

## **GOVERNANCE COMMITTEE**

WEDNESDAY, 22ND MARCH 2017, 2.30 PM  
COMMITTEE ROOM 1, TOWN HALL, CHORLEY

### **AGENDA**

#### **APOLOGIES**

- |   |  |                 |
|---|--|-----------------|
| 1 | <b>MINUTES OF MEETING WEDNESDAY, 25 JANUARY 2017 OF GOVERNANCE COMMITTEE</b>   | (Pages 3 - 6)   |
| 2 | <b>DECLARATIONS OF ANY INTERESTS</b><br><br>Members are reminded of their responsibility to declare any pecuniary interest in respect of matters contained in this agenda.<br><br>If you have a pecuniary interest you must withdraw from the meeting. Normally you should leave the room before the business starts to be discussed. You do, however, have the same right to speak as a member of the public and may remain in the room to enable you to exercise that right and then leave immediately. In either case you must not seek to improperly influence a decision on the matter. |                 |
| 3 | <b>AUDIT PLAN - CHORLEY BOROUGH COUNCIL 2016/17</b><br><br>Report of the External Auditor (enclosed)   | (Pages 7 - 28)  |
| 4 | <b>ANNUAL AUDIT LETTER 2015/16</b><br><br>Report of the External Auditor (enclosed)  | (Pages 29 - 40) |
| 5 | <b>CERTIFICATION WORK FOR YEAR ENDED 31 MARCH 2016</b><br><br>Report of the External Auditor (enclosed)  | (Pages 41 - 42) |
| 6 | <b>GOVERNANCE COMMITTEE PROGRESS AND UPDATE</b><br><br>Report of the External Auditor (enclosed)   | (Pages 43 - 58) |
| 7 | <b>UNDERSTANDING LOCAL AUTHORITY FINANCIAL STATEMENTS</b><br><br>Report of the Chief Executive (enclosed)  | (Pages 59 - 64) |
| 8 | <b>FIGHTING FRAUD AND CORRUPTION LOCALLY - THE LOCAL GOVERNMENT COUNTER FRAUD &amp; CORRUPTION STRATEGY 2016 - 2019</b>  | (Pages 65 - 74) |

Report of the Head of Shared Assurance Services (enclosed)

9 **INTERNAL AUDIT PLAN 2017/18**

(Pages 75 - 80)

Report of the Head of Shared Assurance Services (enclosed)

10 **CODE OF CORPORATE GOVERNANCE: UPDATE**

Report of the Monitoring Officer (to follow)

11 **MEMBERS CODE OF CONDUCT: PROCEDURAL AMENDMENTS**

Report of the Monitoring Officer (to follow)

12 **RIPA APPLICATION UPDATE**

The Monitoring Officer will present a verbal report at the meeting.

13 **ANY URGENT BUSINESS PREVIOUSLY AGREED WITH THE CHAIR**

GARY HALL  
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Alan Cullens, Gordon France, Margaret France, Danny Gee and Debra Platt.

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**MINUTES OF GOVERNANCE COMMITTEE**

**MEETING DATE** **Wednesday, 25 January 2017**

**MEMBERS PRESENT:** Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Alan Cullens, Gordon France, Danny Gee and Debra Platt

**OFFICERS:** Gary Hall (Chief Executive/Statutory Finance Officer), Chris Sinnott (Director (Policy and Governance)), Chris Moister (Head of Legal, Democratic & HR Services/Monitoring Officer), Garry Barclay (Head of Shared Assurance Services), Michael Jackson (Principal Financial Accountant), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)

**APOLOGIES:** Councillor Margaret France

**OTHER MEMBERS:** Councillor Peter Ripley (Independent Member), Mark Heap (Grant Thornton UK LLP) and Gareth Winstanley (Grant Thornton UK LLP)

**17.G.65 Declarations of Any Interests**

There were no declarations of any interests.

**17.G.66 Minutes of meeting Wednesday, 14 September 2016 of Governance Committee**

**RESOLVED – That the minutes of the Governance Committee held on 25 January 2017 were confirmed as a correct record for signing by the Chair.**

**17.G.67 Governance Committee: Progress and Update Report**

The Committee received a report that showed the progress made by our External Auditors in delivering their responsibilities. The report also provided a summary of emerging national issues and developments that may be relevant to the Council and included best practice information regarding the early closure of accounts that the Committee may wish to consider.

The 2016/7 Audit Plan was still on track to be issued by the end of March and would be presented at the Committee's next meeting. Interim fieldwork visits included, a review of the authority's control environment, updating and understanding of financial systems, review on core financial systems, early work on emerging accounting issues, early substantive testing and a proposed Value for Money conclusion.

The scope of their work to inform the 2016/17 Value for Money conclusion had been recently changes by the National Audit Office and to ensure that the auditors were satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, areas of focus would be around informed decision making, and the deployment of resources to achieve planned and sustainable outcomes for Taxpayers and local people.

Gareth Winstanley reported that this would be his last meeting of Governance Committee and that Simon Hardman would be taking his place at subsequent meetings. The Chair, on behalf of the Committee, thanked Gareth for all his hard work and support over the years and wished him every success in his new venture.

**RESOLVED – That the report be noted.**

#### **17.G.68 Treasury Management Activity to 31 December 2016**

The Committee received a report of the Chief Executive on Treasury Management and performance and compliance with Prudential Indicators in the financial year 2016/17 to the end of December.

Average interest earned was 0.03% to the end of December. As in 2015/16, cash balances had been used as a source of internal borrowing at higher rates of interest, thereby achieving revenue budget savings. Updated Capital Expenditure and Capital Financing Requirement Prudential Indicators would be presented in the Treasury Strategy report to Full Council on 28 February 2017 and would come to the next Governance Committee meeting in March.

The Council's treasury advisors, Capita Asset Services, had provided a detailed commentary on interest rate forecasts which was appended to the report. Compared to the previous interest rates forecast, PWLB rates were currently lower than had been expected and were not considered likely to increase by much as had been previously suggested. It was anticipated that there would be the potential to borrow money more cheaply from other authorities rather than PWLB in the future. Any future projects that the Council may embark upon, would take into account the cost of borrowing for the organisation and associated risks.

**RESOLVED – That the report be noted.**

#### **17.G.69 Changes to arrangements for appointment of External Auditors**

The Committee were reminded of the various arrangements available to the Council to appoint its external auditor beyond the 2017/18 financial year when the current contract with Grant Thornton came to an end. These included setting up an independent auditor appointment panel or opting into a Sector Led Body (SLB) that would negotiate contracts and make appointment on behalf of councils. The advantages and disadvantages of the various options available were highlighted within the report.

Although the Council had until December 2017 to make an appointment, in practical terms, this would mean that one of the options would need to be in place by spring, to facilitate the negotiation process.

The Local Government Association (LGA) is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up cost and having the potential to negotiate the lowest fees in order to deliver economic and efficient external audit arrangements across all authorities.

Public Sector Audit Appointments LTD (PSAA) has been chosen by the Secretary of State by the SLB and on 27 October 2016 and the Council had received a formal letter of invitation to opt in to the sector led approach. The length of the compulsory appointing period is five consecutive years from 1 April 2018 and any decision to become an opted-in authority must be taken in accordance with prevailing regulations, that is by the members of an authority meeting as a whole (in the case of Chorley Council). The closing date of acceptance is 9 March 2017.

**RESOLVED – To recommend to full Council to approve option 3 in the report, thereby accepting the invitation from Public Sector Audit Appointments Ltd, to become an opted-in authority for the purposes of the appointment of its external auditor thus dispensing with the need to set up its own appointment panel.**

#### **17.G.70 Internal Audit and Interim Report as at 30 December 2016**

The Head of Shared Assurance Services presented a report that advised the Committee on the work undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Services for the period August to December 2016 and its outcomes. The report also gave an appraisal of the Internal Audit Service's performance to date. At this stage, the Audit Plans were on target to be achieved and the majority of performance indicators would either be achieved or exceeded.

A summary of all the audit work completed since the last meeting was provided together with and control issues that had been identified. Three audits had received a control rating of Red and the Committee discussed each of the areas in turn:

**Project Management Red (7)** – This review focussed on the application of the Project Management Toolkit and the utilisation of the Council's project management software – MyProjects. All projects included with the review were on track and there is comprehensive guidance and extensive documentation for Senior Responsible Officers and Project managers to use. However, neither the Toolkit nor MyProjects are consistently being used across the authority.

The Director of Policy and Governance attended the meeting to explain that following a meeting of the Senior Management Team, it had been decided that SMT would monitor monthly usage of the MyProjects system for all Corporate Strategy projects and the Transformation Programme Team would monitor any Transformation Strategy projects.

**Information Governance Red (9)** - This review assessed the arrangements and controls being put in place by management to develop the Council's information governance framework to deliver an effective security culture and ensure ongoing compliance with its information security obligations. It was however, recognised that there were a number of positive solutions and processes in place and a commitment to address a number of the key issues identified during the audit. The Chief Executive commented that the Council were adhering to the correct security frameworks when dealing with its information and had lots of controls and balances in place. This was another example of the correct documentation not being completed to evidence what was being done. The Chief Executive had been tasked with making officers aware of the importance of completing all relevant paperwork.

**Review of Fuel Consumption Red (7)** – The purpose of the review was to determine that sound arrangements were in place for the management and control of fuel consumption. It was established that since the last review had taken place, a number of controls that had been put in place had lapsed that included, the Chest not being utilised for all fuel procurement and fuel usage not being monitored or analysed per individual vehicle. It was highlighted that there had been some staffing changes to the management structure, there are systems in place that are not being used and now that these had been highlighted, it was expected to improve quickly.

Members were concerned that there seemed to be systems in place in a number of areas that were not being followed to by staff and although it was accepted that people were stretched and that this was part of the issue, the importance of following correct procedure and process was of paramount importance to the Council's governance arrangements and has such the Committee felt that officers needed to place greater importance to ensuring that the correct systems were adhered to.

