

Corporate Governance generally refers to the processes by which organisations are directed, controlled, led, and held to account. The Council's governance framework aims to ensure that in conducting business it:

- Operates in a lawful, open, inclusive, and honest manner.
- Ensures that public money is safeguarded, properly accounted for and used economically, efficiently, and effectively.
- Has effective arrangements for the management of risk.
- Secures continuous improvements in the way it operates.

### 3. **The Purpose of the Framework**

The governance framework comprises the systems, processes, culture, and values by which the Council is directed and controlled and the mechanisms through which it accounts to, engages with, and leads the community. The framework brings together an underlying set of legislative requirements, good practice principles and management processes and enables the Council to monitor the achievement of its Vision and priorities:



By adhering to this framework, it enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

Both risk management and internal control are a significant part of the Council's framework and are designed to manage risk to a reasonable level. These safeguarding processes cannot eliminate all risk of failure to achieve policies, aims and strategic objectives and can therefore only provide reasonable and not absolute assurance of their effectiveness.

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

#### 4. Annual Review of Effectiveness of the Governance Framework

The Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. The annual review is undertaken by the Internal Audit Service. After conducting the review, the council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance.

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which for the basis of the Council's Code of Corporate Governance. The seven principles of Corporate Governance laid out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016 Edition) are as follows:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.



<sup>•</sup>International Framework)

The review of effectiveness is informed by:

- Corporate Management Team and Senior Managers Responsibility for the development and maintenance of the governance environment and internal control lies with the Chief Operating Officer and Corporate Management Team within their service areas. Their feedback and comments are provided in annual Governance Assurance Statements and are an essential part of this review.
- The Internal Audit Manager's Annual Report and Opinion 2022/23 In terms of the year to March 2023 the Internal Audit Manager can provide "moderate assurance" that the Council's governance, risk and control framework was generally sound and operated consistently in the year.
- Feedback, recommendations, and comments made by the external auditors and other review agencies and inspectorates, including the LGA Peer Review undertaken.

#### **Decision Making and Scrutiny**

The Council approved the overall policy and budgetary framework for the financial year 2022/23. Cabinet subsequently made decisions at various points throughout the year that were in line with this policy and budget framework. The decisions of the Cabinet have been the subject of scrutiny through the Council's Overview and Scrutiny Committees which met regularly during the year.

Each Overview and Scrutiny Committee had a work programme for the year and reviewed a range of current activities and potential issues as part of that programme.

All decisions made by Committees, Council, Cabinet, Cabinet Member (under their delegated powers) and Chief Officer executive decisions are recorded and published online for transparency.

Delegation arrangements for Cabinet Members are reviewed annually by the Legal and Democratic Services Manager as part of the Constitution review process.

The Council publishes a calendar of meetings and deadlines for the submission of agenda items. Agendas and reports are produced promptly and provided to the relevant Members.

#### Audit and Governance Committee

The Audit and Governance Committee provides independent assurance on the adequacy of the Council's risk, governance, and assurance environment. All political parties are represented on the Audit and Governance Committee.

The Committee met regularly during 2022/23, considering reports, from the Monitoring Officer, the Section 151 (S151) Officer, the Internal Audit Manager (now known as the Corporate Compliance & Governance Manager), and the External Auditor.

#### **Standards Committee**

The Standards Committee role is to promote and maintain high standards of conduct throughout the authority and create a sense of 'ethical well-being' and ensure that Councillors and Co-opted Members within West Lancashire follow the highest standards of conduct. The Annual Report of the Standards Committee is one of the Council's sources of governance assurance. The annual report for 2022/23 is due to be presented to members of the Standards Committee in September 2023.

#### **Tawd Valley Development Shareholders Committee**

The Tawd Valley Development Shareholders Committee are a cross party committee who have discussions about the future direction of Tawd Valley Developments (TVD), evaluate the company's effectiveness against agreed objectives and business plan; and assess any risks to the Council due to TVD activities. The committee was set up during 2021/22 with the first meeting taking place in March 2022.

