



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

23 January 2017

TO: COUNCILLORS J BULLOCK, N PRYCE-ROBERTS, T ALDRIDGE, T BLANE, COOPER, P COTTERILL, S CURRIE, J GORDON, G HODSON, P HUDSON, J MEE, R PENDLETON, E POPE S

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, 31 JANUARY 2017** at **6.30 PM** at which your attendance is requested.

Yours faithfully

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

Kim Webber
Chief Executive

AGENDA
(Open to the Public)

1. APOLOGIES

2. MEMBERSHIP OF THE COMMITTEE

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

3. DECLARATIONS OF INTEREST

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

advised to contact the Borough Solicitor in advance of the meeting. (For the assistance of members a checklist for use in considering their position on any particular item is included at the end of this agenda sheet).

- | | | |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 4. | PUBLIC SPEAKING | 253 -
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| | Residents of West Lancashire on giving notice, may address the meeting to make representations on any item on the agenda except where the public and press are to be excluded during consideration of the item. The deadline for submission is 5.00pm on Thursday 26 January 2017. | |
| 5. | MINUTES | 257 -
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| | To receive as a correct record the minutes of the last meeting of the Committee held on 27 September 2016. | |
| 6. | GRANT THORNTON ANNUAL AUDIT LETTER | 261 -
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| | To consider the report of the Borough Treasurer | |
| 7. | GRANT THORNTON CERTIFICATION LETTER | 277 -
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| | To consider the report of the Borough Treasurer | |
| 8. | GRANT THORNTON - PROGRESS UPDATE | 281 -
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| | To consider the report of the Borough Treasurer | |
| 9. | TREASURY MANAGEMENT | 297 -
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| | To consider the report of the Borough Treasurer | |
| 10. | RISK MANAGEMENT FRAMEWORK AND POLICY UPDATE | 301 -
314 |
| | To consider the report of the Borough Treasurer | |
| 11. | INTERNAL AUDIT ACTIVITY - QUARTERLY UPDATE | 315 -
320 |
| | 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**

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

FIRE EVACUATION PROCEDURE: Please see attached sheet.

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

For further information, please contact:-

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 inform any interested parties of the escape routes.
3. Make yourself familiar with the location of the assembly point and inform any interested parties of that location.
4. Make yourself familiar with the location of the fire alarm and detection control panel.
5. Ensure that the zone warden and door wardens are aware of their roles and responsibilities.
6. Arrange for a register of attendance to be completed (if considered appropriate / practicable).

IN THE EVENT OF A FIRE, OR THE FIRE ALARM BEING SOUNDED

1. Ensure that the room in which the meeting is being held is cleared of all persons.
2. Evacuate via the nearest safe Fire Exit and proceed to the **ASSEMBLY POINT** in the car park.
3. Delegate a person at the **ASSEMBLY POINT** who will proceed to **HOME CARE LINK** in order to ensure that a back-up call is made to the **FIRE BRIGADE**.
4. Delegate another person to ensure that **DOOR WARDENS** have been posted outside the relevant Fire Exit Doors.

5. Ensure that the **ZONE WARDEN** has reported to you on the results of his checks, **i.e.** that the rooms in use have been cleared of all persons.
6. If an Attendance Register has been taken, take a **ROLL CALL**.
7. Report the results of these checks to the Fire and Rescue Service on arrival and inform them of the location of the **FIRE ALARM CONTROL PANEL**.
8. Authorise return to the building only when it is cleared to do so by the **FIRE AND RESCUE SERVICE OFFICER IN CHARGE**. Inform the **DOOR WARDENS** to allow re-entry to the building.

NOTE:

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

CHECKLIST FOR ZONE WARDEN

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

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

INSTRUCTIONS FOR DOOR WARDENS

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

Agenda Item 3

MEMBERS INTERESTS 2012

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

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

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

Please tick relevant boxes

Notes

	General		
1.	I have a disclosable pecuniary interest.	<input type="checkbox"/>	<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 20/09/16) 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"/>	<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 20/09/16 – 19/09/20)	<input type="checkbox"/>	<i>See the terms of the dispensation</i>
6.	I have a pecuniary interest in the business but I can attend to make representations, answer questions or give evidence as the public are also allowed to attend the meeting for the same purpose	<input type="checkbox"/>	<i>You may speak but must leave the room once you have finished and cannot vote</i>

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

Interest

Employment, office, trade, profession or vocation

Sponsorship

Prescribed description

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

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

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

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

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

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

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

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

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

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

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

'a connected person' means

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

'body exercising functions of a public nature' means

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

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

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

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.)

Agenda Item 5

AUDIT & GOVERNANCE COMMITTEE

HELD: Tuesday, 27 September 2016

Start: 6.30 pm

Finish: 7.15 pm

PRESENT:

Councillor: J Bullock (Chairman)

Councillors: T Aldridge P Hudson
P Cotterill J Mee
S Currie R Pendleton
E Evans E Pope
J Gordon A Yates

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 (Grant Thornton)
Stuart Basnett (Grant Thornton)

14 **APOLOGIES**

There were no apologies for absence.

15 **MEMBERSHIP OF THE COMMITTEE**

In accordance with Council Procedure Rule 4, the Committee noted the termination of membership of Councillors Cooper and Pryce-Roberts and the appointment of Councillors Yates and D Evans respectively for this meeting only, giving effect to the wishes of the Political Groups.

16 **DECLARATION OF INTERESTS**

There were no declarations of interest.

17 **PUBLIC SPEAKING**

There were no items under this heading.

18 **MINUTES**

RESOLVED That the minutes of the last meeting of the Committee held on 28 June 2016 be approved as a correct record and signed by the Chairman.

19 GRANT THORNTON - AUDIT PLAN FINDINGS REPORT

Consideration was given to the report of the Borough Treasurer as circulated and contained on pages 69 -70 and 116 – 153 of the Book of Reports the purpose of which was to receive the Audit Findings Report from Grant Thornton (External Auditors) which set out their findings on the audit of the accounts and value for money.

The Chairman invited Georgia Jones (Grant Thornton) to present the Audit Findings report.

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

- Internal controls (access rights)
- Unadjusted misstatements (NNDR)
- Findings against significant risks (assessment of fraud)
- Findings against other risks (welfare benefit)

RESOLVED That the report be noted.

20 APPROVAL OF STATEMENT OF ACCOUNTS

Consideration was given to the report of the Borough Treasurer as contained on pages 71–76 and 155–250 of the Book of Reports which sought approval of a Letter of Representation and the Council's Annual Statement of Accounts.