The Committee were informed that in line with the latest Internal Auditing practices, from 2017/18 they would be developing their approach to audit assignments by asking managers and staff to compile risk registers for each function/system under review. It was hoped that this would encourage a greater ownership of risk management within services and thereby improve the level of internal control operating throughout the Council

**RESOLVED – That the information in the report be noted.**

**17.G.71 RIPA Inspection**

The Monitoring Officer presented a report that updated members on a recent inspection that had taken place in September 2016 to assess compliance with our obligations under the Regulation of Investigatory Powers Act (RIPA). A copy of the Inspection Report undertaken by the Office of Surveillance Commissioners was appended to the report.

The Council has not granted a RIPA authorisation of any sort for a number of years and none since the last inspection. The report therefor confined itself to addressing how the Council complied with the recommendations of the last inspection and a review of current systems.

Member's attention was drawn to three areas of improvement that included minor factual changes to the body of the RIPA Policy, an expansion on guidance relating to social media and a review of the policy on the use of CCTV to reflect the newly refurbished suite situated within the police station. This would be undertaken jointly with the police to reflect that it is primarily used by them.

Members queried why the Chief Executive being appointed as the RIPA Senior Responsible Officer was considered unusual and were informed that although in many authorities this responsibility lies with the Monitoring Officer, the Council had taken the stance that as requests are so infrequent it would be more prudent for the Chief Executive to consider and authorise any requests.

**RESOLVED – That the report be noted.**

Chair

Date

# The Audit Plan for Chorley Borough Council

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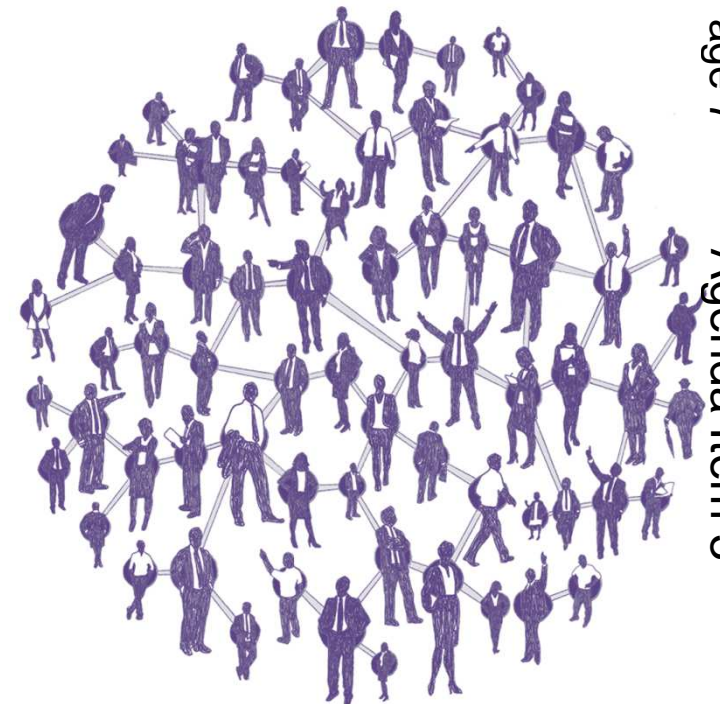
**Year ended 31 March 2017**

8 March 2017

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8 March 2017

Dear Members of the Governance Committee

### **Audit Plan for Chorley Borough Council for the year ending 31 March 2017**

This Audit Plan sets out for the benefit of those charged with governance (in the case of Chorley Council, the Governance Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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.

We look forward to working with you during the course of the audit.

Yours sincerely

Mark Heap

Engagement Lead

**Chartered Accountants**

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# Understanding your business and key developments

## Developments

### Highways network asset (HNA)

On the 14 November, 2016 CIPFA/LASAAC announced a deferral of measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements for 2016/17. This deferral is due to delays in obtaining updated central rates for valuations.

CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18. It currently anticipates that the 2017/18 Code will be on the same basis as planned for 2016/17, i.e. not requiring restatement of preceding year information. It is still expected that most District Councils will not have these assets.

### Integration with health sector

In partnership with Lancashire Care NHS Foundation Trust the Council is implementing an integrated community wellbeing service. This will integrate public services that relate to promoting health and wellbeing and is aimed at prevention and early intervention.

### Transformation

As well as the integrated wellbeing service the Council is looking at further transformational change. Further development of shared services with South Ribble Council is planned as well as continuing to generate new revenue streams. To achieve this there will be a number of major capital schemes.

## Key challenges

### Autumn Statement

The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities. No plans were announced to increase funding for other services.

### Resources

The Council continues to experience large reductions in its major funding sources. Between 2017/18 and 2019/20 the Council will see its income from Revenue Support Grant, New Homes Bonus (NHB) and Lancashire County Council reduce by £4.3m. The reduction in NHB alone equates to 10% of total funding available to the Council. Such reductions will provide a major challenge to the Council.

## Financial performance indicators

Measure	Target	Trend
Total Expenditure	18,960,540	
Total Financing	18,960,540	
General Fund Balance	3,240,000	

## Financial reporting changes

### CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

### Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

The Council's finance team plan to produce financial statements promptly after the year end and expect to provide 2016/17 financial statements by 31 May 2017.

We intend to complete the audit of the financial statements by 31 July in preparation for the 2017/18 timetable

## Our response

- We aim to complete all our substantive audit work of your financial statements by 31 July 2017
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code
- We will review the Council's progress in managing its overall responsibilities and how it is working with partners, as part of our work in reaching our VFM conclusion..
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £1,065,000 (being 2% of gross revenue expenditure). In the previous year, we determined materiality to be £941,000 (being 1.8% of gross revenue expenditure). The change reflects the reduced level of risk when compared to previous years, where we considered the specific issue of s106 agreements. Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £53,000.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
<b>Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements</b>	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000
<b>Related Party Transactions</b>	Due to public interest in these disclosures and the requirement for them to be made (misstatements will also be evaluated by reference to how material they are to the other party)	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

# Significant risks identified

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

Significant risk	Description	Audit procedures
<b>The revenue cycle includes fraudulent transactions</b>	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Chorley Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities - including Chorley Council - mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for the Council.</p>
<b>Management over-ride of controls</b>	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Review of accounting estimates, judgments and decisions made by management</p> <p>Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation</p> <p>Review of unusual significant transactions</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

## Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
<p><b>The expenditure cycle includes fraudulent transactions</b></p>	<p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.</p>	<ul style="list-style-type: none"> <li>● Updating of our understanding and documentation of the processes and controls in place to account for operating expenses.</li> <li>● Perform walkthrough testing of controls in place</li> <li>● Substantive testing of expenditure within the comprehensive income and expenditure statement ensuring valid spend.</li> <li>● Testing of payables and accrued expenditure including reviewing post year end invoices and payments</li> </ul>
<p><b>Valuation of property, plant and equipment</b></p>	<p>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 the current value. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> <li>● Review of management's processes and assumptions for the calculation of the estimate.</li> <li>● Review of the competence, expertise and objectivity of any management experts used.</li> <li>● Review of the instructions issued to valuation experts and the scope of their work</li> <li>● Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>● Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>● Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>● Evaluation of 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.</li> </ul>

## Significant risks identified (continued)

Significant risk	Description	Audit procedures
<b>Valuation of pension fund net liability</b>	The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	We will: <ul style="list-style-type: none"> <li>• identify the controls put in place by management to ensure that the pension fund liability is not materially misstated.</li> <li>• assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.</li> <li>• review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out.</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>

# Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
<b>Operating expenses</b>	Year end creditors and accruals are understated or not recorded in the correct period.	<ul style="list-style-type: none"> <li>• Update our understanding and documentation of the processes and controls in place to account for operating expenses</li> <li>• Perform walkthrough testing of controls in place</li> <li>• Substantive testing of expenditure ensuring valid spend and appropriate categorisation within net cost of services headings in the comprehensive income and expenditure statement</li> <li>• Sample testing of payables and accrued expenditure including reviewing post year end invoices and payments</li> </ul>
<b>Employee remuneration</b>	Employee remuneration accruals are understated	<ul style="list-style-type: none"> <li>• Update our understanding and documentation of the processes and controls in place to account for employee remuneration</li> <li>• Perform walkthrough testing of controls in place</li> <li>• Testing of employee expenses to staff records, pay rates and classification in the general ledger</li> <li>• Review of payroll accrual processes</li> <li>• Review of key payroll reconciliations</li> </ul>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)



## Other risks identified (continued)

Other risks	Description of risk	Audit procedures
<p><b>Changes to the presentation of local authority financial statements</b></p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<ul style="list-style-type: none"> <li>• Document and evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements.</li> <li>• Review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure.</li> <li>• Review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS).</li> <li>• Test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES.</li> <li>• Test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger.</li> <li>• Test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements.</li> <li>• Review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>

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# Other risks identified (continued)

## Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Heritage assets
- Assets held for sale
- Cash and cash equivalents
- Short-term debtors
- Borrowings and other liabilities (long and short term)
- Provisions (if material)
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- New note disclosures
- Expenditure Fund Analysis note and supporting additional notes
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

# Value for Money

## Background

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

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria as set out opposite:

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

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# Value for Money (continued)

## **Risk assessment**

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

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

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

## **Reporting**

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 30 September 2017.

