

Public Document Pack



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

20 June 2016

TO: COUNCILLORS BULLOCK, PRYCE-ROBERTS, ALDRIDGE, BAILEY, BLANE, COOPER, COTTERILL, CURRIE, HUDSON, MEE, PENDLETON, POPE

Dear Councillor,

A meeting of the **AUDIT & GOVERNANCE COMMITTEE** will be held in the **CABINET/COMMITTEE ROOM - 52 DERBY STREET, ORMSKIRK L39 2DF** on **TUESDAY, 28 JUNE 2016** at **6.30 PM** at which your attendance is requested.

Yours faithfully

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

Kim Webber
Chief Executive

AGENDA (Open to the Public)

1. APOLOGIES

2. MEMBERSHIP OF THE COMMITTEE

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

3. DECLARATIONS OF INTEREST

1 - 2

4. PUBLIC SPEAKING

3 - 6

Residents of West Lancashire, on giving notice, may address the meeting to make representations on any item on the agenda except where the public and press are to be excluded during consideration of that item. The deadline for submission is 5.00pm on Thursday 23 June 2016.

A copy of the public speaking protocol and form to be completed is attached.

- | | | |
|------------|---|---------|
| 5. | MINUTES | 7 - 10 |
| | To receive as a correct record the minutes of the last meeting of the Committee held on 22 March 2016 | |
| 6. | GRANT THORNTON REPORTS | 11 - 30 |
| | To consider the report of the Borough Treasurer | |
| 7. | GRANT THORNTON ASSURANCE LETTER | 31 - 36 |
| | To consider the report of the Borough Treasurer | |
| 8. | INTERNAL AUDIT ACTIVITY - QUARTERLY UPDATE | 37 - 44 |
| | To consider the report of the Borough Treasurer | |
| 9. | INTERNAL AUDIT ACTIVITY - ANNUAL REPORT 2015-16 | 45 - 50 |
| | To consider the report of the Borough Treasurer | |
| 10. | ANNUAL GOVERNANCE STATEMENT | 51 - 60 |
| | To consider the report of the Borough Treasurer | |
| 11. | STATEMENT OF ACCOUNTS | 61 - 62 |
| | To consider the report of the Borough Treasurer | |
| 12. | REGULATION OF INVESTIGATORY POWERS ACT QUARTERLY MONITORING OF USE OF POWERS | |
| | Improved monitoring of activity under the Regulation of Investigatory Powers Act 2000 (RIPA) introduced by the relevant Code of Practice, recommends that Members receive reports from Officers at least quarterly on RIPA activity. There is no relevant activity to report. | |
| 13. | WORK PROGRAMME | 63 - 64 |

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

FIRE EVACUATION PROCEDURE: Please see attached sheet.

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

For further information, please contact:-

Sue Griffiths on 01695 585097

Or email susan.griffiths@westlancs.gov.uk

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

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

IF YOU DISCOVER A FIRE

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

ON HEARING THE FIRE ALARM

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

NOTES:

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

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

CHECKLIST FOR PERSON IN CHARGE

1. Advise other interested parties present that you are the person in charge in the event of an evacuation.
2. Make yourself familiar with the location of the fire escape routes and 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**.
8. Authorise return to the building only when it is cleared to do so by the **FIRE AND RESCUE SERVICE OFFICER IN CHARGE**. Inform the **DOOR WARDENS** to allow re-entry to the building.

NOTE:

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

CHECKLIST FOR ZONE WARDEN

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

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

INSTRUCTIONS FOR DOOR WARDENS

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

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Agenda Item 3

MEMBERS INTERESTS 2012

A Member with a disclosable pecuniary interest in any matter considered at a meeting must disclose the interest to the meeting at which they are present, except where it has been entered on the Register.

A Member with a non pecuniary or pecuniary interest in any business of the Council must disclose the existence and nature of that interest at commencement of consideration or when the interest becomes apparent.

Where sensitive information relating to an interest is not registered in the register, you must indicate that you have an interest, but need not disclose the sensitive information.

Please tick relevant boxes

Notes

	General		Notes
1.	I have a disclosable pecuniary interest.	<input type="checkbox"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 below</i>
2.	I have a non-pecuniary interest.	<input type="checkbox"/>	<i>You may speak and vote</i>
3.	I have a pecuniary interest because it affects my financial position or the financial position of a connected person or, a body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest 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) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest	<input type="checkbox"/> <input type="checkbox"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i> <i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i>
4.	I have a disclosable pecuniary interest (Dispensation 16/7/12) or a pecuniary interest but it relates to the functions of my Council in respect of: (i) Housing where I am a tenant of the Council, and those functions do not relate particularly to my tenancy or lease. (ii) school meals, or school transport and travelling expenses where I am a parent or guardian of a child in full time education, or are a parent governor of a school, and it does not relate particularly to the school which the child attends. (iii) Statutory sick pay where I am in receipt or entitled to receipt of such pay. (iv) An allowance, payment or indemnity given to Members (v) Any ceremonial honour given to Members (vi) Setting Council tax or a precept under the LGFA 1992	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i>
5.	A Standards Committee dispensation applies (relevant lines in the budget – Dispensation 20/2/13 – 19/2/17)	<input type="checkbox"/>	<i>See the terms of the dispensation</i>
6.	I have a pecuniary interest in the business but I can attend to make representations, answer questions or give evidence as the public are also allowed to attend the meeting for the same purpose	<input type="checkbox"/>	<i>You may speak but must leave the room once you have finished and cannot vote</i>

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

Interest

Employment, office, trade, profession or vocation

Sponsorship

Prescribed description

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

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

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

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

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

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

"relevant period" means the period of 12 months ending with the day on which M gives notice to the Monitoring Officer of a DPI;

"relevant person" means M or M's spouse or civil partner, a person with whom M is living as husband or wife or a person with whom M is living as if they were civil partners;

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

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

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

'a connected person' means

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

'body exercising functions of a public nature' means

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

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

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

PUBLIC SPEAKING – PROTOCOL

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

1.0 Public Speaking

1.1 Residents of West Lancashire may, on giving notice, address any of the above meetings to make representations on any item on the agenda for those meetings, except where the public and press are to be excluded from the meeting during consideration of the item.