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

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

21 INTERNAL AUDIT ACTIVITY - QUARTERLY UPDATE

Consideration was given to the report of the Borough Treasurer as circulated and contained on pages 77 -84 of the Book of Reports which advised of progress against the 2016/17 Internal Audit Plan.

The Audit Manager reported that 34% of the items on the plan were in progress compared to 35% for the same period in the previous year and outlined the reasons for this variance.

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

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

Consideration was given to the report of the Borough Solicitor as contained on pages 85 – 114 of the Book of Reports on the Council’s use of its powers under the Regulation of Investigatory Powers Act 2000 (RIPA) and presented an updated RIPA Policy document. He reported that there had been no relevant activity to bring to the attention of the Committee.

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

23 WORK PROGRAMME

Consideration was given to the Committee’s Work Programme as set out a page 115 of the Book of Reports.

- RESOLVED (A) That the Work Programme be noted.
- (B) That the training session for June 2017 (Statement of Accounts) to include usable/unusable reserves.
- (C) That a Glossary of External Audit terms be provided by Grant Thornton for circulation to Members of the Committee.

.....
Chairman



**AUDIT AND GOVERNANCE:
31st January 2017**

Report of: Borough Treasurer

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

SUBJECT: GRANT THORNTON ANNUAL AUDIT LETTER

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To consider the Grant Thornton Annual Audit Letter for the Year Ended 31st March 2016.

2.0 RECOMMENDATION

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

3.0 BACKGROUND

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

4.0 CURRENT ISSUES

4.1 The Annual Audit Letter confirms that:

- An unqualified opinion has been given on the accounts, which means that they provide a true and fair view of the Council's income and expenditure for the year and its financial position as at 31 March 2016
- the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources

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

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

6.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendix

Annual Audit Letter

The Annual Audit Letter for West Lancashire Borough Council

Year ended 31 March 2016

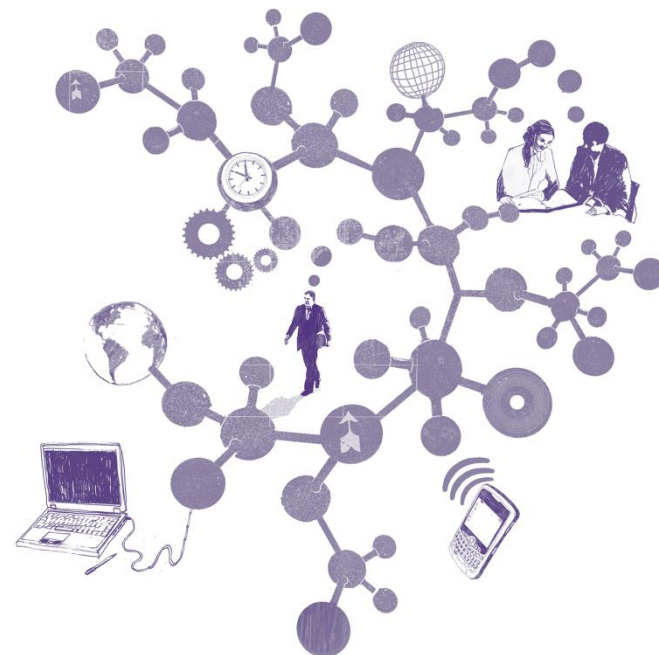
October 2016

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Karen Murray
Engagement Lead
T 0161 234 6364
E karen.l.murray@uk.gt.com

Georgia Jones
Engagement Manager
T 0161 215 6383
E georgia.s.jones@uk.gt.com

Stuart Basnett
In Charge Auditor
T 0151 224 7232
E stuart.h.basnett@uk.gt.com



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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at West Lancashire Borough Council (the Council) for the year ended 31 March 2016.

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

We reported the detailed findings from our audit work to the Council's Audit and Governance Committee as those charged with governance in our Audit Findings Report on 27 September 2016.

Our responsibilities

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

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

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

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 27 September 2016.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 27 September 2016.

Certificate

We certified that we had completed the audit of the accounts of West Lancashire Borough Council in accordance with the requirements of the Code on 27 September 2016.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit and Governance Committee in our Annual Certification Letter.

Working with the Council

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

Grant Thornton UK LLP
October 2016

Audit of the accounts

Our audit approach

Materiality

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

We determined materiality for our audit of the Council's accounts to be £1,579k which is 2% of the Council's gross revenue ,expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as officer remuneration, auditor remuneration and related party transactions.

We set a lower threshold of £79k above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

The scope of our audit

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

This includes assessing whether:

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

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

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

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

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

Audit of the accounts

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

Risks identified in our audit plan	How we responded to the risk
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>For this Council, we have concluded that the greatest risk of material misstatement relates to the occurrence/ existence of expenditure and payables.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at West Lancashire Borough Council, we have determined that the risk of fraud arising from revenue recognition for income and receivables can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Lancashire Borough Council, mean that all forms of fraud are seen as unacceptable. <p>We consider the risk for revenue recognition relates to occurrence/existence of expenditure and payables.</p> <p>As part of our audit work we have undertaken procedures to:</p> <ul style="list-style-type: none"> • Identify and document the Council's overall control environment • Identify, document and walkthrough the processes and controls in place around expenditure at the Council • Test non pay expenditure within 'Operating Expenses' • Review unusual, significant transactions • Test journal entries. <p>We did not identify any issues to report.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Reviewed accounting estimates, judgments and decisions made by management • Tested journal entries • Reviewed unusual significant transactions <p>We did not identify any issues to report</p>

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Audit of the accounts

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

Risks identified in our audit plan	How we responded to the risk
<p>Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>The Council is undertook a re-valuation of its housing stock during 2015/16. This represents a significant estimate by management in the financial statements.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions. • Reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding. • Tested revaluations made during the year to ensure they are input correctly into the Council's asset register. • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value <p>We did not identify any issues to report</p>
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Identified the controls put in place by management to ensure the pension fund liability is not materially misstated. • Assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. • Gained an understanding of the basis on which the valuation is carried out. • Performed procedures to confirm the reasonableness of the actuarial assumptions made. • Reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. <p>We did not identify any issues to report</p>