# Value for money (continued)

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

Significant risk	Link to sub-criteria	Work proposed to address
<p><b>Medium term financial planning</b></p> <p>The medium term financial strategy is based on a number of assumptions that will result in the Council overcoming the current estimated gross cumulative budget deficit in 2019/20 of £3.333m. This includes budget contributions in savings or income of £1.450m from transformation. There is a risk that if this transformation of services does not happen then the Council's financial strategy may not be sustainable in future years.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions, whilst also clearly linked to working effectively with third parties to deliver services.</p>	<p>We will consider the arrangements for the development of the three areas of transformation in the medium term financial strategy. This will include:</p> <ul style="list-style-type: none"> <li>• Looking at how the Council is developing shared services with South Ribble Borough Council</li> <li>• Reviewing how partnership arrangements are developing with Lancashire Care Foundation Trust</li> <li>• Gaining an understanding of the arrangements in place to ensure major capital schemes are delivered appropriately.</li> </ul> <p>For each of the three transformation areas we will ensure that there is documentation to support the expected financial benefit to the Council.</p>
<p><b>Risk management arrangements</b></p> <p>The Annual Governance Statement highlighted that there was a need to embed the risk management framework at service level. At the same time the Governance Committee receives a report annually detailing the strategic risks at the Council. There is a risk that if appropriate risk management arrangements are not in place then the Council may be exposed to unmitigated risks.</p>	<p>This links to the Council's arrangements for managing risks effectively and maintaining a sound system of internal control</p>	<p>We will review the actions undertaken to embed the risk management framework across services and also how members are updated on risks to help inform their decision making.</p>

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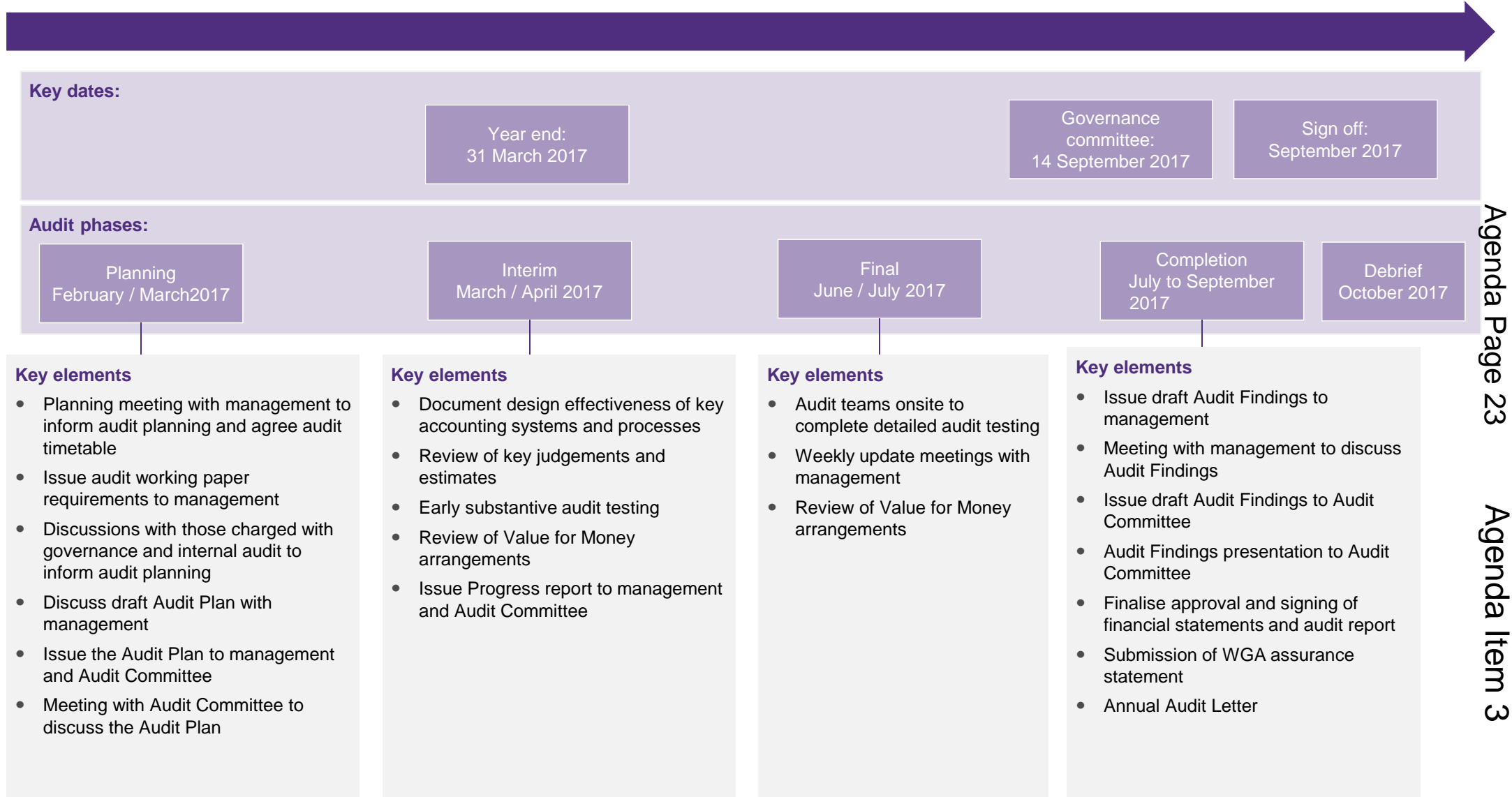
# Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
  - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

# The audit cycle

## The audit timeline



# Audit Fees

## Fees

	£
Council audit	45,255
Grant Certification	6,683
<b>Total audit fees (excluding VAT)</b>	<b>51,938</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

## Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

## Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Constructive feedback on your people, your processes and your business plan
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team
- Regular Governance Committee Progress Reports



# Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Client Name. The following audit related and non-audit services were identified for the Council for 2016/17:

Service	Fees	Planned outputs
<b>Audit related</b>		
None planned		
<b>Non-audit related</b>		
Income generation – independent review	<b>£4,991</b>	Report setting out key findings from the review of potential income generation activities

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

# Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

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Agenda Item 3



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# The Annual Audit Letter for Chorley Council

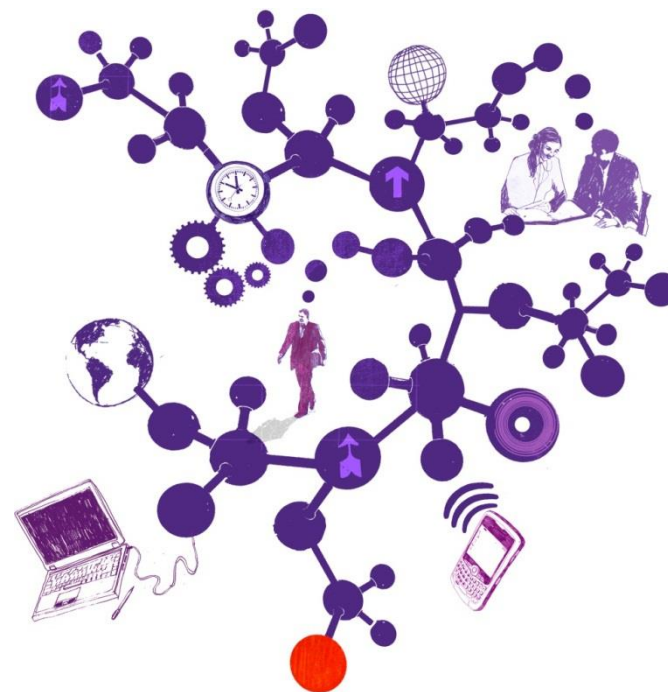
**Year ending 31 March 2016**

October 2016

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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 Chorley 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 Governance Committee as those charged with governance in our Audit Findings Report on 14th 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 21st 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 21st September 2016.

### **Certificate**

We certified that we had completed the audit of the accounts of Chorley Council in accordance with the requirements of the Code on 21st 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 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

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# 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 £0.914m. 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 materiality for certain areas such as officers' remuneration, audit remuneration and related party disclosures. We set a lower threshold of £0.046m above which we reported errors to the 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 Chorley Council

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><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;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>As part of our audit work we have considered the risk factors set out in ISA240 and the nature of the revenue streams at Chorley Council. We determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Chorley Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;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"> <li>• documented the controls applied to journal entries;</li> <li>• tested journal entries;</li> <li>• reviewed accounting estimates, judgments and decisions made by management; and</li> <li>• reviewed any unusual significant transactions.</li> </ul> <p>Our audit work did not identified any evidence of management over-ride of controls</p>

# Audit of the accounts Chorley Council

Risks identified in our audit plan	How we responded to the risk
<p><b>Valuation of property plant and equipment</b></p> <p>The Council's property, plant and equipment. Their value is estimated by property valuation experts.</p> <p>The Council revalues these assets on a rolling basis.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• reviewed management's processes and assumptions for the calculation of the estimate;</li> <li>• reviewed the competence, expertise and objectivity of any management experts used;</li> <li>• reviewed the instructions issued to valuation experts and the scope of their work;</li> <li>• tested additions and revaluations made during the year to ensure they are input correctly into the Council's asset register; and</li> <li>• 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.</li> </ul> <p>Our audit work has not identified any significant issues in relation to the risk identified. We did identify from discussions with the Council's valuer that there were a number of assets which were not recorded on the Council's asset register and not subsequently on the balance sheet.</p> <p>However, we were provided with assurances from the valuer that the likely value of those assets in total was not material and therefore the valuation on the balance sheet was not materially mis-stated.</p>
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability, as reflected in its balance sheet, represents a significant estimate in the accounts.</p> <p>The values of the pension fund net liability is estimated by specialist actuaries.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• reviewed and assessed the controls put in place by management to ensure that the pension fund liability is not materially misstated;</li> <li>• reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation;</li> <li>• confirmed the reasonableness of the actuarial assumptions made; and</li> <li>• 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.</li> </ul> <p>We did not identify any issues to report.</p>

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# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Council's accounts on 21st 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 the finance team responded promptly 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 Governance Committee on 14th September 2016.

In addition to the key audit risks reported above, the Council was not required to make any changes to the primary financial statements arising from the audit, and consequently there was no change to the reported financial position

## **Annual Governance Statement and Narrative Report**

We are also required to review the Council's Annual Governance Statement and Narrative Report. These were published on the Council's 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 supporting evidence and with our knowledge of the Council.

## **Other statutory duties**

We also have additional powers, 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

There were no instances where we needed to use these powers.

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# 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

As part of our work we saw strong evidence that:

- the Council continues to use business cases to support decision making for major projects. Recent examples include the extension of the Market Walk Shopping Centre and a review of the options for the Waste Collection contract.
- the Council is constantly reviewing the way it delivers services and how it can work smarter with its partners. The work with Lancashire Care NHS Foundation Trust around the creation of an integrated community wellbeing service for Chorley, is a prime example of how the Council is working with local partners to be at the forefront of shaping services for the residents of Chorley.