1.2 The form attached as an Appendix to this Protocol should be used for submitting requests.

2.0 Deadline for submission

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

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

2.2 Completed forms will be collated by Member Services and circulated via e-mail to relevant Members and officers and published on the Council website via the Council's Information System (CoInS). Only the name of the resident and details of the issue to be raised will be published.

2.3 Groups of persons with similar views should elect a spokesperson to speak on their behalf to avoid undue repetition of similar points. Spokespersons should identify in writing on whose behalf they are speaking.

3.0 Scope

3.1 Any matters raised must be relevant to an item on the agenda for the meeting.

3.2 The Borough Solicitor may reject a submission if it:

- (i) is defamatory, frivolous or offensive;
- (ii) is substantially the same as representations which have already been submitted at a previous meeting; or
- (iii) discloses or requires the disclosure of confidential or exempt information.

4.0 Number of items

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

5.0 At the Meeting

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



REQUEST FOR PUBLIC SPEAKING AT MEETINGS

MEETING & DATE

NAME

ADDRESS

Post Code

PHONE

Email

Please indicate if you will be in attendance at the meeting

YES/NO*

*delete as applicable

Note: This page will not be published.

(P.T.O.)

PLEASE PROVIDE DETAILS OF THE MATTER YOU WISH TO RAISE

Agenda Item Number

 Title

Details

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Name Dated

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

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

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

Note: This page will be published.

PRESENT:

Councillors: Bullock (Chairman)

Mrs Baybutt	G Hodson
Blane	Mee
Dereli	Pendleton
Devine	Pope
Gagen	Whittington
	West

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

In attendance: Georgia Jones of Grant Thornton (External Auditors)

34. APOLOGIES

There were no apologies for absence.

35. MEMBERSHIP OF THE COMMITTEE

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

36. DECLARATIONS OF INTEREST

There were no declarations of interest.

37. MINUTES

RESOLVED That the minutes of the last meeting of the Committee held on 26 January 2016 be approved as a correct record and signed by the Chairman.

38. GRANT THORNTON AUDIT PLAN

The Borough Treasurer reported upon the External Auditor's Audit Plan of the Council's 2015/16 financial statements and value for money issues, as contained on pages 399 – 419 of the Book of Reports.

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

Comments and questions were raised in respect of the following:

- New accounting standard on fair value (IFRS 13)
- Welfare expenditure (staffing costs/time delivering universal credit system)
- Value for money (social impact)

RESOLVED That the report be noted.

39. GRANT THORNTON PROGRESS UPDATE

Consideration was given to the report of the Borough Treasurer, contained on pages 421 – 440 of the Book of Reports, which detailed the External Auditor's update report and outlined progress regarding the delivery of their responsibilities against their audit plan together with a range of other matters.

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

RESOLVED That the report be noted.

40. INTERNAL AUDIT ACTIVITY - QUARTERLY UPDATE

Consideration was given to the report of the Borough Treasurer as contained on pages 441 – 444 of the Book of Reports which advised of progress against the 2015/16 Internal Audit Plan.

RESOLVED That progress in the year to date be noted.

41. INTERNAL AUDIT PLAN 2016/17

Consideration was given to the report of the Borough Treasurer as contained on pages 445 - 448 of the Book of Reports which provided Members with the background to the preparation of the 2016/17 Internal Audit Plan.

RESOLVED That the 2016/17 Internal Audit Plan (Appendix 1 to the report) be approved to take effect from 1 April 2016.

42. LOCAL CODE OF GOVERNANCE 2016

Consideration was given to the report of the Borough Treasurer as contained on pages 449 – 462 of the Book of Reports which set out the results of the annual review of the Council's Local Code of Governance.

RESOLVED That the Local Code of Governance for 2016/17 (Appendix 1 to the report) be approved.

43. EXTERNAL REVIEW OF INTERNAL AUDIT

Consideration was given to the report of the Borough Treasurer as contained on pages 463 – 465 of the Book of Reports which provided an update on the commissioning of a review of the Internal Audit Quality Assurance and Improvement Programme (QAIP).

RESOLVED That the external review of internal audit be undertaken by way of commissioning an external assessment and that suitable budget provision be established.

44. REGULATION OF INVESTIGATORY POWERS ACT QUARTERLY MONITORING OF USE OF POWERS

In relation to the quarterly monitoring of activity under the Regulation of Investigatory Powers Act 2000 (RIPA) the Borough Solicitor reported that there was no relevant activity to bring to the attention of the Committee.

RESOLVED That the update be noted.

45. WORK PROGRAMME

Consideration was given to the Committee's Work Programme as set out at page 467 of the Book of Reports.

- RESOLVED
- A. That the Work Programme be noted.
 - B. That the Treasury Management Training in January 2017 to include BRRD Directive (Bail-in).
 - C. That the training session for March 2017 to be Asset Valuation.

.....
CHAIRMAN



AGENDA ITEM:

AUDIT AND GOVERNANCE COMMITTEE:

28 June 2016

Report of: Borough Treasurer

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

SUBJECT: GRANT THORNTON REPORTS

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

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

2.0 RECOMMENDATION

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

3.0 BACKGROUND

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

4.0 GRANT THORNTON REPORTS

4.1 The Grant Thornton Progress And Update report sets out their progress in delivering their responsibilities against their audit plan as well as a range of other matters, while the Audit Fee letter provides details on the audit fee and works that are planned to take place for 2016/17.

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

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

6.0 RISK ASSESSMENT

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

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

Grant Thornton Progress and Update Report
Grant Thornton Planned Audit Fee Letter

Audit and Governance Committee
Progress and Update Report for
West Lancashire Borough Council
Year ended 31 March 2016