Audit of the accounts

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

Risks identified in our audit plan	How we responded to the risk
<p>Operating expenditure Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Identified and documented the processes and controls in place around operating expenditure at the Council • Walked through a sample item to confirm our understanding • Substantively tested a sample of non-pay expenditure • Reconciled accounts payable systems to general ledger and financial statements • Reviewed the accruals process and substantively tested a sample of manual accruals and creditor balances • Sample tested payments around the year-end • Reviewed and tested other items of expenditure and disclosures including MRP and members' allowances <p>We did not identify any issues to report</p>
<p>Employee remuneration Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Identified and documented the processes and controls in place around employee remuneration at the Council • Walked through a sample item to confirm our understanding • Substantively tested a sample of payroll transactions • Reconciled payroll data to general ledger and financial statements • Completed substantive analytical review of payroll costs for the year • Substantively tested senior officer remuneration disclosures • Reviewed and tested other pay disclosures including exit packages notes. <p>We did not identify any issues to report</p>

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Audit of the accounts

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

Risks identified in our audit plan	How we responded to the risk
Welfare expenditure Welfare benefit expenditure improperly computed	As part of our audit work we have: <ul style="list-style-type: none">• Identified and documented the processes and controls in place around welfare benefit payments at the Council• Walked through a sample item to confirm our understanding• Reconciled the Northgate benefits system, the general ledger and the financial statements and supporting notes• Substantively tested claimant eligibility for a sample of welfare benefit payments• Tested Housing Benefit Subsidy Claim using the Audit Commission HB COUNT approach We did not identify any issues to report

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 27 September 2016, in advance of the 30 September 2016 national deadline.

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

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit and Governance Committee on 27 September 2016.

In addition to the key audit risks reported above, we identified the following issues/adjustments during our audit that we have asked the Council's management to address for the next financial year:

- consider the risks presented by allowing the Borough Treasurer to have access right to post journals
- the Council has not charged depreciation on its Infrastructure Assets. The Council's policy is not to depreciate infrastructure assets as the amounts involved would be classified as trivial. However we recommend this policy be reviewed.

Annual Governance Statement and Narrative Report

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

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

Other statutory duties

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

We did not have to exercise our statutory powers.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

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

Key findings

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

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

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Financial Resilience</p> <p>The Council has historically managed its finances well and has consistently achieved savings targets. The Council achieved a balanced budget for 2015/16.</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>Review of the budget setting process for 2015-16 and how the outturn was monitored through the year.</p> <p>Review of the medium term financial plan through discussion with key officers.</p> <p>Review of the council's partnerships through discussion with key officers.</p>	<p>The Council has managed its finances carefully through 2015-16 in order to produce a positive year end outturn. It has continued this approach into 2016-17 so that the savings required to deliver a balanced budget are being monitored as the year progresses. It is important that this continues through the remainder of the year in order to ensure that planned savings are on track and being delivered, or where they are not, this is identified promptly so that appropriate action can be taken to address the risks of slippage.</p> <p>Looking further ahead to 2019/20, the Council continues to forecast that it will face significant financial challenges. The latest update to the Medium Term Financial Strategy predicts a gap of £3.472m in total over the three years. The Council is now working to identify further savings and efficiencies to address the gaps.</p> <p>As in recent years, policy options to meet the savings gap are identified for review and approval by the Council. Where policy option do not impact on front line services these have been considered and approved by the Council. Where proposed options may impact on services the Council consults with the local community.</p> <p>As part of it's financial planning, the Council has looked to find innovative solutions to the financial issues faced. An example of this is the project to fit solar panels to council houses. In addition, the Council has sought to identify and put in place a range of partnerships across the local area to foster closer working relationships for the benefit of the community. These partnerships include strategic partnerships for example with Lancashire County Council, Liverpool City Region and community partnerships for example Active West Lancashire set up to improve healthy lifestyles and Ageing Well Partnership set up to try and provide greater co-ordination of services for older people. The Council is demonstrating a willingness to explore new and creative ways of working in partnership in order to deliver services in times of increasing financial pressure.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit. For the certification of claims, this work is not yet completed and final fees will be confirmed in our annual certification letter.

Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of Council	43,746	43,746	57,428
Housing Benefit Grant Certification	11,195	TBC	14,450
Total fees (excluding VAT)	54,941	TBC	71,878

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Reports issued

Report	Date issued
Audit Plan	22 March 2016
Audit Findings Report	27 September 2016
Annual Audit Letter	October 2016

Fees for other services

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



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AUDIT AND GOVERNANCE COMMITTEE:

31 January 2017

Report of: Borough Treasurer

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

SUBJECT: GRANT THORNTON CERTIFICATION LETTER

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To receive details of our External Auditor's findings from their certification of 2015/16 claims and returns.

2.0 RECOMMENDATION

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

3.0 BACKGROUND

3.1 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescales set by government departments. Our external auditor certified one claim for the financial year 2015/16 relating to Housing Benefit expenditure of £30m.

4.0 FINDINGS

4.1 Details of the external auditor's findings are included in their letter which is attached as an appendix to this report. Some of the key messages from this letter include:

- There were no issues arising from the certification work that need to be highlighted for the attention of Members
- The Council has appropriate arrangements in place to compile complete, accurate and timely claims and returns for audit certification

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

5.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendix

Certification Letter



Grant Thornton

An instinct for growth™

Marc Taylor
Borough Treasurer
West Lancashire Borough Council
52 Derby Street,
Ormskirk,
Lancashire,
L39 2DF

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

T +44 (0)161 953 6000

www.grant-thornton.co.uk

17 January 2017

Dear Marc

Certification work for West Lancashire Borough Council for year ended 31 March 2016

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

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

We have certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to subsidy claimed of around £30 million. Further details are set out in Appendix A.

There were a small number of errors identified during our initial and extended testing. The extrapolated financial impact on the claim, which we have reported to the DWP, was £5,351 overstatement of Cell 61 and understatement of Cell 65.

As a result of the errors identified, the claim was qualified but not amended. We also reported our findings to the DWP. However, the DWP may require the Council to undertake further work or provide other assurances on the errors we have identified.

The indicative fee for 2015/16 for the Council was based on the final 2013/14 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by the Audit Commission for the Council for 2015/16 was £11,195.