With regard to its finances the Council's out-turn position at the end of 2015/16 showed an underspend of £0.188m. The Council has also been successful in delivering budgetary savings of £0.708m whilst also maintaining services.

The Council has also planned to deliver a balanced budget for 2016/17 with budget efficiency savings totalling £0.214m having been applied to the budget to

achieve this. However, the Council has a significant budget gap up to 2018/19 which is currently estimated at £3.4m. Whilst the financial environment in which the Council is operating continues to be difficult, given its track record of delivering efficiencies, performing well and its pro active approach to income generation and service re-design, the Council, is well placed to meet such challenges.

## 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

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# Working with the Council

## Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

**An efficient audit** – we delivered the accounts audit nine days before the deadline. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

**Improved financial processes** – during the year we reviewed your financial systems and processes including employee remuneration, non-pay expenditure and property plant and equipment.

**Understanding your operational health** – through the value for money conclusion we provided you with assurance on your operational effectiveness.

**Sharing our insight** – we provided regular Governance Committee updates covering best practice. We have shared with your details of our thought leadership reports including Innovation in Public Financial Management, Reforging Local Government and Building a Successful Joint Venture Company. We will continue to support you as you consider greater use of alternative delivery models for your services.

**Providing training** – we provided your Shared Financial Services team with training on early closedown of final accounts and the lessons learnt from elsewhere, to help you bring forward the production of your year end accounts.

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit.

## Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of Council	45,255	45,255	53,331
Housing Benefit Grant Certification	6,798	*6,798	8,910
<b>Total fees (excluding VAT)</b>	<b>52,053</b>	<b>52,053</b>	<b>62,241</b>

Fee variations are subject to approval by Public Sector Audit Appointments Ltd.

\* - housing benefit certification work is on-going and the audit fee may vary in the event of significant issues being identified.

## Reports issued

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

## Fees for other services

Service	Fees £
Audit and non audit related services	Nil



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8 March 2017

Dear Gary

## **Certification work for Chorley Council for year ended 31 March 2016**

We are required to certify the Housing Benefit subsidy claim submitted by Chorley Council ('the Council'). This certification typically takes place six to eight 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, previously issued by the Audit Commission, in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to expenditure of £26.2 million. Further details of the claim certified is set out in Appendix A and confirms that no errors were identified that impacted on subsidy.

As part of our housing benefit certification work we had to complete detailed testing on issues we had reported on in 2014/15. Julie Riding provided excellent support when we were completing this detailed testing, which was very much appreciated by the audit team.

In all other respects, we are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims and returns for audit certification.

The indicative fee for 2015/16 for the Council is 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. Both the indicative and final fee for the Council for 2015/16 is £6,798.

Yours sincerely

For Grant Thornton UK LLP

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

<b>Claim or return</b>	<b>Value</b>	<b>Amended?</b>	<b>Amendment (£)</b>	<b>Qualification letter issued?</b>	<b>Comments</b>
Housing benefits subsidy claim	£26,214,619	No	Nil	Yes – however related to issues found in 2014/15 and there is no impact on subsidy.	Under DWP reporting guidance we are required to provide observations on any areas identified by our work.

# Governance Committee Progress and Update Report for Chorley Council

8 March 2017

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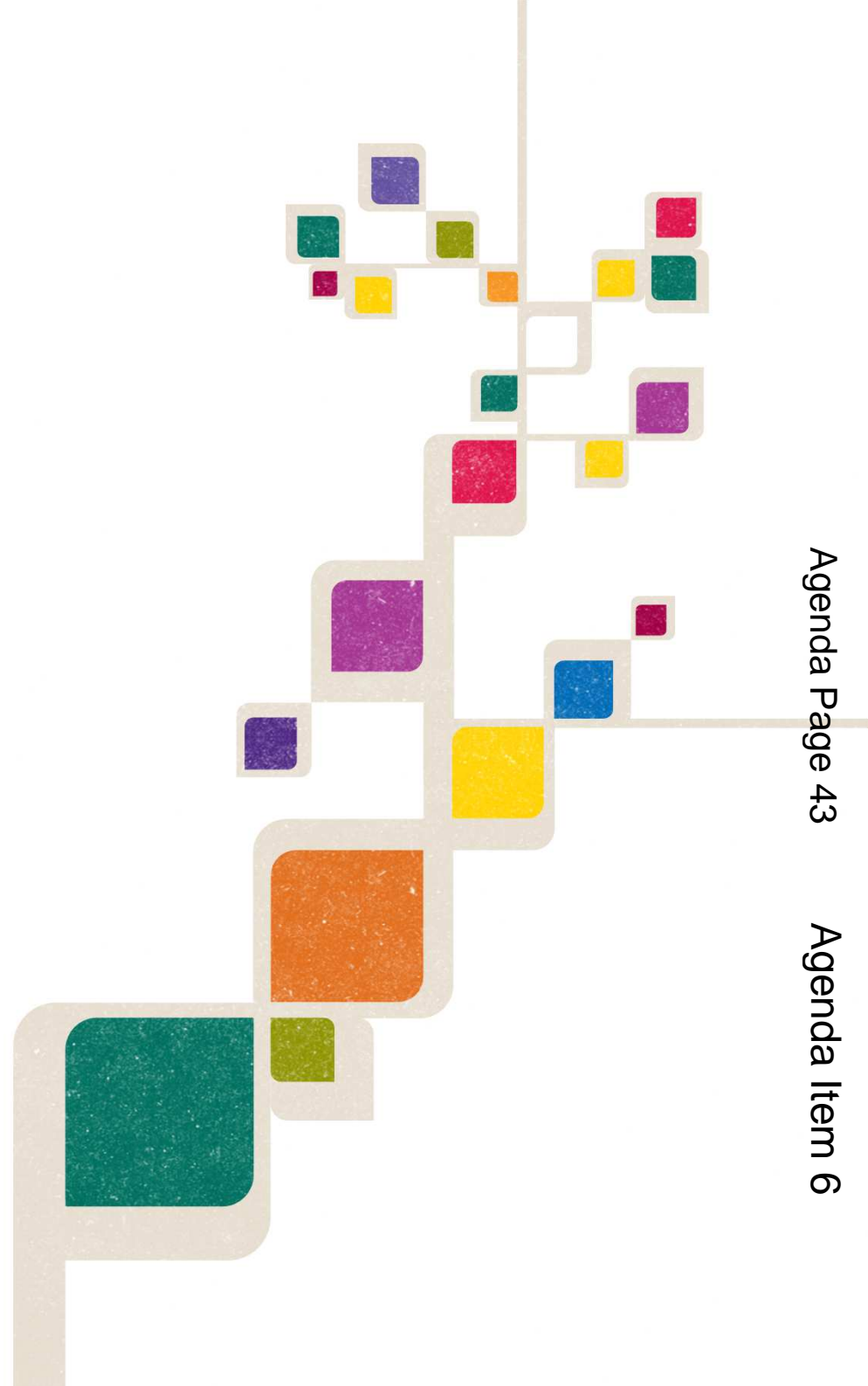
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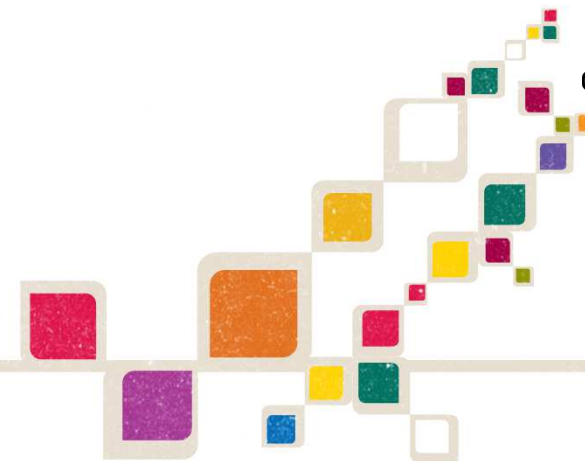
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to 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.



# Introduction

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



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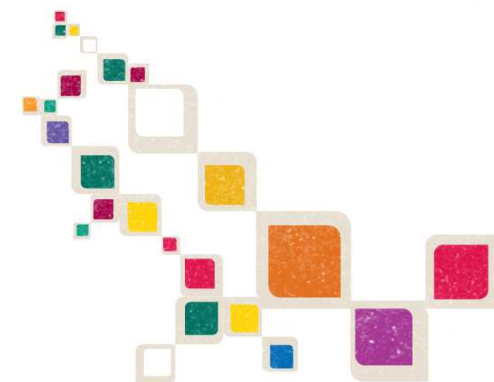
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Members of the Governance Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our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

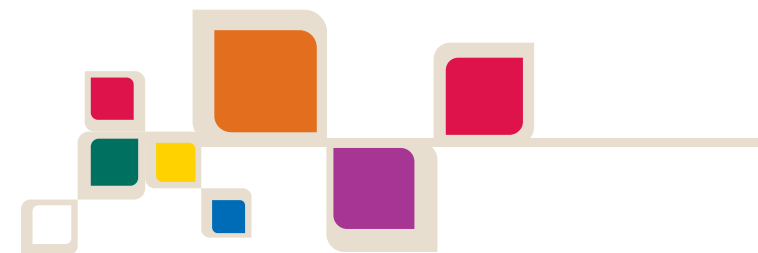
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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

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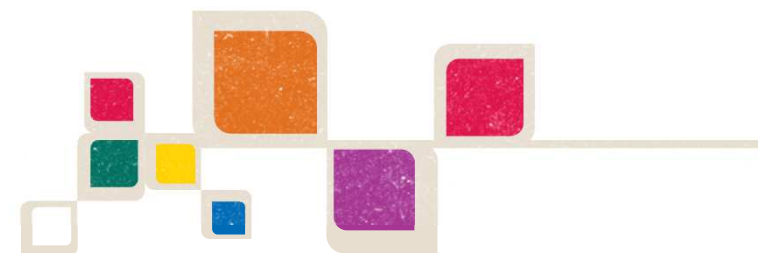