27 May 2016

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Karen Murray

Engagement Lead

T 0161 234 6364

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

Georgia Jones

Audit Manager

T 0161 214 6383

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

Stuart Basnett

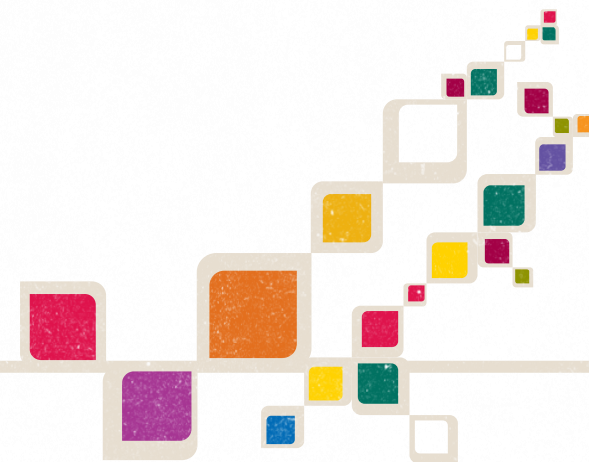
In Charge Auditor

T 0151 224 7232

E stuart.h.basnett@uk.gt.com

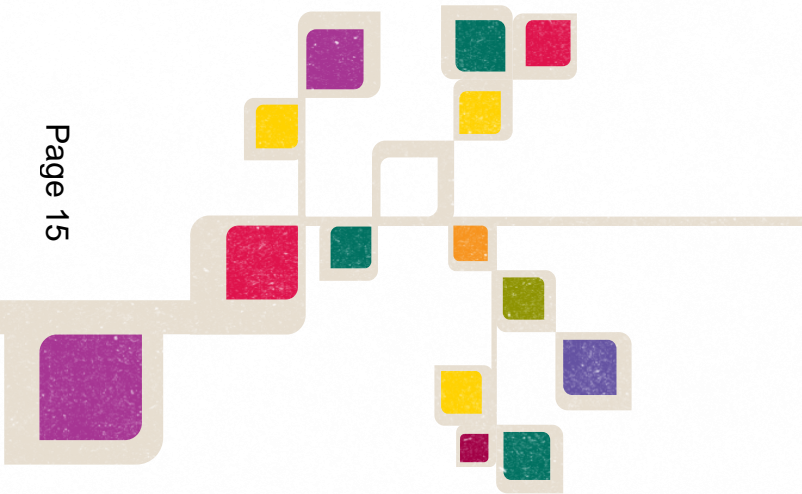


The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible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



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Introduction

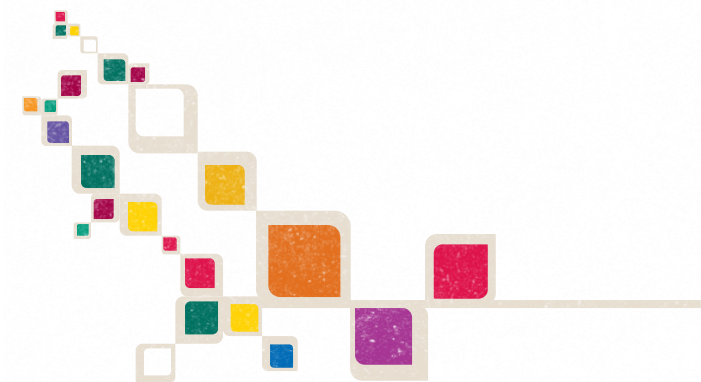
This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit and Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- Better Together: Building a successful joint venture company;
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;
www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015)
www.grantthornton.co.uk/en/insights/making-devolution-work/

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

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Progress at 27 May 2016



 **Progress against plan**
On track

 **Opinion and VfM conclusion**
Plan to give before deadline of 30 September 2016

 **Outputs delivered**
Fee letter, Progress Reports, delivered to plan

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2015/16 work

Completed Comments

Fee Letter

We issued the 'Planned fee letter for 2015/16 in April 2015.

March 2015

We have also recently issued the fee letter for 2016/17, with no change to the fee proposed. This is reported to this meeting of the Audit and Governance committee.

Accounts Audit Plan

We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.

March 2016

This was presented to the Audit and Governance Committee in March.

We also inform you of any subsequent changes to our audit approach.

Interim accounts audit

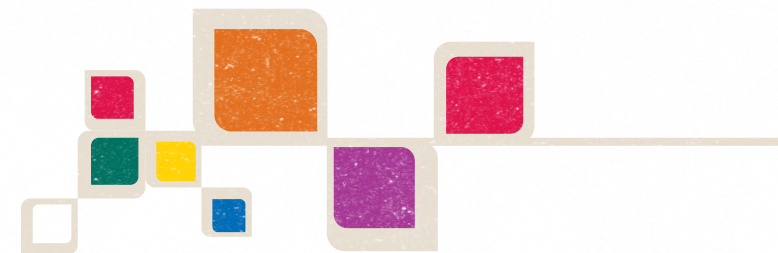
Our interim fieldwork visit includes:

- updating our review of the Council's control environment
- updating our understanding of financial systems
- review of Internal Audit reports on core financial systems
- early work on emerging accounting issues

March 2016

Interim audit findings for the work completed to date are included in this report (pages 7 - 9).

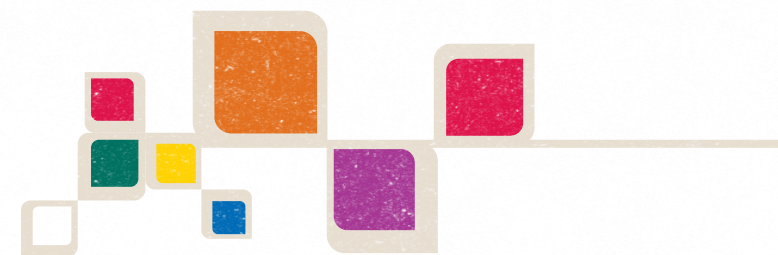
Progress at 27 May 2016



2015/16 work	Completed	Comments
<p>Final accounts audit Including:</p> <ul style="list-style-type: none"> • Audit of the 2015-16 financial statements • proposed opinion on the Council's accounts 	<p>Planned for July - August</p>	<p>We are planning to complete our audit by 31st August as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>To help the Council prepare appropriate evidence to support the financial statements, we will provide a schedule of the working papers that we expect and discussed the implications of emerging accounting matters with finance staff.</p>
<p>Value for Money (VfM) conclusion The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that: "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p>Field work in March – July , formal conclusion reported by 30 September 2016</p>	<p>We have set out the result of our risk assessment and the proposed focus of our work at pages 10 and 11.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>
<p>Other activities We are required to summarise the outcome of our work to certify the Council's 2015-16 grant claims and returns.</p>	<p>September – November 2016</p>	<p>We will prepare a report for the Audit and Governance Committee setting out the findings from our certification of your grant claims.</p>

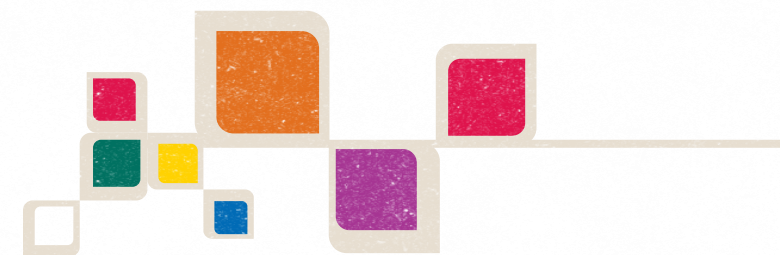
Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised below.