Yours sincerely

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£29,538,742	No	N/A	Yes	<p>There were no amendments made to the claim for the errors identified.</p> <p>There were two errors found relating to underpaid benefit as a result of incorrect earnings/tax credit figures being used in the assessment of benefit.</p> <p>There was also an error relating to an overpayment of benefit as a result of using estimated earnings in the assessment of benefit. The extrapolated impact was £5,351 overstatement of Cell 61 and understatement of Cell 65.</p> <p>We reported the findings of our testing to the Department for Work and Pensions.</p>

Appendix B: Fees for 2015/16 certification work

Claim or return	2013/14 fee (£)	2015/16 indicative fee (£)	2015/16 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£14,926	£11,195	£11,195	0	
Total	£14,926	£11,195	£11,195	0	



AUDIT AND GOVERNANCE COMMITTEE:

31 January 2017

Report of: Borough Treasurer

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

SUBJECT: GRANT THORNTON - PROGRESS UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

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

2.0 RECOMMENDATION

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

3.0 BACKGROUND

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

4.0 PROGRESS REPORT

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

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

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

6.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendices

Appendix – Grant Thornton - Progress Report

Audit and Governance Committee
progress and update report for West
Lancashire Borough Council
Year ending 31 March 2017

January 2017

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Karen Murray

Engagement Lead

T 0161 234 6364

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

Georgia Jones

Engagement Manager

T 0161 214 6383

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

Stuart Basnett

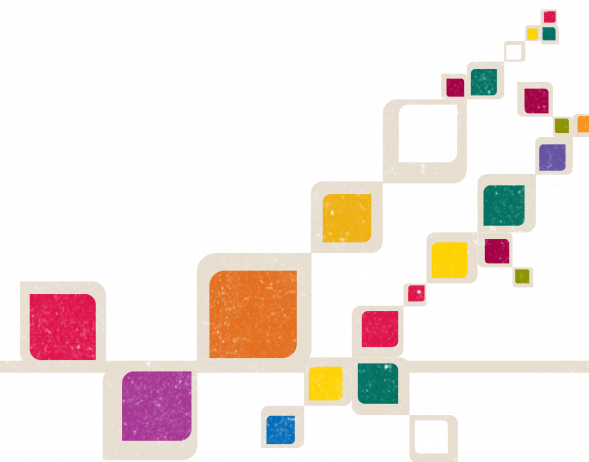
In Charge Auditor

T 0151 224 7232

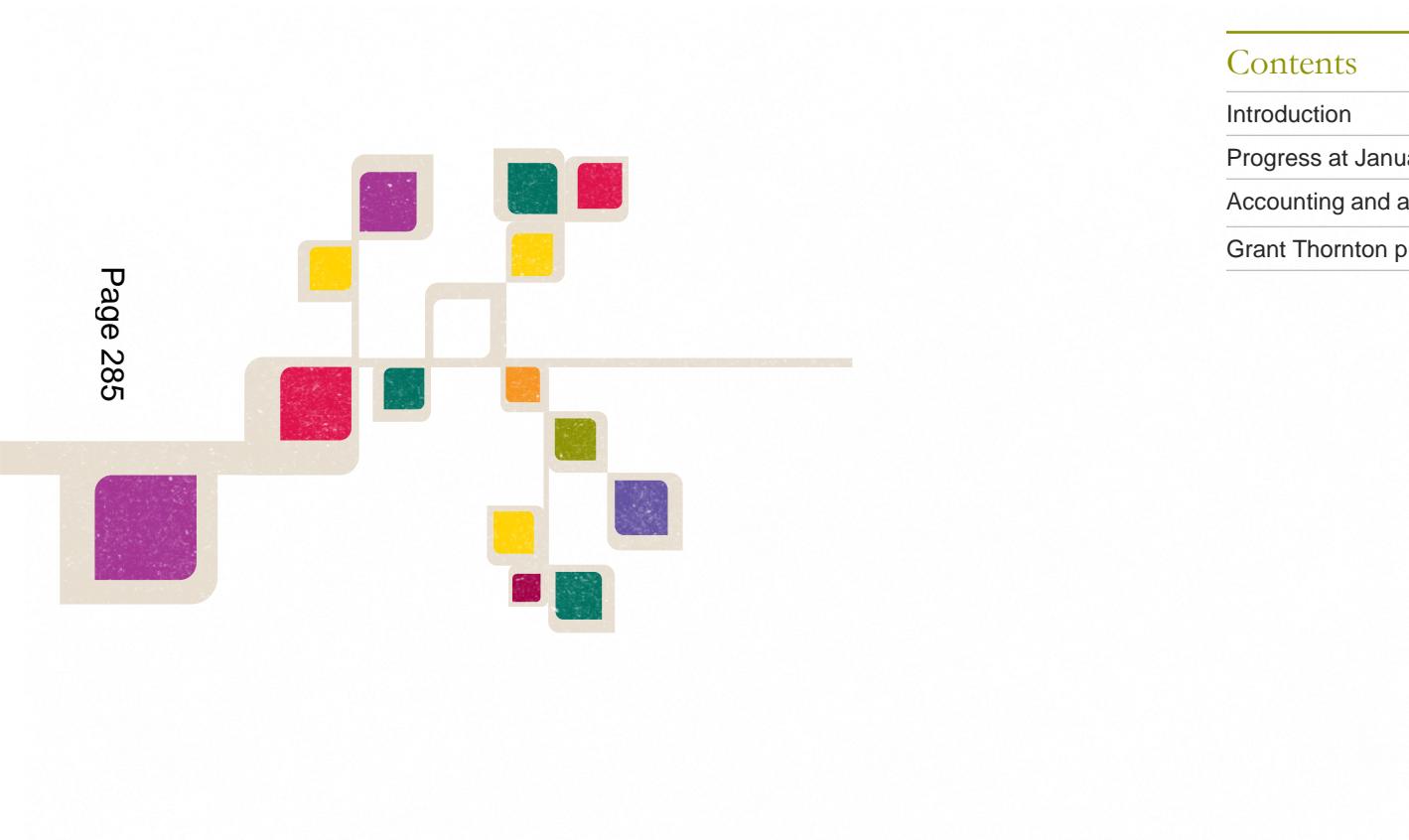
E stuart.h.basnett@uk.gt.com



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

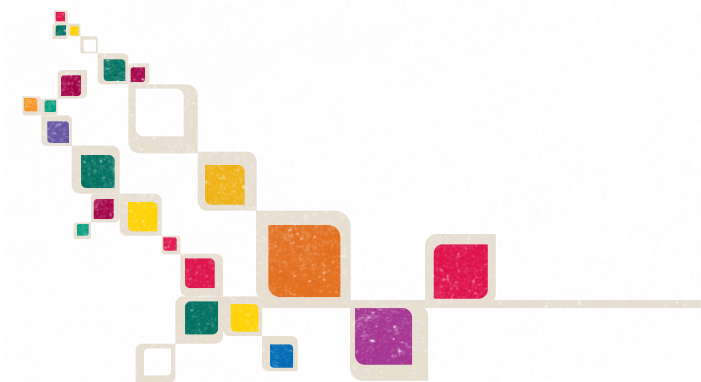
This paper provides the Audit and Governance Committee and other members with a report on progress in delivering our responsibilities as your external auditors.