# Progress at 7 March 2017



2016/17 work	Planned Date	Complete?	Comments
<p><b>Fee Letter</b> We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>	April 2016	Yes	We issued our fee letter in April 2016 confirming our fee for 2016/17 as £45,255.
<p><b>Accounts Audit Plan</b> 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	Yes	The Audit Plan is being presented to this Committee.
<p><b>Interim accounts audit</b> Our interim fieldwork visit plan includes:</p> <ul style="list-style-type: none"> <li>• updated review of the Council's control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Value for Money conclusion risk assessment.</li> </ul>	February – April 2017	Underway	<p>We are continuing to:</p> <ul style="list-style-type: none"> <li>• engage with the finance team on a regular basis</li> <li>• discuss any technical issues early</li> <li>• undertake as much early testing as possible</li> <li>• meet regularly with senior officers to ensure our understanding of the Council is up to date.</li> </ul> <p>We will continue to work closely with Internal Audit in relation to risks, financial systems and fraud.</p>

# Progress at 7 March 2017



2016/17 work	Planned Date	Complete?	Comments
<p><b>Final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2016/17 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> <li>• review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17</li> </ul>	June/July 2017	Not started	We are committed to providing a prompt audit opinion. We will provide our opinion by 30 September.
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	March to June 2017	Underway	<p>We have completed our initial risk assessment to determine our approach and have included the planned work in the Audit Plan</p> <p>Our work will be reported in the Audit Findings Report presented to the September meeting of the Governance Committee.</p>
<p><b>Other areas of work</b></p> <p>Meetings with officers and attendance at Governance Committees</p>	On-going	N/a	

# Technical Matters





## Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures

## Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

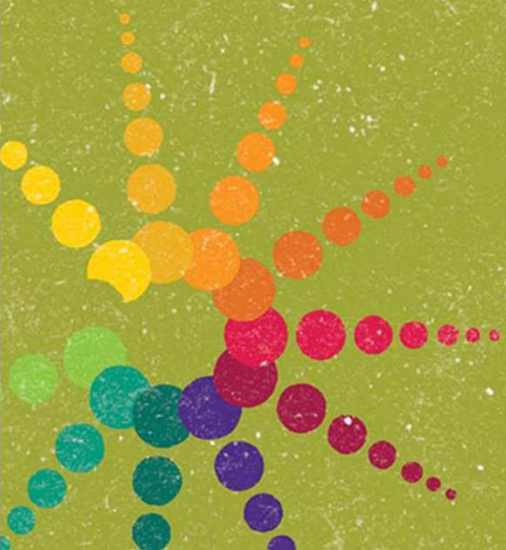
The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

# Sector issues and developments



# Local Government Finance Settlement

The final local government settlement for 2017/18 was published on 20 February. The settlement reflects the Government's aim that all councils will become self funding, with central government grants being phased out. This is year two of the four year offer, which has been accepted by 97% of councils.

There is an expectation that councils will continue to improve efficiencies with measures including further developments in digital technology, new delivery models and innovative partnership arrangements.

## 100% business rates retention

The announcement has an increased focus on business rates, with the expectation that by the end of the current Parliament, local government will keep 100% of the income raised through business rates. The exact details of the reforms are yet to be determined. This includes confirming which additional responsibilities will be devolved to local government and funded through these retained rates. Pilots of the reforms are taking place across the country from April 2017.

The results of a recent Municipal Journal survey *2017 State of Local Government Finance* have recently been published. [http://downloads2.dodsmonitoring.com/downloads/Misc\\_Files/LocalGovFinance.pdf](http://downloads2.dodsmonitoring.com/downloads/Misc_Files/LocalGovFinance.pdf)

Respondents expressed concern about the lack of detail in the proposals, uncertainty around equalisation measures and the scale of appeals.

Nearly 50% of Councils responding believe they will lose from the transition to 100% retention of business rates. Views were evenly split as to whether the proposals would incentivise local economic growth.

## Social Care Funding

Funding allocations reflect increased funding of social care with a stated £3.5 billion of funding for social care by 2019/2020.

In this year's settlement £240 million of new homes bonus has been redirected into the adult social care grant. In addition councils are once again be able to raise the precept by up to 3% for funding of social care.

Recognising that funding is not the only answer, further reforms are to be brought forward to support the provision of a sustainable market for social care. There is an expectation that all areas of the country move towards the integration of health and social care services by 2020.

**Paul Dossett Head of Local Government in Grant Thornton LLP** has commented on the Government proposals for social care funding (see link for full article).

"The government's changes to council tax and the social care precept, announced by the Secretary of State for DCLG as part of the latest local government finance settlement, will seem to many as nothing more than a temporary fix. There is real concern about the postcode lottery nature of these tax-raising powers that are intended to fund our ailing social care system."

"Our analysis on social care shows that the most deprived areas in the UK derive the lowest proportion of their income from council tax."

"Conversely, more affluent areas collecting more council tax will potentially receive a bigger financial benefit from these measures."

"Our analysis shows that the impact and effectiveness of the existing social care precept is not equal across authorities. So any further changes to tax raising powers for local government will

## National developments

*"Social care precept changes will not help those living in more deprived areas"*

*"The UK has a long tradition of providing care to those who need it most. If that is to continue, the government must invest in a robust social care system that can cater for all based on needs and not on geography. From a taxpayer's perspective this is a zero sum game. For every £1 not invested in social care, the cost to the NHS is considerably more"*

not tackle the crisis of social care in our most disadvantaged communities and arguably make only make a small dent in the cost demands in our more affluent communities."

Links:

<https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2017-to-2018>

<http://www.grantthornton.co.uk/en/news-centre/local-government-financial-settlement-comment-social-care-precept-changes-will-not-help-those-living-in-more-deprived-areas/>

<http://www.grantthornton.co.uk/en/insights/council-tax-alone-wont-solve-the-social-care-crisis/>

# Pooling of LGPS

From 1 April 2018 £200bn of assets from 90 LGPS funds across England and Wales will be merged into six 'British Wealth Funds'. By pooling investment, costs can be reduced through economies of scale and through sharing of expertise, while the schemes can maintain overall investment performance. Pension funds will continue to be managed and maintained by the separate administering authorities. The selection of fund managers will be made by the investment pool operator on behalf of a pool of co-operating administrative authorities, while individual investment strategies, including asset allocation, will remain the responsibility of the individual administrative authority.

Potentially eight pools are to be established across the country with total assets ranging from £13bn in both the LPP and Wales pool, to £36bn in the Border to Coast pool. It is expected that assets will be transferred to the pools as soon as practicable after 1 April 2018.

Tasks to be completed by April 2018 include:

- creating legal structures for pools
- transferring staff
- creating supervisory boards/ committees
- obtaining FCA authorisations
- appointing providers
- assessing MiFID II implications
- determining pool structures for each asset type

The funds themselves will retain responsibility for:

- investment strategy
- asset allocation

- having a responsible investment strategy
- reporting to employers and members

### Governance arrangements

There is no mandatory membership of oversight structures. It is for each pool to develop the proposals they consider appropriate. The majority of decision making remains at the local level and therefore the involvement of local pension boards in those areas would not change. Scheme managers should consider how best to involve their pension boards in ensuring the effective implementation of investment and responsible investment strategies by pools, which could include representation on oversight structures.

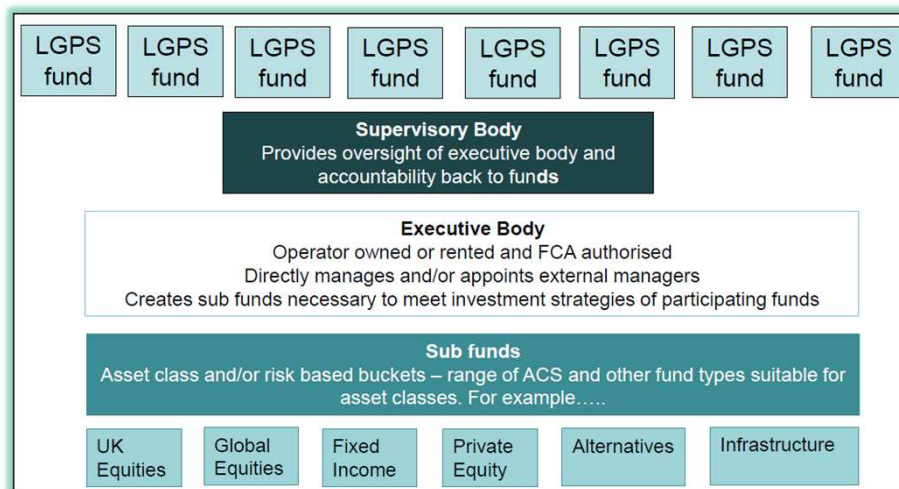
CIPFA in the recent article [Clear pools: the future of the LGPS](#) highlights the need for good governance particularly in view of the complex web of stakeholders involved in investment pooling. Robust governance will be vital to ensuring a smooth transition and continuing operation of the funds

## National developments

### Challenge question:

- Is your CFO keeping you up to date on developing arrangements in your area?

Link:  
<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/clear-pools-the-future-of-the-lgps?>



typical structure of LGPS Pool

# Fixing our broken housing market

DCLG published its housing White Paper on 7 February 2017. It opens with the statement:

“The housing market in this country is broken, and the cause is very simple: for too long, we haven’t built enough homes.”

It goes on to summarise three key challenges in the housing market.

1. Over 40 per cent of local planning authorities do not have a plan that meets the projected growth in households in their area.
2. The pace of development is too slow. There is a large gap between permissions granted and new homes built. More than a third of new homes that were granted planning permission between 2010/11 and 2015/16 have yet to be built.
3. The structure of the housing market makes it harder to increase supply. Housing associations have been doing well – they’re behind around a third of all new housing completed over the past five years – but the commercial developers still dominate the market.

The proposals in the White Paper set out how the Government intends to boost housing supply and, over the long term, create a more efficient housing market whose outcomes more closely match the needs and aspirations of all households and which supports wider economic prosperity.