#### **Corporate Management Team (CMT)**

CMT consists of the Chief Operating Officer, Corporate Directors, Monitoring Officer, and Heads of Service. It provides senior management and leadership in the development, delivery and communication of Council and borough-wide policy and performance. It has a key responsibility for the development and maintenance of the governance environment.

As part of the corporate governance review for 2022/23 members of the CMT have provided formal assurance in respect of their service area, by their responses to the Governance Assurance Statement questionnaires.

#### **External Audit**

Grant Thornton is the Council's appointed External Auditor for 2022/23. The work of the Council's External Auditor includes an examination of the Council's financial statements and an assessment of the degree to which the Council has the required arrangements in place to deliver value for money in the use of its resources.

#### **Internal Audit**

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of Council activities. It is the duty of the Internal Audit Manager to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council.

Based upon the work of Internal Audit during 2022/23, the Internal Audit Manager provided the Council with an overall opinion of Moderate. Internal audit carried out follow up audit reviews for all recommendations made and reported results to CMT and the Audit and Governance Committee.

The Public Sector Internal Audit Standards were introduced from April 2013 and updated in April 2017. The service was the subject to an external review during 2022/23 which was assessed as being generally compliant with the Public Sector Internal Audit Standards 2017.

#### **Financial Sustainability**

The Council has seen a substantial reduction in the revenue it receives from Central Government over the past decade in real terms and, consequently, has utilised its reserves to achieve a balanced budget over this period. Balanced budgets were achieved for 2021/22 and 2022/23, but the Council's Medium Term Financial Strategy shows a budget gap of  $\pm 1.5m$  in 24/25 and a further  $\pm 1.2m$  in 2025/26. Action is underway to identify the necessary savings and efficiencies to address this gap.

#### Financial Management Code

Strong financial management is an essential part of ensuring public sector finances are sustainable, and CIPFA launched a Financial Management Code to support this. Councils are required to be compliant with the Code.

A key goal of the code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The code incorporates existing requirements on local government, to give a comprehensive picture of financial management in the Council.

Our evaluation has demonstrated that the requirements of the code are being satisfied.

### How WLBC achieves the Seven Principles

From the evaluation work undertaken during the year the following sections look at how the Council is held to account for the seven principles of Corporate Governance.

# A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul> <li>Behaving with integrity.</li> <li>Demonstrating strong commitment to ethical values.</li> <li>Respecting the rule of law.</li> </ul>	<ul> <li>The Council has an agreed constitution which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. It also refers to the adherence of the Seven Principles of Public Life (the 'Nolan Principles').</li> </ul>
	<ul> <li>The Council has put processes in place to minimise the risk that its councillors and employees act in an improper way (influenced by prejudice, bias or conflict of interest) when dealing with stakeholders.</li> </ul>
	<ul> <li>The Council has Codes of Conduct for councillors and employees. Additionally there is a suite of policies and procedures for councillors and employees which define the standards of behaviour expected. Deviation from these policies may result in the use of the embedded disciplinary processes in place.</li> </ul>
	<ul> <li>The Council has approved Management and Employee Core Expected Behavioural Standards in place. All employees of the Council are expected to display the Employee Core Expected Behavioural Standards whilst they are undertaking their duties. Employees who are appointed as supervisors and managers are expected to display certain Manager Expected Behavioural Standards as well as the Employee Core Expected Behavioural Standards.</li> </ul>
	<ul> <li>The Council's Vision and Priorities and, People's Strategy are clear and demonstrates its commitment to its stakeholders.</li> </ul>
	• The Standards Committee ensure that there are high standards of ethical governance from elected members of the Council. The committee provides a summary of its work in its annual report.
	<ul> <li>The Chief Operating Officer is designated Head of Paid Services and is responsible for reporting to Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of</li> </ul>