Members can find useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector.

In this update we are providing you with a copy of our latest publications listed below:

- Advancing Closure: Transforming the financial reporting of local authority accounts;
<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>
- Culture of Place: summary of round table discussions and a collection of short videos:
<http://www.grantthornton.co.uk/en/insights/culture-of-place/>

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



Progress at January 2017



 **Progress against plan**
On track

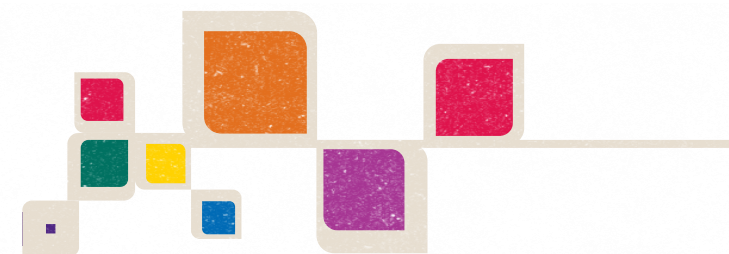
 **Opinion and VfM conclusion**
On track

 **Outputs delivered**
On track

2016/17 work	Expected date of completion	Comments
<p>Fee Letter We were required to issue a fee letter for 2016/17 by 30 April 2016.</p>	April 2016	The fee letter was sent on 12 April 2016. It confirmed the 2016/17 scale audit fee of £43,746 for West Lancashire Borough Council.
<p>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 2016/17 financial statements.</p>	March 2017	This audit plan will be presented to the Audit and Governance Committee.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • 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; • early work on the VfM Conclusion; and • early substantive testing. 	February – March 2017	We will continue to build our knowledge of the Council and work with officers to determine the audit work required to give you the assurance you need. Issues arising from our interim work will be set out in the Audit Plan.
<p>Final accounts audit Including:</p> <ul style="list-style-type: none"> • Audit of the 2016/17 financial statements, and • proposed opinion on the Council's accounts. 	July 2017	<p>The Audit Findings Report will be presented to the September meeting of the Audit and Governance Committee and the Auditor's Report will be given by the deadline of 30 September.</p> <p>We will be working with officers with a view to bringing forward the audit of the accounts in line with the revised deadline of 31 July with is a requirement for the 2017-18 financial statements.</p>

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Progress at January 2017



2016/17 work	Completed	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work is set out in the guidance issued by the National Audit Office in November 2016.</p> <p>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 work required is to assess the overall criteria of; "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 criterion for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • informed decision making; • sustainable resource deployment; and • working with partners and other third parties. 	<p>May – July 2017</p>	<p>We will carry out an initial risk assessment to determine our approach and report this in our Audit Plan. We will report our work in the Audit Findings Report and give our value for money conclusion by the deadline in September 2017.</p>
<p>Housing Benefit Subsidy claim</p> <p>We are required to review and certify the claim by 30 November 2017.</p>	<p>November 2017</p>	<p>We will report the results of our certification work in a separate report to the Audit and Governance Committee.</p>
<p>Annual Audit Letter</p> <p>Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the year ended 31 March 2017.</p>	<p>October 2017</p>	<p>We will issue an Annual Audit Letter to the Council in line with specified deadlines after the audit of the 2016/17 financial statements.</p>

Accounting and audit issues

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Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2016/17. The main changes to the Code include:

- the requirement for local authorities to report in the Comprehensive Income and Expenditure Statement on the same basis as they are organised and report in the year (ie. no longer following SERCOP). This is accompanied by the introduction of a new Expenditure and Funding Analysis which provides a reconciliation between the way local authorities budget and report during the year and the Comprehensive Income and Expenditure Statement.

Accounting and audit issues

Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate on-going revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.

Grant Thornton Publications

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Website Relaunch

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below – <http://www.grantthornton.co.uk/industries/public-sector/>



Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.

While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further detail, including:

- enabling sustainable change requires committed leadership underpinned by a culture for success
- efficient and effective systems and processes are essential
- auditors and other external parties need to be on board and kept informed throughout.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

Grant Thornton reports



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>

Culture of Place

Our towns, counties and cities have distinct and varied cultures

Our towns, counties and cities have their own compelling and richly varied cultures. There are shared and sometimes contested values, local traditions, behaviours and drivers for change. Culture evokes memory and identity. It affects how we feel about where we live and work and what's possible. It can be a set of stories describing how we do things around here, bringing out the best in us – like our history and heritage – but also preventing us from moving forward.

With local authorities increasingly adopting a place-shaping role we're exploring how culture impacts on the sector's ability to facilitate and support a vibrant economy.

We have hosted two round tables with local authority CEOs, leaders and others, to consider how local authority leadership needs to change if it is to take local culture into account.

From conversations with local authority CEOs, leaders and others, we have collated a selection of stories that invite us all to think about how the sector can disrupt fixed thinking, open up cultures and energise our places. They go beyond what's immediately obvious, voice what is sometimes unsaid and work with the strengths of their place.

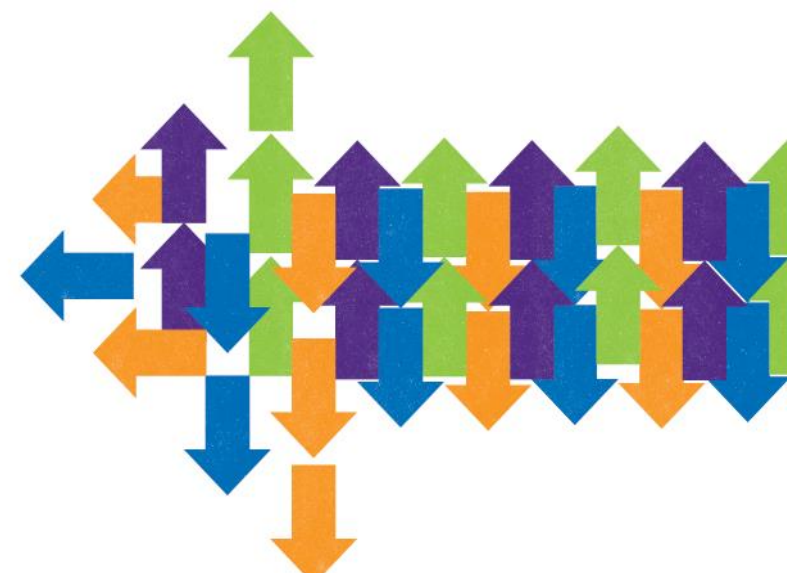
Although the term culture of place is heavily subjective our initial conversations suggest there are some common themes occurring.