	Work performed	Conclusion
Internal audit	We have considered the outcome of internal audit's work on the Council's key financial systems to date.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses in these overall controls which are likely to adversely impact on the Council's financial statements
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Further work will be completed at the accounts visit to extract journals with 'unusual' criteria for detailed review.

Results of interim audit work



	Work performed	Conclusion
IT controls	We updated the high level review of the general IT control environment as part of the overall review of the internal controls system.	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements:</p> <ul style="list-style-type: none"> • revaluation of property, plant and equipment • employee remuneration • operating expenses • welfare benefit expenditure 	Our walkthrough testing confirms that internal controls have been implemented by the Council in accordance with our documented understanding and our work has not identified any weaknesses which impact on our planned audit approach.

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015.

The Act and the NAO guidance state that auditors are only required to report by exception where they are not satisfied that NHS bodies have proper arrangements in place to secure value for money. However, we are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council.

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria as set out in the table to the right.

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements
- illustrative significant risks identified and communicated by the NAO in its Supporting Information
- any other evidence which we consider necessary to conclude on your arrangements

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> • Acting in the public interest, through demonstrating and applying the principles and values of good governance • Understanding and using appropriate cost and performance information to support informed decision making and performance management • Reliable and timely financial reporting that supports the delivery of strategic priorities • Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions • Managing assets effectively to support the delivery of strategic priorities • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> • Working with third parties effectively to deliver strategic priorities • Commissioning services effectively to support the delivery of strategic priorities • Procuring supplies and services effectively to support the delivery of strategic priorities.

We have identified a significant risk which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

Value for money

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>The Council has historically managed its finances well and has consistently achieved savings targets. The Council achieved favourable variances in 2015/16 of £145k on the final GRA budget (over and above an earlier favourable variance of £470k which was reallocated across services) and £955k on the HRA budget.</p> <p>The Council is aware of the financial pressures it faces going forwards and has included these issues within its key risk register, ensuring processes are in place to help address these risks.</p> <p>The Council did initially have budget gaps in the 2016/17 GRA of £1.571m and the 2016/17 HRA of around £1.4m to fund. Savings have been identified to address these gaps, however, the Council has identified budget gaps in the later years of the Medium Term Financial Strategy of £1.437m in 2017/18, £1.562m in 2018/19, £0.473m in 2019/20.</p> <p>Addressing this shortfall is dependent on a number of factors and there are still significant savings to be identified in order to be able to meet forecast expenditure levels.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We propose to meet with key officers to discuss key strategic challenges and the Council's proposed response and consider reports to members to:</p> <ul style="list-style-type: none"> • review the final outturn position for 15/16 and the budget plans for 16/17 and 17/18 • review any changes or updates to the Council's medium term financial strategy.

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Better Together: Building a successful joint venture company

Grant Thornton reports

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

Page 23

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>



ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton reports

We have published our first cross-sector review of Audit Committee effectiveness encompassing the corporate, not for profit and public sectors.

It provides insight into the ways in which audit committees can create an effective role within an organisation’s governance structure and understand how they are perceived more widely. The report is structured into four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

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The detailed report is available here

<http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

Size: 3-5 members is an ideal size for an audit committee

Frequency: meetings should be regular and the length should adapt to content

Relevance: audit committee members should be selected based on the skills and experience they bring

Communication: papers should strike the balance between detail and length

Ability: training should be provided for audit committee members

Clarity: the role of the audit committee and its relationship with other committees, should be clearly defined

Evolution: audit committees should continually develop

The two key things that audit committee members should be asking are:

- 1 What is expected of the audit committee and does it reflect the specific nature of the industry in which the organisation sits?
- 2 Does the audit committee have clear terms of reference in place? Audit committees should set themselves targets for what they want to achieve and define how these will be measured to ensure they are operating effectively.

Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

Page 25

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





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GRT102468

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12 April 2016

Dear Marc,

Planned audit fee for 2016/17 – West Lancashire Borough Council

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

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

Scale fee

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

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process. PSAA expect that 'the additional fees for a highway authority will be in the range of £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use.

PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16.

The Council's scale fee for 2016/17 has been set by PSAA at £43,746.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

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

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

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

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

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by PSAA at £10,920. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

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

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	10,936
December 2016	10,936
March 2017	10,937
June 2017	10,937
Total	43,746
Grant Certification	
March 2017	10,920

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to April 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2017 and work on the whole of government accounts return in July 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January – April 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	July 2017	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.

Annual audit letter	August 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	August – September 2017	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Karen Murray	0161 234 6364	karen.l.murray@uk.gt.com
Engagement Manager	Georgia Jones	0161 214 6383	georgia.s.jones@uk.gt.com
In Charge Auditor	Stuart Basnett	0151 224 7232	stuart.h.basnett@uk.gt.com

Additional work

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

Quality assurance

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

Yours sincerely

Karen Murray

Engagement Lead

For Grant Thornton UK LLP



AGENDA ITEM: 7

AUDIT AND GOVERNANCE COMMITTEE:

28 June 2016

Report of: Borough Treasurer

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

SUBJECT: GRANT THORNTON ASSURANCE LETTER

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

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

2.0 RECOMMENDATION

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

3.0 BACKGROUND

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

4.0 PROPOSED RESPONSE

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

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

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

6.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendices

Appendix 1 – Grant Thornton Letter
Appendix 2 – Proposed Response



Councillor Bullock
Chair of Audit and Governance Committee
West Lancashire Borough Council
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21 April 2016

Dear Councillor Bullock

West Lancashire Borough Council Financial Statements for the year end 31 March 2016

Understanding how the Audit and Governance Committee gains assurance from management

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

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

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

I am hopeful the committee could co-ordinate responses in time for discussion at the next meeting on 28th June. If you are in agreement with this I would be grateful for the Committee's formal response by mid July.