It states that the challenge of increasing housing supply cannot be met by the government acting alone and summarises how the government will work with local authorities, private developers, local communities, housing associations and not for profit developers, lenders, and utility companies and infrastructure providers.

For local authorities, the government is:

- offering higher fees and new capacity funding to develop planning departments, simplified plan-making, and more funding for infrastructure;
- will make it easier for local authorities to take action against those who do not build out once permissions have been granted; and
- is interested in the scope for bespoke housing deals to make the most of local innovation.

The government is looking to local authorities to be as ambitious and innovative as possible to get homes built in their area. It is asking all local authorities to:

- develop an up-to-date plan with their communities that meets their housing requirement (or, if that is not possible, to work with neighbouring authorities to ensure it is met);
- decide applications for development promptly; and
- ensure the homes they have planned for are built out on time.

The White Paper states that it is crucial that local authorities hold up their end of the bargain. It goes on to say that where local authorities are not making sufficient progress on producing or reviewing their plans, the Government will intervene. It also notes that where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken.

The White Paper goes on to consider in more detail:

- Planning for the right homes in the right places
- Building homes faster
- Diversifying the market
- Helping people now

## National developments

### Challenge questions:

- Have you been briefed on the White Paper and the implications?
- Is the Council planning to respond to the consultation?

Consultation on the White Paper will begin on 7 February 2017. The consultation will run for 12 weeks and will close on 2 May 2017.

The White Paper is available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/590464/Fixing\\_our\\_broken\\_housing\\_market\\_-\\_print\\_ready\\_version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf)

# Local Government Association

Below is a selection of reports issued recently which may be of interest to audit committee members. These are available on the website:

<http://www.local.gov.uk/publications>



## **A councillor's workbook on neighbourhood and community engagement**

**11 January 2017**

Neighbourhood and community engagement has a rightful place as one of the key processes involved in planning and decision making. As such, it should not be viewed as an additional task, but as a core part of the business



## **Building our homes, communities and future: The LGA housing commission final report**

**22 December 2016**

The Local Government Association (LGA) Housing Commission was established to help councils deliver their ambition for places. It has been supported by a panel of advisers and has engaged with over 100 partners; hearing from councils, developers, charities, health partners, and many others. All partners agree that there is no silver bullet, and all emphasise the pivotal role of councils in helping provide strong leadership, collaborative working, and longer-term certainty for places and the people that live there.



## **Stronger together: shared management in local government**

**29 November 2016**

Around 45 councils across England share a chief executive and senior management team in about 20 different partnerships. Most also share at least some services. These councils have already delivered savings of at least £60 million through greater efficiencies and the other benefits of collaboration, with more savings planned

# Grant Thornton



# Apprentice Levy-Are you prepared?

Grant Thornton update

## What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

## What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on paybill in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors.

Paybill will be calculated based on total employee earnings subject to Class1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

## What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill:  $250 \times £20,000 = £5,000,000$

Levy sum:  $0.5\% \times = £25,000$

Allowance:  $£25,000 - £15,000 = £10,000$  annual levy

## How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

## What do I need to start thinking about now?

- How much is the levy going to cost and have we budgeted for it?
- How do we ensure compliance with the new system?
- Which parts of my current spend on training are applicable to apprenticeships?
- Are there opportunities to mitigate additional cost presented by the levy?
- How is training in my organisation structured?
- How do we develop and align to our workforce development strategy



# Off-payroll working and salary sacrifice in the public sector

## Off-payroll working

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RTI submission.

The existing IR35 rules will continue outside of public sector engagements.

**HMRC Digital Tool** – will aid with determining whether or not the intermediary rules apply to ensure of “*consistency, certainty and simplicity*”.

When the proposals were originally made, the public sector was defined as “those bodies that are subject to the Freedom of Information rules”. It is not known at present whether this will be the final definition. Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

This will increase costs, move responsibility to the engager and increase risks for the engager

## Salary sacrifice

The Chancellor's Autumn Statement 2016 speech also introduced changes to salary sacrifice arrangements. In particular, the proposals from earlier this year to limit the tax and NIC advantages from salary sacrifice arrangements in conjunction with benefits will be implemented from April 2017.

Although we await the details, it appears that there is a partial concession to calls made by Grant Thornton UK and others to exempt the provision of cars from the new rules (to protect the car industry). Therefore, the changes will apply to all benefits other than pensions (including advice), childcare, Cycle to Work schemes and ultra-low emission cars.

Arrangements in place before April 2017 for cars, accommodation and school fees will be protected until April 2021, with others being protected until April 2018.

These changes will be implemented from April 2017.

As you can see, there is a limited opportunity to continue with salary sacrifice arrangements and a need also to consider the choice between keeping such arrangements in place – which may still be beneficial – or withdrawing from them.

## Grant Thornton update

### Issues to consider

- Interim and temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll
- Review the benefits you offer - particularly if you have a flex renewal coming up
- Consider your overall Reward and Benefit strategy
- Consider your Employee communications



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[grantthornton.co.uk](http://grantthornton.co.uk)



Report of	Meeting	Date
Chief Executive	Governance Committee	22 March 2017

## UNDERSTANDING LOCAL AUTHORITY FINANCIAL STATEMENTS

### PURPOSE OF REPORT

- To present the CIPFA document “Understanding Local Authority Financial Statements”. This explains changes to local authority financial statements required by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### RECOMMENDATION(S)

- That the report be noted.

### EXECUTIVE SUMMARY OF REPORT

- The report introduces the CIPFA document “Understanding Local Authority Financial Statements”, and explains the main changes to presentation of revenue account outturn figures required by the 2016/17 Code of Practice.

<b>Confidential report</b> Please bold as appropriate	Yes	<b>No</b>
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### CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

### BACKGROUND

- UK local authorities will prepare their 2016/17 accounts in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. The 2016/17 Code has introduced a number of changes to the presentation of financial information with the aim of making the accounts more understandable.
- The Chartered Institute of Public Finance and Accountancy (CIPFA) has explained the purpose of the document “Understanding Local Authority Financial Statements” as follows:

“CIPFA and CIPFA/LASAAC have published Understanding Local Authority Financial Statements (previously How to Tell the Story) as a part of its programme of changes under the Telling the Story Review.

This publication is intended to help chief finance officers and other senior staff to present the financial statements to members and other key stakeholders by explaining how the formats can be used to convey key information in these areas and covers the main financial statements.

It also features the changed formats of the financial statements from the 2016/17 Code and discusses the new Expenditure and Funding Analysis.

CIPFA and CIPFA/LASAAC are clear that the financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used.

A key to achieving the aims of the changes brought about by the review will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens’ representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.”

- 7. The document is presented as Appendix A to this report.

**LINK TO BUDGET MONITORING**

- 8. Up to 2015/16 information about the Council’s General Fund revenue account was presented in the statement of accounts as the Comprehensive Income and Expenditure Statement (CI&ES), which showed net expenditure for services in the format required by the CIPFA Service Reporting Code of Practice (SeRCOP). The following is an extract from the CI&ES for 2015/16:

	2015/16		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central services to the public	2,131	(781)	1,350
Environment & regulatory services	7,659	(1,524)	6,135
Planning services	4,867	(4,385)	482
Cultural & related services	5,124	(423)	4,701
Highways and transport services	569	(915)	(346)
Other housing services	29,137	(28,493)	644
Corporate and democratic core	2,026	(332)	1,694
Non-distributed costs	1,755	(937)	818
<b>Cost of Services</b>	<b>53,268</b>	<b>(37,790)</b>	<b>15,478</b>

The Gross Expenditure figures included support service recharges, depreciation and other capital charges, accrued employee benefits, and IAS 19 pension adjustments, none of which were presented in budget monitoring report figures. This meant that no direct comparison could be made between figures in the CI&ES and those in budget monitoring reports.

9. To establish a link to the information reported to Executive Cabinet and Council for budget monitoring purposes, a reconciling note was required. The statement of accounts therefore included a lengthy note (number 27 in 2015/16) – Amounts Reported for Resource Allocation Decisions. This presented two tables to reconcile the net expenditure of service directorates to the Cost of Services as presented in the CI&ES.

The first table identified the net expenditure by financial year of each directorate.

Directorate Income and Expenditure 2015/16	Chief Executive £'000	Customer Advice Services £'000	Public Protection Streetscene & Community £'000	Total £'000
Fees, charges & other service income	(3,328)	(1,288)	(2,775)	(7,391)
Government grants	(31)	(587)	(76)	(693)
<b>Total Income</b>	<b>(3,359)</b>	<b>(1,875)</b>	<b>(2,851)</b>	<b>(8,084)</b>
Employee expenses	3,647	3,118	4,164	10,930
Other service expenses	3,424	1,081	6,218	10,724
<b>Total Expenditure</b>	<b>7,072</b>	<b>4,199</b>	<b>10,382</b>	<b>21,653</b>
<b>Net Expenditure</b>	<b>3,713</b>	<b>2,325</b>	<b>7,531</b>	<b>13,569</b>

The second table added further figures required to reconcile to the Cost of Services in the CI&ES.

	2014/15 £'000	2015/16 £'000
Net expenditure in the Directorate Analysis	12,926	13,569
Net expenditure of services and support services not included in the Analysis (Note a)	(682)	(784)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis (Note b)	1,502	2,692
	<b>13,746</b>	<b>15,478</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>13,746</b>	<b>15,478</b>

A third table not presented here, reconciled total Directorate Net Expenditure to the (Surplus) or Deficit on Provision of Services.

10. From 2016/17 onwards, the emphasis is on presenting figures in the financial statements in the same way as they are presented during the year in budget monitoring reports. The service analysis required by SeRCOP will no longer be used in the statements.
11. Pages 3 and 4 of Appendix A explain the new Expenditure and Funding Analysis (EFA), which will present net expenditure in the statement of accounts by directorate. Figures for 2015/16 will be restated according to the current directorate structure rather than the

structure in place during that financial year. The EFA will show the increase or decrease in the General Fund Balance for the financial year, which will match the figure presented to Executive Cabinet and Council in the revenue budget outturn report for 2016/17.