- Being clear about what they want to see – there is a strong need to create an environment that gives people permission to care, to be innovative, to take action themselves, to adapt and experiment
- Socio-economic situations often drive the culture – the uniqueness of socio-economic factors leads to a recognition that one place will never be like another – and, in fact, should not aspire to be so - instead tailoring their approach to the areas specific strengths.
- It's all about context – areas within Britain can be local, national and international all at the same time, learning to live with, and get the best advantage from, what's on our doorstep is key.

A copy of the report and a collection of short videos can be found on our website at:

<http://www.grantthornton.co.uk/en/insights/culture-of-place/>

Grant Thornton reports





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**AUDIT AND GOVERNANCE COMMITTEE:
31 January 2017**

Report of: Borough Treasurer

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

SUBJECT: TREASURY MANAGEMENT

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To set out details of the operation of the Treasury Management function.

2.0 RECOMMENDATION

2.1 That the continuing effective operation of the Treasury Management function be noted.

3.0 BACKGROUND

3.1 A revised Treasury Management Code of Practice was approved by Council on 21st July 2010. Contained within this report was a recommendation that the Audit and Governance Committee be the formal body that scrutinises Treasury Management activities and its control framework. This report now provides an update on the current operation of this framework.

4.0 REPORTING ARRANGMENTS

- 4.1 There is a well-established procedure consisting of a suite of three reports that are submitted to full Council each year as follows:
- Capital Financing and Treasury Management Framework reported in February to set out the strategy to be pursued in the next financial year
 - Treasury Management and Prudential Indicator Performance reported in July to set out details of performance in the previous financial year
 - Treasury Management and Prudential Indicator Monitoring reported in October to set out details on the current year's performance and any issues arising
- 4.2 These reports are comprehensive in nature and contain a wide range of information including financial performance data. These reports are produced for full Council because of the scale of treasury management activities, which for example will involve an average level of investments of around £18m and borrowing of £88m during the course of the year.
- 4.3 The type of information contained in these reports include details on the investment activity that is being undertaken and performance against a benchmark of the 3 month LIBID interest rate. These reports also provide details on our borrowing policy and investment strategy, the amount of investments, which counterparties are being invested in, and an update of any developments within the financial sector that may affect treasury management activities.

5.0 AUDIT REVIEW

- 5.1 Given its scale, the treasury management function is subject to regular review by both internal and external audit. However no significant audit issues have been identified, and consequently the treasury management function can be seen to have a "clean bill of health". The latest internal audit review concluded that "there is a sound system of internal control embodied in the Treasury Management system, which provide appropriate mitigation of risk in relation to the Council's investments and this work provides **full assurance** that the system is operating effectively as intended."

6.0 INFORMATION NETWORKING

- 6.1 The Council uses Capita as its Treasury Management advisors. Capita provide financial information on a daily basis by e-mail and a number of face to face meetings are also held each year to discuss a wide range of issues such as interest rate forecasts, local government finance, government policy, the banking and building society sector, and economic forecasts. Treasury Management staff are also in regular dialogue with the services of a broker in order to gauge market sentiment and developments within this field.
- 6.2 These discussions are fundamental to setting an effective Treasury Management strategy. However while Capita and our brokers provide advice it is fundamentally the responsibility of Council Officers and Members to ensure that its treasury management functions operate effectively.

- 6.3 The type of information provided by Capita includes real time updates on the credit ratings of banks and building societies, and this information is referred to extensively when making investment decisions. This is because a key feature of the Council's treasury management policy is to minimise risk, and consequently investments are only made in the highest credit rated UK based financial institutions or in other local authorities.
- 6.4 There is also a networking facility with finance colleagues in other Lancashire authorities whereby finance issues can be raised in general and treasury management developments are discussed. The Council also participates in surveys of local authority treasury management activities to ensure it is aware of emerging best practice.

7.0 TREASURY MANAGEMENT DEVELOPMENTS

- 7.1 The Council currently has external borrowing of £88.212m which was taken out with the Public Works Loans Board in March 2012 in order to make the HRA self-financing payment to the Government. No further borrowing has been taken out since that date. In recent years the Council's capital investment programme has resulted in additional funding requirements, but these have been met by reducing the level of external investments as the interest rates they earn are significantly less than the cost of external borrowing.
- 7.2 The financial markets continue to be uncertain and as a consequence the security of treasury management investments is ranked as a key risk and is included on the key risk register that is reported bi-annually to Cabinet and Executive Overview and Scrutiny Committee.
- 7.3 The Council's Treasury Management policies require that any sums invested comply with the key principles of security, liquidity and finally yield. All our investments are made in compliance with these requirements. In terms of security, the number of counterparties that the Council can invest in is very limited due to our strict investment criteria. In practice this means that only around half a dozen UK based banks and building societies are used. However funds can also be placed with other local authorities and at the current time we have an investment facility with Lancashire County Council.
- 7.4 In terms of liquidity, the average length of time that investments are made continues to be relatively short. In the past investments have been made for periods of up to a year but given the ongoing economic uncertainty this has an increased risk. Consequently our current approach is that investments are not made for a period of more than 3 months. In practice given the state of the market it is difficult to find an investment opportunity of more than 3 months that meet our security criteria in any case.
- 7.5 Finally in terms of yield, our performance in recent years has exceeded the target of the 3 month LIBID interest rate. This represents good performance given that the security of taxpayers' money is the key principle behind our treasury management approach.

7.6 The Council's Treasury Management Policy and Practices were last amended and updated in February 2014. A review of these details is currently taking place and any changes that are required will be reported to Council in February 2017 for approval, at the same time as the Treasury Management Strategy for 2017-18 is reported.

8.0 TREASURY MANAGEMENT STAFFING

8.1 The Treasury Management accountant is CIPFA qualified and has significant experience in Local Government finance. The Borough Treasurer and Deputy Borough Treasurer are also closely involved in treasury management activities.

8.2 This means that the requirement for experienced and qualified staff to be employed in carrying out the treasury management function continues to be met. There are also adequate cover arrangements in place and an appropriate segregation of duties between officers.

9.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

9.1 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.