Yours sincerely

Georgia Jones
Manager
For Grant Thornton UK LLP

T 0161 214 6383
E georgia.s.jones@uk.gt.com

APPENDIX 2 – PROPOSED RESPONSE

Item	Question	Proposed Response
1	<p>How does the Audit and Governance Committee oversee management's processes in relation to:</p> <ul style="list-style-type: none"> - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error - identifying and responding to the risk of breaches of internal control - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist) - communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)? 	<p>An annual report on fraud, bribery and corruption issues is presented to this Committee, with the last such report being made in September 2015. This report confirms that the Council will continue to follow the Acknowledge, Prevent and Pursue principles set out in the Local Government Fighting Fraud Locally strategy.</p> <p>Benefits continues to be the main risk area for fraud. No fraud issues have been identified that would have a significant impact on the financial statements.</p> <p>The Internal Audit Annual Report 2015-16 presented to this Committee concludes that there is an effective system of internal control in place.</p> <p>This system of internal control is designed to minimise risk to a reasonable level but cannot eliminate all risk.</p> <p>The statement of accounts is produced by qualified and experienced accountancy staff in accordance with professional standards, and consequently the risk of override of controls or misreporting is low.</p> <p>The Council has an Officer Code of Conduct in place that is used to encourage ethical behaviour in staff. This Code is periodically reviewed and updated and an annual reminder of its importance is sent to all staff.</p>
2	<p>What are the Audit and Governance Committee's views about the risks of fraud?</p>	
3	<p>Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.</p>	
4	<p>Do you have any knowledge of any whistleblower tips or complaints? If so, please provide details.</p>	<p>The Council has a Whistleblowing Code in place, and staff are encouraged to report any concerns through these arrangements. These documents are periodically reviewed and updated and re-issued to staff.</p> <p>There are no current Whistleblower tips or complaints.</p>

5	How does the Audit and Governance Committee gain assurance that all relevant laws and regulations have been complied with?	<p>The Council has Monitoring Officer arrangements in place to meet the obligations imposed by the Local Government and Housing Act 1989. The Monitoring Officer protocol securing the delivery of this requirement is embedded as an Article in the Council's Constitution.</p> <p>Fulfilment of requirements is further assisted by the other reports, policies and codes referred to elsewhere in this response. An annual reminder is issued to officers by the Monitoring Officer highlighting the role and gaining assistance in reporting relevant matters.</p> <p>Internal audit review compliance with legislation in relation to areas subject to audit. This can be explicit and targeted specifically in a brief or part of the general requirement under Public Sector Internal Audit Standards for audit evaluation of risks to include consideration of compliance with laws and regulations.</p>
6	Are you aware of any actual or potential litigation or claims that would affect the financial statements?	<p>This area is subject to a specific review by the Borough Solicitor and Borough Treasurer as part of the process for producing the statement of accounts and no significant claims were identified.</p>
7	How has the Audit and Governance Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	<p>A strong financial performance was delivered in the 2015/16 financial year with favourable budget variances being achieved on both the GRA and the HRA.</p> <p>The Policy Options process will continue to be used to manage the financial challenges facing the Council over the medium term.</p>



AGENDA ITEM: 8

AUDIT AND GOVERNANCE COMMITTEE:

28 June 2016

Report of: Borough Treasurer

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

SUBJECT: INTERNAL AUDIT ACTIVITY – QUARTERLY UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To advise of progress against the 2016/17 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 2016/17 Internal Audit Plan and the Internal Audit Manager will bring written updates on progress against it to each meeting of this Committee.

3.2 This report summarises progress to early June. This work will inform the overall opinion in the Internal Audit Annual Report that will be presented to this Committee following the end of the financial year.

4.0 INTERNAL AUDIT ACTIVITY TO DATE

4.1 An appendix summarising progress to date and any significant issues arising is attached and the Internal Audit Manager will attend the meeting to present the report should Members have any questions.

4.2 Progress against the plan to date is behind the previous year's with 15% of audits in progress compared to 18% for the same period in 2015/16.

- 4.3 The main reason for this variance is a reduction in resources caused by a vacancy. The Audit Manager is addressing this shortfall through the appropriate channels and will provide a verbal update on the latest position at the meeting.
- 4.4 It is anticipated that by the end of the financial year 2016/17 the shortfall will have been adequately addressed and audit coverage will be sufficient to enable an adequate assessment of the adequacy and effectiveness of the Council's overall framework of governance and control for 2016/17.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

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

7.0 RISK ASSESSMENT

- 7.1 This report summarises progress against Internal Audit's work programme to date. Internal Audit's work is a key source of assurance to this Committee that risks to the achievement of the Council's objectives are being properly managed. The activity referred to in this report is covered by the scheme of delegation to officers and the relevant risk registers will be amended to reflect the risks arising from the unexpected temporary reduction in resources.

Background Documents

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

Equality Impact Assessment

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

Appendices

1. Internal Audit Activity Quarterly Update.

INTERNAL AUDIT QUARTERLY UPDATE

1.0 Summary of progress 2016/17

- 1.1 4 of the 26 items on the original plan are currently in progress. This is approximately 15% and compares with 18% for the same period in 2015/16.
- 1.2 The main reason for this variance is a temporary 17% reduction in resources in the quarter due to a vacant post. The service has now arranged an agency placement to increase resources temporarily pending a permanent solution and the audit Manager will provide a verbal update on the latest position at the meeting.

Internal Audit 2016/17 first quarter activity update

Title	Position
Contract Audit	Work in progress
Council Tax	Work in progress
Debtors	Work in progress
National Fraud Initiative	Work in progress

Summary	
Work complete	0
Work in progress	4
Work not yet commenced	22
Total	26

- 1.3 The vacancy is the equivalent of 0.6 of a full time equivalent post and the agency placement has been engaged on a full time basis. This should enable satisfactory completion of the 2016/17 annual plan as approved.
- 1.4 Audit resources balanced over the entire year will provide adequate coverage to enable an assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

2.0 Update on 2015/16 work

- 2.1 The vacancy, which arose unexpectedly without notice in the latter part of the year, caused a reduction in resources available for completion of the 2015/16 plan and resulted in partially completed work being left outstanding without a handover taking place.
- 2.2 The majority of 2015/16 work-streams have now been completed as planned or are nearing completion at the time of writing. Work undertaken evidences appropriate controls are in place to manage significant risks to the Council's operations and it is anticipated that all of the work completed will result in substantial assurance ratings.