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	officers.
	The Head of Finance, Procurement and Commercial Services is the designated Chief Finance Officer and is responsible for ensuring lawfulness and financial prudence of decision making, administering the financial affairs of the Council, contribute to the corporate management of the Council through the provision of professional financial advice, provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors and the elected mayor and will support and advise councillors and officers in their respective roles; and provide financial information to the media, members of the public and the community when required.
	<ul> <li>The Legal &amp; Democratic Services Manager undertakes the role of the Monitoring Officer. Details of the role of the Monitoring Officer is documented in the Monitoring Officer Protocol and Council Constitution. The role includes maintaining the Council Constitution, ensuring that Council decisions are taken in a lawful and fair way, correct procedures are followed, and that all applicable laws and regulations are complied with.</li> </ul>

### B: Ensuring openness and comprehensive stakeholder engagement

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul> <li>Openness.</li> <li>Engaging comprehensively with institutional</li> </ul>	<ul> <li>The Council publishes all relevant information (as required by the Local Government Transparency Code 2015) on its website.</li> </ul>
<ul><li>stakeholders.</li><li>Engaging with individual citizens and service users</li></ul>	<ul> <li>The Council's website contains comprehensive information pertaining to the services provided by West Lancashire Borough Council and its partners.</li> </ul>
effectively.	<ul> <li>The Council's decision-making information, including committee agendas and minutes (not restricted) is available via the council's website and intranet.</li> </ul>
	<ul> <li>The Council undertakes consultation exercises regularly including budget proposals, these can be found on the council website.</li> </ul>

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul> <li>Defining outcomes.</li> <li>Sustainable economic, social and environmental benefits.</li> </ul>	<ul> <li>The Council is committed to community engagement and involvement.</li> </ul>
	• The Council has a clear vision for the future as set out in its Vision and Council Priorities which considers all relevant economic, social and environmental factors. Outcomes are reported in the Annual Council Report which available on the Council website.
	<ul> <li>The Council has structured budget and treasury management processes in place.</li> </ul>
	<ul> <li>Each Council service area has its own service action plan that contributes to delivering an effective service.</li> </ul>
	<ul> <li>The Council's wholly owned company, Tawd Valley Developments has its own website where information regarding current and future developments and the Annual Review Report are documented. A TVD Shareholders committee is also in place and is made up of cross-party membership.</li> </ul>
	<ul> <li>The Council declared a Climate Emergency in 2019 and has a Climate Change Strategy and Action Plan 2023 in place which can be found on the Council Website.</li> </ul>
	<ul> <li>Climate Action news is available on the Council Website and details actions to deliver carbon reduction projects across West Lancashire.</li> </ul>

# C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

## D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principle	How West Lancashire Borough Council Achieves the Principle
Determining interventions.	The Council operates a Scrutiny and Review
Planning interventions.	Committee system, and the decision-making process allows for challenge where necessary.
<ul> <li>Optimising achievement of intended outcomes.</li> </ul>	<ul> <li>The Council has a robust financial strategy with financial planning protocols in place (Medium Term Financial Strategy, annual budget monitoring and Forward Plans).</li> </ul>
	Cabinet receives regular reports on the General Revenue, Housing Revenue and Capital Budgets.

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	The Council engages and undertakes consultation exercises with its stakeholders in relation to service provision changes and new initiatives.
	<ul> <li>The Council Plan is underpinned by individual Service Action Plans which set out the core priorities and activities for each service.</li> </ul>

## E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul> <li>Developing the entity's capacity.</li> <li>Developing the capability of the entity's leadership and other individuals.</li> </ul>	The Council has an agreed constitution which details roles and responsibilities of councillors and key officers of the Council.
	<ul> <li>The Council requires all new employees and councillors to undertake an induction process.</li> </ul>
	The Council has an Our People Strategy 2020-23     in place.
	<ul> <li>The Council has a number of human resource policies in place to support employees and managers.</li> </ul>
	<ul> <li>Employee training needs are identified through the annual appraisal process.</li> </ul>
	<ul> <li>The Council has a training system in place which includes mandatory modules for employees to complete and a selection of other useful training modules.</li> </ul>
	<ul> <li>Financial Regulations are contained within the Council's Constitution and all employees are required to operate within them.</li> </ul>
	<ul> <li>A number of new projects are being progressed as part of the Council's Our Futures Strategy.</li> </ul>
	The Council works with a number of partners to deliver services throughout the borough.