10.0 RISK ASSESSMENT

10.1 Treasury management policies, practices and procedures are an integral part of the Council's financial control framework and provide assurance to Members that this function is operating effectively. The security of investments is recognised as a key risk but there are adequate arrangements in place to mitigate this risk to an acceptable level.

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 AND GOVERNANCE COMMITTEE:

31 January 2017

Report of: Borough Treasurer

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

SUBJECT: RISK MANAGEMENT FRAMEWORK AND POLICY UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

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

2.0 RECOMMENDATIONS

2.1 That the continuing effective operation of the Risk Management Framework be noted.

2.2 That the proposed amendments to the Risk Management Policy be endorsed.

3.0 BACKGROUND

3.1 West Lancashire Borough Council continues to recognise the importance of identifying, evaluating and managing all Key and Service Risks that could affect the Council. Risk Management covers the whole spectrum of risks and not just those associated with finance, business continuity, insurance and health and safety. It also considers risks associated with service provision, compliance with legislation, public image (reputation) and environment.

3.2 Risk Management is not about being 'risk averse' – it is about being 'risk aware'. Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives. Risk Management is about effectively managing risks that could affect the Council. It is also about making the most of opportunities and

achieving objectives. By being 'risk aware' the Council is in a better position to avoid threats and take advantage of opportunities.

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

4.0 DEVELOPMENTS OVER THE LAST TWELVE MONTHS

- 4.1 The Risk Management Officer Working Group has continued to meet twice a year. At the meeting in July 2016 a range of issues were considered including the risks associated with the flooding over the Christmas 2015 period, the use of Covalent (our performance and risk management IT system) to manage and record risks, updates to the Green Guide on Risk Assessment and the training of Officers and Members. In addition the group reviewed the Risk Management Policy to see whether any amendments or modifications were required, and a small number of potential changes were identified. At the latest meeting earlier this month there were a number of matters discussed including the risk management work programme for the next year, the use of risk impact tables, and the appropriate levels for risk appetite thresholds.
- 4.2 It is a best practice requirement that the Key Risk Register be reported to Cabinet bi-annually and this has continued to take place over the last twelve months. Arguably the most important risk facing Councils at this time is the financial challenge of dealing with significant and ongoing reductions in government grant funding. This risk is being effectively managed by the Council, and elsewhere on the agenda our external auditors have concluded that there are proper arrangements in place to secure the financial resilience of the Council. The challenging medium term financial position facing the Council over the next few years means that this will continue to be a key risk.
- 4.3 The use of Covalent is currently being reviewed across the Council to ensure that the software is being utilised to its full potential. In the last 12 months the Council has moved to a browser version of the Covalent system making the system more user friendly. Training has been provided to Officers with a Covalent licence and a user guide has been produced and is readily available via the Council's intranet.
- 4.4 A webpage dedicated to Risk Management has been set up on the intranet and offers a central location for all documents relating to Risk Management to be stored. Contained on the webpage is a copy of the Risk Management Policy, the Corporate Risk Assessment framework, a Covalent User Guide and a summary of the roles of Officers in the Risk Management Process.
- 4.5 Risk Management training courses were provided to Officers in December 2016 and focused on the scoring of risk and the importance of identifying controls to manage risk. Training continues to be offered to new Officers when they start at the Council and refresher training has and will continue to be conducted for existing Officers when requested.

4.6 In November 2015 Risk Management training was provided to Members. The purpose of the session was to provide Members with a practical knowledge of how the Risk Management Process works and the tools to play an active role in how the Council manages risk.

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

5.0 CHANGES TO THE RISK MANAGEMENT POLICY

5.1 The Risk Management Policy has been reviewed by Officers to ensure that it reflects best practice, new developments and organisational change. This review has identified a small number of changes that need to be made such as to reflect the change in the Council's organisational structure that took place in 2016.

5.2 A tracked changes version of the Policy is included in the Appendix, and Members are asked to endorse these amendments. It is then intended that the changes to the policy will be approved at the Cabinet meeting in March.

6.0 REVIEW OF EFFECTIVENESS

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

7.0 RISK ASSESSMENT

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

Background Documents

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

Equality Impact Assessment

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

Appendix

Proposed Amendments to the Risk Management Policy.



Risk Management Policy

1.0 Introduction

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

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

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

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

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

2.0 Aims of the Risk Management Policy

The Risk Management Policy has the following aims and objectives:

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

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

3.0 Risk Assessment

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

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

4.0 Service Risk Registers

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

5.0 Risk Ownership and Management

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

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

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

6.0 Risk Reporting

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

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

7.0 Risks and the Decision Making Process

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

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

8.0 Role of Risk Management Working Group

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

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

- Issues and improvements to the Risk Management Framework
- Risk Management training for both Members and Officers
- Reviewing and recommending changes to the Risk Management Policy
- Reviewing the Key Risk Register and recommending changes

- Disseminating good practice requirements across the Authority

9.0 Role of the Risk Co-ordinators

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

The Risk Co-ordinator's role is to:

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

10.0 Role of ~~Directorate Service Heads~~ **Heads of Service**

The role of ~~Directorate Service Heads~~ **Heads of Service** is to:

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

11.0 Governance Arrangements

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

12.0 Role of Audit

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

13.0 Skills, Expertise and Guidance

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

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

14.0 Making Others Aware of Risk Management

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

Consequently, before entering into the partnership, joint working or business contract arrangements, prospective partners and contractors should be asked to state their

approach to risk management and to provide certain minimum evidence to support their response.

15.0 Maintenance and Development of the Risk Management Policy

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

CORPORATE RISK ASSESSMENT

Impact

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

(Note, these are examples to indicate the level of risk within each category and do not include every conceivable type of risk).

Likelihood

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

WLBC Impact / Likelihood Matrix

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

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



AUDIT AND GOVERNANCE COMMITTEE:

31 January 2017

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 brings written updates on progress against it to each meeting of this Committee.

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

4.0 INTERNAL AUDIT ACTIVITY TO DATE

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

4.2 Progress against the plan to date is below that of the previous year with 62% of audits in progress compared to 68% for the same period in 2015/16.

4.3 The main reason for the variance is a vacancy which arose in the previous financial year which was held open to allow consideration of the internal audit

service through the Policy Options process resulting in a shortfall in resources in the year to date.

4.4 A Policy Option to restructure the section, providing a comparable level of service at a reduced cost through management efficiencies was approved at the July meeting of Council and the Chief Executive and Borough Treasurer were given authority to take all action necessary in connection with its implementation.