- 2.3 The Audit Manager agreed with the Borough Treasurer that addressing the resource issue was a priority and this has now been achieved temporarily through an agency placement. This process has inevitably had an adverse impact on delivery of the plan and together with the unplanned shortfall in resources has delayed final completion of some work and reduced overall coverage.
- 2.4 Now that the resource issue has been temporarily addressed a review of the position will be undertaken and a final position statement on 2015/16 work will be presented to the next meeting.
- 2.5 Set out below are summaries of a number of completed areas of activity. The remaining areas will be reported to the next meeting of this Committee.

3.0 Assurance rating system

- 5.1 This report records the level of assurance provided by Internal Audit's work. The following categories are used to record the level of assurance.

Full assurance: there is a sound system of internal control designed to secure objectives and controls are being consistently applied.

Substantial assurance: there is a generally sound system of internal control in place designed to secure objectives and controls are generally being applied consistently. Some weaknesses in the design or operation of the controls put the achievement of particular objectives at risk.

Limited assurance: weaknesses in design or inconsistent application of controls put the achievement of objectives at risk.

No assurance: weak controls or significant non-compliance with controls could result (or have resulted) in failure to achieve objectives.

- 5.2 No system of internal control can eliminate every possible risk and increasing the level of control in a system frequently increases costs. Balancing risk appropriately against the costs of control is management's responsibility.
- 5.3 Internal Audit's role is to evaluate and improve the effectiveness of risk management and control processes.
- 5.4 It is important to recognise that the scope of the work in each area examined defines the limits of the assurance which can be provided and to give context to the assurance provided each piece of work is summarised in the reports set out below.

Summary assurance reports:

4.0 ICON CASH RECEIPTING

The Council's revenues and benefits service (provided by BTLs) is responsible for the operation of ICON, a largely automated system which records income received from all sources and allocates it to the appropriate funds e.g. Council Tax. It is a key control, providing a link between income received, changes to bank balances and movement of financial control totals on individual funds.

4.1.1 Objectives

The operation of the ICON automated system is frequently checked during audits of individual funds. This exercise was designed to review the procedures in place to operate and administer the system itself including manual interventions such as processing of cheques received at council offices or the operation of the suspense account for payments with inadequate references, reconciliation of incoming payments and maintenance of user profiles. It also examined the introduction of a web hosted module of the software to meet payment card Industry Standards, the introduction of chip and pin facilities in one area together with some changes to areas of responsibility following the transfer to BTLs.

4.1.2 Observations

- The suspense account is well administered.
- There is adequate segregation of duties in the administration of user profiles.
- There are adequate controls on income received in cheque form.
- The system supports an adequate audit trail from receipt of income to its allocation to the appropriate fund.

4.1.3 Assurance

- This Internal Audit work provides **substantial** assurance that the procedures in place supporting the centrally administered functions of the ICON system control its operation adequately. This includes activities now administered through the Web Hosted module.

5.0 NNDR

National Non-Domestic Rates, frequently referred to as business rates, are calculated for each non-domestic property using a Valuation Office Agency determination of its rateable value and a multiplier set by the Government each financial year.

There is a system of mandatory discounts and reliefs (set by Government) and local authorities also have the power to grant discretionary discounts or

hardship relief. These are applied to reduce the amount payable for those businesses or properties which meet the appropriate qualifying criteria.

In West Lancashire the collection of business rates is administered by BTLS using Northgate software.

5.1.1 Objectives

To examine a sample of accounts to ensure that bills had been calculated correctly and any payments, discounts and reliefs on the account had been correctly applied and other activity in relation to the accounts in question was appropriate, for example:

- System parameters had been set correctly
- Calculation routines were operating correctly
- Reliefs and exemptions had been applied appropriately and calculated correctly.
- Incoming payments had been applied to the correct account and the outstanding balance adjusted accordingly.
- Appropriate recovery action is taken on accounts in arrears

To examine the process for reconciling movements in control totals on the Northgate system to the ICON cash receipting and CIVICA financial systems.

5.1.2 Observations

- The examination disclosed minor housekeeping issues on a number of accounts which were corrected immediately.
- System parameters and calculation routines were operating correctly.
- Exemptions and reliefs were applied appropriately and calculated accurately.
- Payments were posted correctly and balances adjusted appropriately.
- While appropriate recovery action had been taken on accounts examined there were insufficient accounts in the later stages of arrears in the sample to allow a reliable conclusion to be drawn on the operation of recovery processes overall.
- Reconciliation procedures are effective, carried out on a daily basis and up to date.

5.1.3 Assurance

This Internal Audit work provides **substantial** assurance that the systems in place for the administration of business rates provide effective controls on the initial assessment and calculation of individual accounts and high level financial controls on movements in the Northgate system.

6.0 NATIONAL FRAUD INITIATIVE 2014/15 2015/16

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

These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies and the Council is required to submit data on a regular basis.

Internal audit is responsible for co-ordination of the submission of data and investigation of the returned matches.

6.1.1 OBJECTIVES

To co-ordinate the submission of data sets to the National Fraud Initiative as required.

To prioritise returned matches and co-ordinate the investigation of any anomalies with the appropriate services and corresponding “matched” organisation.

To take appropriate action where any matches are found to result from flaws in the systems and procedures operated by the Council.

6.1.2 SCOPE

All data matches produced as part of NFI.

6.1.3 OBSERVATIONS

Over 1,530 matches were returned mainly relating to:

- Housing benefit (1205)
- Payroll (20)
- Housing (111)
- Insurance (10)
- Creditor payments. (191)

Following a screening process incorporating a risk assessment process and an initial sift to remove “false” matches, 379 matches were followed up in more detail.

250 benefit matches were examined in detail, 13 of these resulted in formal investigations by Benefit Inspection Team.

The ultimate outcome of these investigations is unknown as responsibility for investigation of housing benefit fraud transferred from local authorities to the DWP Single Fraud Investigation Service during the exercise and as a consequence the local team were TUPE transferred to the Single Fraud Investigation Service.

All 20 payroll matches were examined in detail and no irregularities were disclosed.

As there has been a proliferation of tenancy fraud nationally, a relatively large sample of housing matches (59) was examined in detail. No fraudulent activity was disclosed,

Given the relatively small number all matches that indicated potential insurance fraud were examined. On examination these were found to be “irrelevant” matches in each instance.