F. Managing risks and performance through robust internal control and strong public
financial management

Sub Principle	How West Lancashire Borough Council Achieves the Principle
<ul><li>Managing risk.</li><li>Managing performance.</li><li>Robust internal control.</li></ul>	<ul> <li>The Council has a Risk Management Framework which includes a Policy and Toolkit and is updated annually. All Members and Council staff have received training in.</li> </ul>
<ul> <li>Managing data.</li> <li>Strong public financial management.</li> </ul>	• The Council's has a suite of Key Performance Indicators which are managed and monitored using the Pentana Risk System. Reports on performance are presented to executive Overview and Scrutiny Committee on a regular basis.
	<ul> <li>A system of scrutiny and review is in place as part of the Council's decision-making process.</li> </ul>
	<ul> <li>The Council has an Audit and Governance Committee who meet quarterly and provide independent assurance of the adequacy of the Council's Risk Management Framework and the associated control environment.</li> </ul>
	• The Council has a Standards Committee in place and are required to promote and maintain high standards of conduct throughout the Council and create a sense of 'ethical well-being' and ensure that Councillors and Co-opted Members within West Lancashire follow the highest standards of conduct.
	<ul> <li>An internal audit service is maintained and reports quarterly to the Audit and Governance Committee.</li> </ul>
	• The role of the Head of Internal Audit is undertaken by the Corporate Compliance and Governance Manager (CCGM). The CCGM conforms with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019).
	<ul> <li>The Council maintains policies and arrangements in respect of Anti-fraud, Bribery &amp; Corruption, Anti-Money Laundering and Whistleblowing.</li> </ul>
	<ul> <li>A data management framework and procedures are in place and are readily available to all members of staff.</li> </ul>
	<ul> <li>The Council has appointed a Senior Information Risk Owner and Data Protection Officer (DPO). The DPO provides the Council with independent assurance regarding compliance with the data protection law.</li> </ul>
	<ul> <li>The Council has an Information Governance Committee (IGC) and has appointed Information</li> </ul>

Sub Principle	How West Lancashire Borough Council Achieves the Principle
	Asset Owners who are required to attend and contribute to IGC meetings.
	• Effective arrangements are in place and operating effectively for the collection, storage and sharing of information.
	The Council complies with the NHS Data Security and Protection Toolkit.
	<ul> <li>The Council has a robust financial strategy with Financial Planning protocols in place (Annual Budget Monitoring, Medium Term Financial Strategy and Forward Plans)</li> </ul>
	The Council's Financial Statements are available to the Public on the Council's website.

# G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Sub Principle	How West Lancashire Borough Council Achieves the Principle
Implementing good practice     in transparency.	The Council adheres to the Local Government Transparency Code 2015, with relevant information accessible via the Council's website.
<ul> <li>Implementing good practices in reporting.</li> <li>Assurance and effective accountability</li> </ul>	• The Council's Financial Statements and External Auditor's Letter is available on the Council's website for 2012/13 to 2019/20. For 2020/21 and 2021/22 draft financial statements are available on the Council website and the External Auditor is in the process of reviewing these statements.
	<ul> <li>The Council produces Financial Statements in accordance with CIPFA's Practice on Local Authority Accounting in the UK following International Financial Reporting Standards (IFRS). The Financial Statements are scrutinised by the External Auditor with a separate report produced.</li> </ul>
	<ul> <li>An Annual Governance Statement is produced and incorporated into the Council's approved Financial Statements.</li> </ul>
	<ul> <li>The Council has undergone an LGA Peer review and published the findings on its website. Additionally, the outcome of the follow up review has also been published.</li> </ul>