4.5 Steps are now being taken to bring the revised establishment into effect. During this interim period a temporary increase in resources will be secured funded from savings in the year to date to enable delivery of the remainder of the plan. The Audit Manager will provide a verbal update on the latest position at the meeting.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

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

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

6.1 The restructure is being addressed through the Policy Options process and all other financial and resource implications arising from activity identified in this report are included in existing budget provisions.

7.0 RISK ASSESSMENT

7.1 This report summarises progress against Internal Audit's work programme to date. Internal Audit's work is a key source of assurance to this Committee that risks to the achievement of the Council's objectives are being properly managed.

7.2 Steps have been taken to provide adequate audit coverage and the position will be monitored and a further report brought to the March meeting of this Committee.

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 16 of the 26 items on the original plan are currently in progress. This is approximately 62% compared to 68% for the same period in 2015/16.
- 1.2 The main reason for the variance is a vacancy which arose during the previous financial year. This was held open to support the policy options process and has resulted in a shortfall in resources in the year to date. The Audit Manager will provide a verbal update on the latest position at the meeting.

2.0 Internal Audit 2016/17 third quarter activity update

Title	Position
Contract Audit	Work in progress
National Fraud Initiative	Work in progress
Debtors	Complete
Council Tax	Work in progress
Creditors	Work in progress
NNDR	Work in progress
Main Accounting	Work in progress
Treasury Management	Complete
Payroll (implementation of self-service module)	Work in progress
Rents	Work in progress
Benefits	Work in progress
Member Services	Work in progress
Communication and Consultation	Work in progress
CRM / digital inclusion	Work in progress
Economic Development	Work in progress
Data Protection	Work in progress

Summary	
Work complete	2
Work in progress	14
Work not yet commenced	10
Total	26

3.0 Assurance rating system

- 3.1 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.

3.2 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.

3.3 Internal Audit's role is to evaluate and improve the effectiveness of risk management and control processes.

3.4 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.

4.0 Assurance reports:

4.1 Debtors

The Council's revenues and benefits service (provided by BTLS) is responsible for the operation of the Debtors System, which issues invoices for services provided by the Council, in response to requests received from the sections delivering those services.

4.1.1 Objectives

The exercise was designed to review the system and procedures in operation to ensure they are in accordance with best practice in general and in compliance with the Authority's Financial Regulations in particular. A sample of 30 debtor accounts was examined to test the key features of system processes.

4.1.2 Observations

- Debtor invoice requests were submitted by authorised officers.
- Charges had been calculated accurately and VAT, where appropriate, had been applied correctly.
- All transactions were readily traceable to the General Ledger (the Council's main accounting system).

4.1.3 Assurance

- This Internal Audit work provides **full assurance** that appropriate procedures are in place for the administration of the service and that the system is operating effectively.

4.2 Treasury Management

Treasury management policies, practices and procedures are an integral part of the Council's financial control framework and provide assurance to Members that this function is operating effectively. This work reviews arrangements in place to mitigate risks to the security of investments to ensure they are operating as intended.

4.2.1 Objectives

To examine documents, records and procedures relating to the Council's investments to ensure that:

- investments are confirmed in writing
- appropriate documentation exist to support the transactions.
- they comply with the current Treasury Management policy/strategy.
- regular reconciliation of investments is carried out and signed off independently.
- cash flow forecasts are up to date and confirm levels of investment are appropriate.
- entries on the risk register and service plans relating to the Treasury Management Strategy are relevant and up to date and provide effective measures to control risk.

4.2.2 Observations

- There was an appropriate audit trail in respect of investments examined.
- Investments were placed with approved counterparties.
- Investments did not exceed the time limit recommended in the CIPFA Treasury Management Code of Practice.
- The maximum limit invested at any one time had not been exceeded in respect of any single counterparty.
- Reconciliation of movements of investments is carried out with appropriate frequency and the exercise is up to date.
- The Borough Treasurer had signed each reconciliation as independent verification.
- The main means of determining whether there will be sufficient funds to cover expenditure and investments are the Bankline system, daily cash flow calculation sheet and cash flow debits fixed investments spreadsheet. These were current and the Estimated Cash Flow Profile spreadsheet was up to date and evidenced appropriate levels of investment.

The Service Action Plan requires the Treasury Management Strategy to be reviewed each year. The current review is due to be completed by 31st March 2017.

The broad definition of Treasury Management risk on Covalent remains accurate but it was agreed risk descriptions be refreshed to link more explicitly to current drivers of economic uncertainty.

The internal controls documented on Covalent, particularly in respect of the types of institutions used for investments are effective in terms of minimising risk to investments.

4.2.3 Assurance

There is a sound system of internal control embodied in the Treasury Management system which provides appropriate mitigation of risk in relation to the Council's investments and this work provides **full assurance** that the system is operating effectively as intended.

5.0 Resources

- 5.1 As noted in paragraph 1.2 progress against the plan in the year to date has fallen short of previous levels. The reasons for this are well understood and reflect a temporary reduction in resources planned as part of a managed process to facilitate a restructure of the section to meet operational requirements from financial year 2017/18 at reduced cost.
- 5.2 The new arrangements will be in place and operational by the end of this financial year.
- 5.3 Predictions based on linear projections of progress made to date would indicate a shortfall in coverage for practical completion of the programme set out in the 2016/17 annual plan.
- 5.4 In practise progress in the year is not following a linear path and the final phase of the restructure exercise increases resources temporarily above existing establishment levels until the end of the financial year. This increase is intended to enable a catch up to restore coverage to planned levels.
- 5.5 In order to ensure adequate audit coverage for the year is secured, key financial systems have been prioritised and work on these is on track to be completed as planned during the year.
- 5.6 The position on remaining audits will be closely monitored and if additional resources are required to complete coverage these can be funded from savings from budget in the year to date which are more than adequate to accomodate a further temporary increase.

6.0 Conclusion

- 6.1 In conclusion, while progress to date is below that typically achieved at this point, arrangements are in place to secure sufficient coverage to allow an adequate assessment of the adequacy and effectiveness of the Council's overall framework of governance, risk management and control for the year. The Audit Manager will provide and up to date summary of the position verbally at the meeting and a further update will be brought to the meeting in March.

Audit & Governance Committee Work Programme – 31 January 2017

Date	Training (commencing 6.00pm)	Items
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 7. Annual Review – Anti Fraud, Bribery and Corruption Policy
June 2017	Statement of Accounts (including usable/unusable reserves)	<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
September 2017		<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
January 2018		<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 7. Annual Review – Anti-Fraud, Bribery and Corruption Policy 8. Risk Management Framework