Of the matches relating to creditor payments, 52 matches were examined in more detail. There were legitimate reasons for each “match” in every instance.

Some minor clerical errors were identified by the exercise and all were subsequently corrected.

6.1.4 CONCLUSIONS

With the caveat that the results of investigations into the thirteen data matches relating to housing benefits transferred to the DWP’s Single Fraud Investigation Service are not known, no fraudulent activity or erroneous payments were discovered in WLBC as a result of the NFI data matching exercise.

6.1.5 ASSURANCE

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



AGENDA ITEM: 9

AUDIT AND GOVERNANCE COMMITTEE:

28 June 2016

Report of: Borough Treasurer

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

SUBJECT: INTERNAL AUDIT ANNUAL REPORT 2015-16

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To present the 2015-16 Internal Audit Annual Report.

2.0 RECOMMENDATION

2.1 That members consider the Internal Audit Annual Report for 2015-16.

3.0 BACKGROUND

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

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

4.0 SUMMARY OF FINDINGS

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

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

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

7.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendices

Appendix - Internal Audit Annual Report 2015-16.

INTERNAL AUDIT SERVICE ANNUAL REPORT 2015-16

1.0 INTRODUCTION

- 1.1 The Council is required by the Accounts and Audit Regulations 2015 to undertake an effective internal audit of its risk management, control and governance processes, taking into account public sector auditing standards or guidance.
- 1.2 For 2015/16 those standards were defined in the Public Sector Internal Audit Standards (PSIAS).
- 1.3 The PSIAS require the Audit Manager to deliver an annual internal audit opinion that can be used to inform the Council's Annual Governance Statement.
- 1.4 The work-streams set out in the Internal Audit Plan approved by this Committee are the primary source of assurance upon which that opinion is based.
- 1.5 This report summarizes internal audit activity during 2015-16, and presents the annual internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

2.0 CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 2.1 A report was brought to this Committee in March 2013 setting out the requirements of the PSIAS which were adopted with effect from April 2013.
- 2.2 A further report was brought to this Committee in June 2013 outlining guidance on the application of the Standards in the public sector in the form of the Local Government Application Note subsequently published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.3 Since the introduction of the PSIAS internal audit has kept its systems and procedures under review to ensure that it operates in accordance with the standards.
- 2.4 In January 2015 Members approved a new Internal Audit Charter revised to reflect the requirements of the PSIAS.
- 2.5 The PSIAS require internal audit to maintain a quality assurance and improvement programme (QAIP).

- 2.6 In March of this year Members considered how best to fulfil the requirement for an external assessment of the QAIP as required by the PSIAS. It was resolved to make budget provision to commission an independent external assessment in 2017/18.
- 2.7 For 2015/16 the requirement for a review was satisfied by an internal assessment based on the “Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note” published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.8 The assessment re-confirmed that the work performed by the section in the year was conducted in conformance with the PSIAS with one remaining area for improvement identified at the previous year’s review still to be addressed.
- 2.9 This relates to obtaining user feedback for individual audits and periodically for the whole service. While the audit manager regularly obtains feedback from auditees and management there is not currently any formal methodology for this. It is intended to re-introduce a system for capturing feedback through the use of structured questionnaires.

3.0 INTERNAL AUDIT ACTIVITY 2015-16

- 3.1 The 2015-16 Internal Audit Plan was prepared using a risk based approach taking into account the Council’s objectives and considering known local and national influences on risks to their achievement. It was approved by this Committee in March 2015.
- 3.2 The 2015/16 Internal Audit Plan contained 28 work-streams, 21 of these are substantially complete.

Title	Position
Contract Procurement	Complete
National Fraud Initiative	Complete
Licensing	Complete
Icon cash receipting	Complete
Benefits	In progress
Technical Services	Complete
Community Infrastructure Levy	Complete
Council Tax	Complete
NNDR	Complete
Customer Services	Complete
Grounds maintenance	In progress
Refuse and Recycling	In progress
Creditors	Complete
Payroll	In progress
Post SFIS arrangements	In progress
Rents	In progress
Money Laundering Reporting Activity	Complete
DATA protection (SIRO)	Complete
ICT	Complete
Counter Fraud	Complete
Annual Governance Statement	Complete

- 3.3 During the year a vacancy arose unexpectedly without notice causing a reduction in resources available for completion of the plan and resulting in partially completed work left outstanding without any planned handover taking place. Inevitably this had an adverse impact on completion of the plan.
- 3.4 The shortfall in resources has now been addressed temporarily using an agency placement. The outstanding items will now be reviewed and as the vacancy is the equivalent of 0.6 of a post and the agency placement is on a full time basis this will facilitate completion of any essential planned work outstanding as necessary.
- 3.5 Performance against the plan, summaries of internal audit activity and the level of assurance it provides are reported to this Committee in detail on a quarterly basis.
- 3.6 While final completion of some work has inevitably been delayed and overall coverage for the year will be reduced, sufficient audit coverage has been achieved to enable delivery of an audit opinion on the control environment.
- 3.7 The majority of workstreams were completed as planned or are near completion at the time of writing and it is anticipated that all of these will result in substantial assurance ratings.
- 3.8 Work undertaken evidenced appropriate controls in place to manage significant risks to the Council's operations, and no evidence of any significant weaknesses have been identified.

4.0 MANAGEMENT RESPONSES TO INTERNAL AUDIT REPORTS

- 4.1 During the year recommendations for improvements to controls in various systems have been made by internal audit and agreed by Management.
- 4.2 Responses from auditees have been satisfactory and recommendations have been implemented in reasonable timescales.

5.0 ANNUAL GOVERNANCE STATEMENT

- 5.1 Internal audit work supports the production of the Annual Governance Statement presented elsewhere on this agenda. There are no issues arising from Internal Audit's work in 2015/16 which require disclosure in the Annual Governance Statement beyond those matters already identified in it.

6.0 OVERALL OPINION

- 6.1 The Internal Audit Plan was prepared without any limitations on scope. No issues were identified during the course of the audit work in 2015/16 that

would be likely to have a material effect on the Council's Financial Statements.

- 6.2 Based on the work which internal audit have carried out and taking into account other sources of assurance available, such as the Council's external auditor's Annual Audit and Inspection Letter it is my opinion that West Lancashire Borough Council has in place a sound overall framework of governance and effective risk management and control systems.