### 5. Significant Governance Issues (SGI)

In addition to identifying those areas where the Council meets the principles of Corporate Governance, it is also appropriate to identify areas of improvement that can be undertaken during the next financial year. These are termed as 'Significant Governance Issues' and can be defined as an issue that:

- Seriously prejudices or prevents achievement of a key target
- Has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business
- The external auditor regards as having a material impact on the accounts/value for money conclusion
- Audit and Governance Committee advises that it should be considered significant
- The Internal Audit Manager identifies and reports on it as significant
- It has been reported as significant by external bodies for example Ombudsman, Information Commissioner, independent consultants
- The issue, or its impact, has attracted significant public interest, or has seriously damaged the reputation of the Council
- May make it harder to prevent fraud or other misuse of resources
- May put financial stability, security or data integrity at risk.

## Action taken to address Significant Governance Issues Identified During 2021/22 Review:

This section provides a summary of the strategic actions taken to address the Council's significant governance issues reported in the Annual Governance Statement 2021/22.

Action to be addressed	Action Taken	Responsible Officer(s)	Status
The Local Code of Corporate Governance requires an update.	The draft Local Code of Corporate Governance has been devised and will be presented to Audit & Governance Committee in October 2023 and a subsequent Council meeting for review and adoption.	Monitoring Officer, Corporate Compliance & Governance Manager	Partially Complete
The Council has seen a substantial reduction in the revenue it receives from Central Government over the past decade in real terms and, consequently, has utilised its reserves to achieve a balanced budget over this period. Balanced budgets were achieved for 2021/22 and 2022/23, but the Council's Medium Term Financial Strategy shows a budget gap of £1.5m in 24/25 and a further £1.2m in 2025/26. These will require urgent action and targeted decision making to achieve a balanced budget for 2024/25 and beyond.	The Council's approved budget for 2022/23 continued with the medium-term use of reserves. The Medium-Term Financial Strategy for 2023/24 onwards was presented to Council in February 2023. This identified a budget gap totaling £2.7m across the years to 2025/26. Action is underway to identify the necessary savings and efficiencies to address this gap.	Head of Finance, Procurement & Commercial Services (s151 Officer) Corporate Finance Manager (Deputy s151)	Ongoing

Action to be addressed	Action Taken	Responsible Officer(s)	Status
There has been a delay in the completion of the external audit of the Council's Financial Statements for 2020/21 and 2021/22 due to issues out of the Council's control, including, Covid-19, staffing resources and the need to meet new requirements such as the completion and incorporation of Group Accounts in the Financial Statements.	The Audit of the 20/21 Accounts is now substantially complete, but the finalisation of the document itself, ready for publication, including all identified amendments, has yet to be completed. A restructure of the Finance Team has been undertaken. The draft financial statements for 2021/22 have been produced on time and external audit of the Council's 2021/22 Financial Statements is due to commence. The draft Statement for 2022/23 remains in progress.	Head of Finance, Procurement & Commercial Services (s151 Officer) Corporate Finance Manager (Deputy s151)	Ongoing

### Significant Governance Issues Identified During 2022/23 Review

The 2022/23 annual governance review undertaken by the Council's Internal Audit Service has identified the following issues:

Significant Governance Issue	Action to Address the issue
The Local Code of Corporate Governance has been updated, however, it must be reviewed and agreed by members of CMT and the Audit and Governance Committee.	The Corporate Compliance & Governance Manager and Legal & Democratic Services Manager (Monitoring Officer) will present the document to CMT for review and agreement.
	A review of the document will be undertaken annually and presented to Audit & Governance Committee at their July 2023 meeting.
The Council has seen a substantial reduction in the revenue it receives from Central Government over the past decade in real terms. Whilst urgent action and targeted decision making to achieve a balanced budget for 2022/23 has been undertaken, there remains budgetary pressures going forward further exacerbated by the continued absence of a long-term financial settlement.	There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired because of a need to close facilities and reduce levels of service provision.
The financial statements for 2020/21 and 2021/22 have been finalised. The external audit review for 2020/21 is now substantially complete and detailed work on that for 2021/22 is due to commence shortly. The 2022/23 financial statements are in progress.	The external audit review for 2020/21 is substantially complete and all relevant amendments arising from the Auditor's work will incorporated into the final version of the documents. The Council will likewise respond to any findings in respect of 2021/22 and 2022/23 when received.

#### 6. **Conclusion**

This Annual Governance Statement demonstrates that the systems and processes employed provide a comprehensive framework upon which to give assurance appropriate governance arrangements were in place during 2022/23.

The governance arrangements outlined in this Annual Governance Statement have been applied throughout the year and will continue to be applied throughout 2023/24. The annual review has provided an effective process to identify any governance issues and to put in place the necessary improvement actions. Additionally, the challenging approach we take to Corporate Governance has identified areas that the Council would like to improve further, and these actions are recorded in an action plan that is monitored by the Corporate Management Team.

The annual review process and action plan demonstrates the culture of the Council to robustly challenge itself and constantly seek out opportunities to improve. The annual review has identified, overall, that the Council continues to have an effective framework of governance.

#### 7. **Certification**

To the best of our knowledge, the governance arrangements, as outlined above have been effectively operating during the year except for those areas identified as requiring improvement. We propose over the coming months to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Signed:

Signed:

Jacqui Sinnott-Lacey Chief Operating Officer

Date:

Councillor Yvonne Gagen Leader of the Council

Date:

## Audit & Governance Committee Work Programme – July 2023

Date	Briefing (Commencing 6.30pm)	Items
24 October 2023		<ol> <li>Risk Management Framework Update &amp; Annual Report</li> <li>Internal Audit Progress Report 2023/24 – Quarterly Update</li> <li>Regulation of Investigatory Powers (RIPA) Act regular monitoring of use of powers</li> <li>External Auditors progress and sector update report</li> <li>Interim External Auditors Annual Report (AAR) 2021/22</li> <li>Interim External Audit Findings Report (AFR) 2021/22</li> <li>Interim External Audit Findings Report (AFR) 2021/22</li> <li>Draft Statement of Accounts 2022/23</li> <li>Senior Information Responsible Officer (SIRO) Annual Report 2022/23 *deferred from July 23</li> <li>Grant Thornton – Audit Plan 2022-23 *deferred from July 23</li> </ol>
30 January 2024		<ol> <li>Quarterly Exemption Report</li> <li>Internal Audit Progress Report 2023/24 – Quarterly Update</li> </ol>
6 May 2024		<ol> <li>Grant Thornton – Audit Progress Report</li> <li>Internal Audit Charter 2024/25</li> <li>Internal Audit Strategy &amp; Internal Audit Plan 2024/25</li> <li>Internal Audit Progress Report – Quarterly Update</li> <li>External Review of Internal Audit</li> <li>RIPA Act regular monitoring of use of powers – Annual setting of the Policy</li> <li>Quarterly Exemption Report</li> </ol>
26 July 2024		<ol> <li>Grant Thornton – Audit Plan 2023-24</li> <li>Grant Thornton Progress Update</li> <li>Internal Audit Annual Report 2023/24</li> <li>Internal Audit Progress Report 2024/25</li> <li>Senior Information Responsible Officer (SIRO) – Annual Report 2023/24</li> <li>Regulation of Investigatory Powers (RIPA) Act regular monitoring of use of powers</li> <li>Annual Governance Statement 2023/24</li> <li>Quarterly Exemption Report</li> </ol>