12. The revised presentation of the Comprehensive Income and Expenditure Statement is explained in pages 5 and 6 of Appendix A. The revised CI&ES also presents figures by directorate, and includes figures required by accounting practices to produce the (Surplus) or Deficit on Provision of Services.
13. Budget monitoring information is presented by directorate, as shown in the extract below from the report to Executive Cabinet of February 2017. Figures in the statement of accounts will use the same presentation, thereby improving the link between budget monitoring and outturn figures.

	(1)
<b>General Fund Revenue Budget Monitoring 2016/17 Forecast to end of December 2016</b>	<b>Original Cash Budget</b>
	£
Customer & Digital	6,499,430
Policy & Governance	4,005,280
Early Intervention	2,605,910
Business Development & Growth	814,240
<b>Directorate Total</b>	<b>13,924,860</b>
<b>Budgets Excluded from Directorate Monitoring:</b>	
Pensions Account	240,270
Pensions Deficit Recovery (Fixed Rate)	955,600
Benefit Payments	(55,450)
Market Walk	(1,696,450)
Transition Fund	-
<b>Corporate Savings Targets</b>	-
Management of Establishment	-
Efficiency/Other Savings	-
<b>Total Service Expenditure</b>	<b>13,368,830</b>

As budget monitoring reports do not include support service recharges, depreciation and other capital charges, accrued employee benefits, and IAS 19 pension adjustments, these will not be included within Net Expenditure in the EFA. The costs other than support service recharges do need to be included in a separate column of Adjustments between the Funding and Accounting Basis, in order to identify Net Expenditure to report in the CI&ES.

It is still necessary to recharge support service costs in order to complete statutory returns, in particular the Revenue Outturn (RO) Form and the Whole of Government Accounts (WGA) return.

## FUTURE CHANGES

14. We have been advised about changes in the 2017/18 Accounting Code of Practice and those due in subsequent years.
15. The 2017/18 Code will indicate that accounting policies should reflect an authority's individual circumstances, and that they need not be presented in the statement of accounts as one note as at present. It may be more appropriate to include the accounting policies with the notes and statements to which they relate, and this will be considered when preparing the 2017/18 statement of accounts.

16. IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers will be implemented from 2018/19. IFRS 16 Leases will apply from 2019/20. Of these the most significant is likely to be IFRS 16, because all assets acquired under leases will be brought on the council's balance sheet. Currently assets obtained through operating leases are not on the balance sheet.

**IMPLICATIONS OF REPORT**

17. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

**COMMENTS OF THE STATUTORY FINANCE OFFICER**

18. The report explains the changes to presentation of revenue budget outturn figures in the statement of accounts as a result of preparing the 2016/17 statement as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

GARY HALL  
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael Jackson	5490	8 March 2017	Understanding Local Authority Financial Statements

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Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	22nd March 2017

## Fighting Fraud & Corruption Locally – The Local Government Counter Fraud & Corruption Strategy 2016-2019

### PURPOSE OF REPORT

1. To evaluate the Council's compliance with Fighting Fraud & Corruption Locally – The Local Government Counter Fraud & Corruption Strategy 2016-2019.
2. To present an analysis showing the Council's existing compliance with the Strategy together with an action plan to address any areas of non-compliance.

### RECOMMENDATION(S)

3. That the Committee notes the report.

### EXECUTIVE SUMMARY OF REPORT

4. The report summarises the results of an assessment carried out to compare the Council's current arrangements with the Fighting Fraud & Corruption Locally – The Local Government Counter Fraud & Corruption Strategy 2016-2019 to ensure that the Council continues to operate in accordance with best practice.

Confidential report Please bold as appropriate	Yes	No

### CORPORATE PRIORITIES

5. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all.		A strong local economy.	
Clean, safe and healthy communities.		An ambitious council that does more to meet the needs of residents and the local area.	<b>X</b>

**BACKGROUND**

- 6. Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. Its production and subsequent implementation is overseen by an independent board, which includes representation from key stakeholders. The board commissioned the drafting and publication of the strategy from the CIPFA Counter Fraud Centre.
- 7. Members may recall that the 2016 Annual Governance Statement contained an action to undertake a review to ensure compliance with the requirements contained within the Fighting Fraud & Corruption Locally – The local government counter fraud and corruption strategy and companion.

**REVIEW OF COMPLIANCE**

- 8. The review has now been undertaken and the table at **Appendix 1** lists the requirements of the Strategy and shows the extent to which they are already complied with, or otherwise, by the Council.
- 9. There are four requirements where the Council’s current arrangements could be strengthened and details of these are provided below:

Requirement	Further Action required
The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members	<p>The Introduction of Grace Solution Risk Management software will assist with the identification and documenting of fraud risks throughout the Council.</p> <p>A specific fraud and corruption risk register will be compiled by Internal Audit in conjunction with risk owners.</p>
There is an annual report to the audit committee, or equivalent detailed assessment, to compare against Fighting Fraud and Corruption Locally (FFCL) 2016 and this checklist.	Completion and presentation of report on an annual basis.
There is a counter fraud and corruption strategy applying to all aspects of the local authority’s business which has been communicated throughout the local authority and acknowledged by those charged with governance.	Review and update (if required) the Ant-Fraud and Corruption Strategy to ensure that it remains current and meets the councils requirements
The risks of fraud and corruption are specifically considered in the local authority’s overall risk management process.	The Introduction of Grace Solution Risk Management software will assist with the identification and documenting of fraud risks throughout the Council.

10. All of the above actions are due to be implemented over the next few months and an update will be presented to members in due course.

**IMPLICATIONS OF REPORT**

11. The matters raised in the report are cross cutting and impact upon individual services and the Council as a whole.

GARRY BARCLAY  
HEAD OF SHARED ASSURANCE SERVICES

**Background Papers**

Document	Date	File	Place of Inspection
FIGHTING FRAUD & CORRUPTION LOCALLY – The Local Government Counter Fraud & Corruption Strategy 2016-2019	2016	K:\audit\SHARED AUDIT SERVICE\AUDIT\Fr aud Work, Awareness & Policies\Fraud Awareness\Fighting Fraud Locally\Fighting Fraud & Corruption locally 2016-19	Audit office, Town Hall

Report Author	Ext	Date	Doc ID
Garry Barclay Dawn Highton	01772 625272 5468	13-3-2017	Governance Committee update

**Appendix 1**

**FIGHTING FRAUD AND CORRUPTION LOCALLY – THE LOCAL GOVERNMENT COUNTER FRAUD & CORRUPTION STRATEGY CHECKLIST.**

<b>CHECKLIST</b>	<b>Yes / No / Partly</b>	<b>Evidence</b>	<b>Further action required</b>	<b>Action Owner Target date for completion</b>
The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	<b>Partly</b>	Internal Audit undertake an assessment of risks, including fraud risks when preparing its annual plan, which is discussed with and agreed with Senior Officers and approved by the Governance Committee.  Individual audit reviews consider fraud risks associated with the specific area under review.	The Introduction of Grace Solution Risk Management software will assist with the identification and documenting of fraud risks throughout the Council.  A specific fraud and corruption risk register will be compiled by Internal Audit in conjunction with risk owners.	Shared Assurance Services  May 2017  December 2017
The local authority has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government and has also undertaken horizon scanning of future potential fraud and corruption risks.	Yes	An assessment of the risk in Protecting the Public Purse is carried out annually by Internal Audit for the Annual Governance Statement.  Internal Audit keep abreast of future potential risks by subscribing to various agencies including the National Anti Fraud Network (NAFN) / ActionFraud etc and attendance at fraud awareness seminars.	None	N/A
There is an annual report to the audit committee, or equivalent detailed assessment, to compare against Fighting Fraud and Corruption Locally (FFCL) 2016 and this checklist.	Yes	Annual report being compiled and presented during March 2017	Completion and presentation of report on an annual basis.	Internal Audit  March 2017

CHECKLIST	Yes / No / Partly	Evidence	Further action required	Action Owner Target date for completion
The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	Yes	Various policies and strategies are in place, for example: <ul style="list-style-type: none"> <li>• Anti-Fraud &amp; Corruption Strategy</li> <li>• Fraud Response Plan</li> <li>• Data Protection</li> <li>• Proceeds of Crime guidance (anti-money laundering)</li> <li>• Constitution</li> <li>• Code of Conduct</li> </ul>	None	N/A
The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	Partly	The Council has a Risk Management Framework in place. Risks are considered during the annual audit planning process. The current arrangements will be strengthened by the imminent implementation of the risk management software.	The Introduction of Grace Solution Risk Management software will assist with the identification and documenting of fraud risks throughout the Council.	Shared Assurance Services  May 2017
Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	Yes	System experts are consulted when considering and introducing new and revised fraud policies  Is a generic template / process required to ensure that relevant officers and members are consulted.	None	N/A
Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Yes	Instances of fraud are publicised.	None	N/A
<b>CHECKLIST</b>	<b>Yes /</b>	<b>Evidence</b>	<b>Further action required</b>	<b>Action Owner</b>

	No / Partly			Target date for completion
The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2016 to prevent potentially dishonest employees from being appointed.	Yes	The recruitment process includes Vetting of applicants by: <ul style="list-style-type: none"> <li>• Obtaining references,</li> <li>• Verifying qualifications</li> <li>• Posts may require a Disclosure and Baring (DBS) check.</li> </ul>	None	N/A
Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	Yes	Officer's declaration of gifts and hospitality (register). Standardised process in place, detailed in the constitution  Member's induction includes the requirement to declare gifts and hospitality. This is an online process, which automatically informs democratic services of the entry into the member's register of interests.	None	N/A
There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	Yes	Online training sessions have been provided, to raise awareness of the potential for fraud. Various fraud policies and strategies are in place and awareness of these are raised through monthly Core Briefs.	None	N/A
There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	Yes	A whistleblowing policy is in place, this was last updated May 2016. The policy states that the Monitoring Officer will maintain a record of the concerns raised and outcomes.	None	N/A
Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	Yes	The model conditions of contract (Procurement) require contractors to comply with council policies, this includes Whistleblowing	None	N/A