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



AGENDA ITEM:

AUDIT & GOVERNANCE COMMITTEE: 28 June 2016

Report of: Borough Treasurer

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

SUBJECT: ANNUAL GOVERNANCE STATEMENT 2015/2016

Borough wide interest

1.0 PURPOSE OF THE REPORT

1.1 To consider the Council's Annual Governance Statement, which is set out in Appendix 1.

2.0 RECOMMENDATION

2.1 That the Annual Governance Statement 2015/2016 be approved and commended to the Leader and Chief Executive for signature.

3.0 BACKGROUND

3.1 The Accounts and Audit Regulations require the Council to publish an Annual Governance Statement with its financial reports. The CIPFA / SOLACE Framework provides guidance on the proper practices to be followed to fulfil this requirement and Officers have followed this approach in producing the Annual Governance Statement, and have also had regard to other guidance and best practice requirements.

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

4.0 CURRENT POSITION

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

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

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

7.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendices

Appendix – West Lancashire Borough Council 2015/16 Annual Governance Statement

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WEST LANCASHIRE BOROUGH COUNCIL

2015/16 ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

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

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

This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations, in relation to the production of an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

The governance framework has been in place at West Lancashire Borough Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

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

The key elements of the framework include:

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

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

The Council's Covalent Performance Management System is used to monitor achievement of the Council's objectives and progress against priority delivery projects. Information from this system is presented to Management and Members on a regular basis and there is a Data Quality protocol in place to ensure the accuracy of this information.

A management restructure took place during the year, which saw the creation of a new Chief Executive and Director structure to replace the previous Joint Managing Director structure. This new structure will continue to provide high quality management for the Council but at a reduced cost.

The Council has a number of core customer service standards which apply to all customers and staff. These corporate customer care standards provide a clear commitment of our desire to provide a high quality of customer service. They include response times for letters and emails, telephone calls, complaints, visits to our offices, visits to customers' homes and out of hours emergencies. They cover targets and the attitude and behaviour of staff and customers.

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

The Council's Constitution clearly sets out the respective roles and responsibilities of the Council, its Executive and Overview and Scrutiny functions, and delegations to Committees, Portfolio holders and Chief Officers as well as those functions which, by Statute, are to be exercised by a designated "Proper Officer".

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

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

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

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

The Council's Audit and Governance Committee undertakes the core functions of an audit committee as identified in CIPFA's publication *Audit Committees – Practical Guidance for Local Authorities*. The Committee receives regular reports on governance issues from both officers and the Council's external auditors.

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

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

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

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

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

The Council has in place a Protocol which sets out how the essential elements of local governance, accountability and transparency will be maintained within any proposed arrangements for service delivery through partnerships.

FINANCIAL MANAGEMENT ARRANGEMENTS

The Authority's Financial Management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

REVIEW OF EFFECTIVENESS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

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

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

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

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

The Borough Treasurer, who has overall responsibility for the Authority's financial framework, has not identified any significant governance or internal control issues in relation to financial matters. In carrying out a continuous audit of the Council's business, the Internal Audit Section review the effectiveness of key elements of the Council's governance arrangements and report to the Audit and Governance Committee accordingly. The Internal Audit Manager's Annual Report for 2015/16 does not identify any serious deficiencies in the Council's internal control mechanisms.

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

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

PROGRESS ON ISSUES IDENTIFIED IN THE LAST ANNUAL GOVERNANCE STATEMENT

FINANCIAL CHALLENGES AND THE BUSINESS PLAN

Due to robust financial monitoring and management the Council has achieved a favourable budget variance for 2015/16 and has set a balanced budget for 2016/17. Consequently, the Council is taking appropriate action to ensure a stable financial standing and this position has been confirmed in our latest Annual Audit letter.

CURRENT SIGNIFICANT GOVERNANCE ISSUES

FUTURE FINANCIAL CHALLENGES

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

We propose to monitor the above issues over the coming year and to take steps to maintain and develop our governance arrangements.

SIGNED:

Date

LEADER

SIGNED:

Date

CHIEF EXECUTIVE

On behalf of West Lancashire Borough Council

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AGENDA ITEM:

AUDIT AND GOVERNANCE COMMITTEE:

28 June 2016

Report of: Borough Treasurer

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

SUBJECT: STATEMENT OF ACCOUNTS

Borough wide interest

1.0 PURPOSE OF THE REPORT

1.1 To provide details on the preparation of the Statement of Accounts for the year ended 31st March 2016.

2.0 RECOMMENDATIONS

2.1 That this report be noted.

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

3.0 BACKGROUND

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

4.0 AUDIT PROCESS

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

5.0 SUSTAINABILITY IMPLICATIONS / COMMUNITY STRATEGY

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

6.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendices

None

Audit & Governance Committee Work Programme – 28 June 2016

Date	Training (commencing 6.30pm)	Items
September 2016	Procurement to include:- <ul style="list-style-type: none"> • Value for Money • Social Value • E-tendering • SME's (Small and medium-sized enterprises) 	<ol style="list-style-type: none"> 1. Grant Thornton – Progress Update 2. Grant Thornton – Audit Findings Report 3. Approval of Statement of Accounts 4. Internal Audit Activities – Quarterly Update 5. RIPA Act Annual and Quarterly Monitoring Use of Powers 6. Annual Review – Anti-Fraud, Bribery and Corruption Policy 7. Risk Management Framework
January 2017	Treasury Management to include <ul style="list-style-type: none"> • Value for Money • BRRD Directive (Bail-in) 	<ol style="list-style-type: none"> 1. Grant Thornton – Progress Update 2. Internal Audit Activities – Quarterly Update 3. RIPA Act quarterly monitoring of use of powers 4. Grant Thornton Annual Audit Letter 5. Grant Thornton Certification Letter 6. Treasury Management
March 2017	Asset Valuation	<ol style="list-style-type: none"> 1. Grant Thornton – Progress Update 2. Local Code of Governance 3. Internal Audit Activities – Quarterly Update 4. Internal Audit Plan 2017/18 5. RIPA Act quarterly monitoring of use of powers 6. Grant Thornton – Audit Plan
June 2017		<ol style="list-style-type: none"> 1. Grant Thornton – Progress Update 2. Internal Audit Annual report 3. Internal Audit Activities – Quarterly Update 4. Annual Governance Statement 5. Statement of Accounts 6. RIPA Act Quarterly Monitoring of Use of Powers 7. Risk Management Framework

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