CHECKLIST	Yes / No / Partly	Evidence	Further action required	Action Owner Target date for completion
Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	Yes	<p>Internal Audit maintain detailed records of suspected frauds reported to them and investigated. When required the outcome will be reported to Senior Officers and Governance Committee.</p> <p>All cases of suspected Housing Benefit fraud referred to DWP are frequently monitored.</p> <p>A record of all Council Tax Support and Single Person Discount fraud is also maintained and reported to the Customer Services Manager</p>	None	N/A
Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	Yes	Internal Audit and officers who may be required to assist with suspected frauds have unfettered access to all relevant records.	None	N/A
There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.	Yes	Instances of fraud are publicised	None	N/A
All allegations of fraud and corruption are risk assessed.	Yes	<p>All allegations of HB/CTS/SPD fraud are referred to Customer Services Investigation Officer.</p> <p>Following scrutiny, appropriate HB referrals are directed to DWP (SFIS) and after risk assessment CTS/SPD referrals are dealt with in house.</p> <p>All other frauds would be referred to the Head of Shared Assurance Services.</p>	None	N/A

<b>CHECKLIST</b>	<b>Yes / No / Partly</b>	<b>Evidence</b>	<b>Further action required</b>	<b>Action Owner Target date for completion</b>
The fraud response plan is linked to the audit plan and is communicated to senior management and members.	Yes	The annual audit plan, contains a contingency element for requests for investigations / unplanned reviews requiring an immediate response.	None	N/A
Asset recovery and civil recovery is considered in all cases.	Yes	Fraud response plan identifies that assets may be recovered and sanctions may be enforced	None	N/A
There is a zero tolerance approach to fraud and corruption which is always reported to committee.	Yes	Policies and strategies state that a zero tolerance approach is in place	None	N/A
There is a programme of proactive counter fraud work which covers risks identified in assessment. The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	Yes	The Customer Services Investigation Officer proactively interrogates the benefit system to identify certain categories of claimants where history has shown prevalence of fraud in the past.  The Council works closely with SFIS in relation to Welfare Benefit fraud work and also maintains a close working relationship with other LA investigation units and regularly attends Lancashire and Manchester Fraud Investigation Group meetings. Intelligence is also shared between the Police and LA where legislation allows.  The Anti-Fraud & Corruption Strategy identifies that other agencies / Polices may be approached when required.	None	N/A
The local authority shares data across its own departments and between other	Yes	Data Sharing is in place where appropriate.	None	N/A



enforcement agencies.				
<b>CHECKLIST</b>	<b>Yes / No / Partly</b>	<b>Evidence</b>	<b>Further action required</b>	<b>Action Owner Target date for completion</b>
The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.	Yes	Activity and results are reported to the Governance Committee.	None	N/A
There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	Yes	Customer Services Investigation Officer is PINS accredited and also holds Advanced Professional Certificate in Investigative Practice (NVQ Level 5)	None	N/A
The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for: <ul style="list-style-type: none"> <li>- surveillance</li> <li>- computer forensics</li> <li>- asset recovery</li> <li>- financial investigations.</li> </ul>	Yes	Additional expertise can be obtained if/ when required.	None	N/A

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Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	22nd March 2017

**INTERNAL AUDIT PLAN 2017/18**

**PURPOSE OF REPORT**

- To remind members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council.
- To seek the Governance Committee’s approval of the 2017/18 Internal Audit Plan.

**RECOMMENDATION**

- That the Committee approves the 2017/18 Internal Audit Plan.

**EXECUTIVE SUMMARY OF REPORT**

- The 2017/18 Internal Audit Plan has been compiled in consultation with Directors and Heads of Service following a detailed risk assessment.

<b>Confidential report</b> Please bold as appropriate	Yes	No
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**CORPORATE PRIORITIES**

- This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	<b>X</b>

**BACKGROUND - THE ROLE OF MANAGEMENT AND INTERNAL AUDIT**

- The responsibility for implementing a strong system of governance and internal control within the Council lies primarily with management. Directors and Heads of Service need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change.
- Internal Audit is an independent appraisal function whose prime objective is to evaluate and report on the adequacy of the Council’s system of governance and internal control. This is largely achieved through an annual programme of reviews.

**AUDIT PLAN**

8. The 2017/18 Internal Audit Plan contains the programme of reviews for the next financial year and is shown at **Appendix 1**. This has been constructed following an assessment of audit need by considering a range of factors, such as significant changes in staffing, systems and procedures, the length of time since an area was last audited and items in the Corporate Strategy and Corporate Risk Register. There has also been extensive consultation within each service which has taken an overview of audit requirements.
9. Members will recall that at the January meeting we advised we would be introducing a risk based approach to auditing from 2017/18 onwards. This will involve asking service managers to compile a risk register / risk and control self-assessment for each significant function / system / process for which they are responsible. The main objectives of this approach are to encourage greater ownership of risk and control issues within services and to optimise the benefits from the Internal Audit Service.
10. Therefore in 2017/18, using the revised methodology we will audit all the Council's CRITICAL systems. Some MAJOR systems will also be audited next year and the remainder in 2018/19.
11. The following paragraphs summarise the areas that will be subject to audit coverage in 2017/18.
12. Corporate
  - Annual review of the new CIPFA / SOLACE – Delivering Good Governance in Local Government Framework 2016.
  - Raising Officers' and Members' awareness of fraud by publishing regular fraud bulletins and update of Anti-Fraud and Corruption Policies.
  - Co-ordinating the Council's input to the Cabinet Office National Fraud Initiative (NFI) 2017 exercise for Council Tax Single Person Discount and the Electoral Roll and investigating data matches from the 2016 exercise in order to identify any potential irregularities.
13. Carrying our risk based reviews on the following systems:
  - Chorley Council**
    - Streetscene Health and Safety
    - Time Management System
    - Council Tax
    - NNDR
    - Housing Benefit
    - Sundry Debtors
    - Development Control
    - Transport
    - Data Protection
    - Homelessness (including prevention)
    - Market Walk
    - Commercial Properties.
  - Shared Services**
    - Treasury Management
    - Payroll
    - Creditors
    - Risk Management.

14. We will be involved with the following key corporate projects:

- Primrose Garden Retirement Living
- Digital Office Park
- Waste Contract Procurement.

15. We will assess compliance with two corporate policies:

- Data Quality – Performance Management Information.
- Key Partnership Framework.

16. General Areas – Chorley Council & Shared Services.

- Completing any residual work outstanding from 2016/17.
- Assisting with risk register production throughout the year.
- Following up management actions agreed in earlier audit reports.
- Responding to requests from Management for unplanned reviews / investigations.
- Preparing reports for and attending the Governance Committee.

**AUDIT DAYS**

17. The Internal Audit Plan for 2017/18 is based on a resource of **360 audit days for Chorley Council and 120 days for the Shared Service**. This is the number of chargeable days available within the existing budget (after deducting annual leave and other non-chargeable time). It comprises of a mix of in-house and bought-in resources from Lancashire Audit Services (Lancashire County Council).

**IMPLICATIONS OF REPORT**

18. This report has implications for all service areas within the Council.

**Garry Barclay**  
**Head of Shared Assurance Services**

**BACKGROUND PAPERS**

Internal Audit Risk Assessment

Report Author	Ext	Date	Doc ID
Garry Barclay Dawn Highton	01772 625272 01257 515468	March 2017	2017 / 2018 Internal Audit Plan

## APPENDIX ONE - INTERNAL AUDIT PLAN 2017/18

<b>CHORLEY COUNCIL</b>	<b>RISK RATING</b>	<b>AUDIT DAYS</b>
<b>CORPORATE AREAS</b>		
Annual Governance Statement	N/A	20
Anti-Fraud & Corruption	N/A	10
National Fraud Initiative	N/A	20
<b>POLICY &amp; GOVERNANCE</b>		
<b>Legal Democratic &amp; HR Services</b>		
Health & Safety - Streetscene	CRITICAL	15
Time Management System	CRITICAL	15
<b>Performance &amp; Partnerships</b>		
Performance Management Information	CRITICAL	15
Key Partnership Framework	CRITICAL	15
<b>CUSTOMER &amp; DIGITAL</b>		
<b>Transformation</b>		
Council Tax	CRITICAL	40
Non Domestic Rates	CRITICAL	
Housing Benefits	CRITICAL	
Sundry Debtors	CRITICAL	
<b>Planning</b>		
Development Control	MAJOR	15
<b>Waste &amp; Streetscene</b>		
Waste Contract Procurement	N/A	10
Transport	MAJOR	15
<b>ICT</b>		
Data Protection	MAJOR	15
<b>EARLY INTERVENTION</b>		
<b>Housing Options &amp; Support</b>		
Homelessness (including prevention)	MAJOR	15
<b>Development &amp; Regeneration</b>		
Primrose Garden Retirement Living	N/A	10
<b>Employment Skills &amp; Business Support</b>		
Digital Office Park	N/A	10
<b>Market Walk &amp; Town Centre</b>		
Market Walk	CRITICAL	15
<b>Property Services</b>		
Commercial Properties	MAJOR	15
<b>GENERAL AREAS</b>		
Residual Work from 2016/17	N/A	20
Risk & Control Self-Assessment	N/A	30
Post Audit Reviews	N/A	10
Contingency / Irregularities	N/A	15
Governance Committee	N/A	15
<b>TOTAL</b>		<b>360</b>

<b>SHARED SERVICES</b>	<b>RISK</b>	<b>DAYS</b>
<b>SHARED FINANCIAL SERVICES</b>		
Treasury Management	CRITICAL	60
Payroll	CRITICAL	
Creditors	CRITICAL	
<b>SHARED ASSURANCE SERVICES</b>		
Risk Management	CRITICAL	15
<b>GENERAL AREAS</b>		
Residual Work from 2016/17	N/A	20
Risk & Control Self-Assessment	N/A	5
Post Audit Reviews	N/A	10
Contingency / Joint Committee Accounts	N/A	10
<b>TOTAL</b>		<b>120</b>

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