

## **Governance Committee**

Wednesday, 1st June 2022, 2.30 pm

Council Chamber, Town Hall, Chorley and YouTube

### Agenda

#### **Apologies**

- |   |  |                  |
|---|--|------------------|
| 1 | <b>Minutes of meeting Wednesday, 16 March 2022 of Governance Committee</b>   | (Pages 3 - 8)    |
| 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>Chorley Borough Council Audit Progress Report</b><br><br>To receive and consider the report of the External Auditor, Grant Thornton.  | (Pages 9 - 24)   |
| 4 | <b>External Audit Plan 2021-22</b><br><br>To receive and consider the report of the External Auditor, Grant Thornton.  | (Pages 25 - 48)  |
| 5 | <b>Management Response to External Audit Planning Enquiries</b><br><br>To receive and consider the report of the Director of Finance.  | (Pages 49 - 72)  |
| 6 | <b>Charities and Trust Funds 2021/22</b><br><br>To receive and consider the report of the Director of Finance.   | (Pages 73 - 80)  |
| 7 | <b>Internal Audit Annual Report and Opinion 2021-2022</b><br><br>To receive and consider the report of the Service Lead for Audit and Risk.  | (Pages 81 - 98)  |
| 8 | <b>Review of the Effectiveness of Internal Audit 2022</b><br><br>To receive and consider the report of the Service Lead for Audit and Risk.  | (Pages 99 - 150) |

9	<b>Draft Annual Governance Statement</b>	(Pages 151 - 162)
	To receive and consider the report of the Director of Governance.	
10	<b>RIPA Application Update</b>	
	The Monitoring Officer will present a verbal report at the meeting.	
11	<b>Work Programme</b>	(Pages 163 - 164)
	To receive and consider the work programme for the Committee.	
12	<b>Any urgent business previously agreed with the Chair</b>	

Gary Hall  
Chief Executive

Electronic agendas sent to Members of the Governance Committee Councillor Debra Platt (Chair), Councillor Mark Clifford (Vice-Chair) and Councillors Sam Chapman, Gordon France, Margaret France, Michelle Le Marinel, Dedrah Moss, Neville Whitham, Charlotte Fitch (Independent Person), Peter Ripley (Independent Person) and June Molyneaux.

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**Minutes of Governance Committee**

**Meeting date Wednesday, 16 March 2022**

**Committee**

**Members present:** Councillor Debra Platt (Chair) and Councillors Mark Clifford, Gordon France, James Nevett, Alan Platt and Jean Sherwood

**Committee Members**

**Present virtually**

**(non-voting):** Councillor Hasina Khan

**Officers:**

Gary Hall (Chief Executive), Louise Mattinson (Director of Finance), Chris Moister (Director of Governance), Tony Furber (Principal Financial Accountant), Dawn Highton (Service Lead Audit and Risk) and Nina Neisser (Democratic and Member Services Officer)

**Apologies:**

Councillors Julia Berry and Karen Derbyshire

**Other Members:**

Georgia Jones (Grant Thornton UK LLP) and Charlotte Fitch (Independent Person)

**22.G.59 Minutes of meeting Wednesday, 19 January 2022 of Governance Committee**

**Resolved – That the minutes of the Governance Committee meeting held on 19 January 2022 be confirmed as a correct record for signature by the Chair.**

**22.G.60 Declarations of Any Interests**

There were no declarations of any interests.

**22.G.61 2020/21 Statutory Accounts**

Louise Mattinson, Director of Finance presented her report which presents the audited Statement of Accounts for 2020/21 for approval.

There have been a small number of material changes to the Statement of Accounts from the draft version published on 15 October 2021. These relate to asset classification and valuations and offsetting adjustments between Short Term Debtors and Creditors, so the underlying financial position of the Council, its financial performance for the year and levels of Usable Reserves, are unaffected. The material changes are:

- Amounts totalling £1.695m have been reclassified within Note 20, from Prepayments to Trade Receivables.

- A prepayment of deficit recovery costs of £883k to the Lancashire Pension Fund, which had been classed under Short Term Debtors has now been offset against the outstanding Pensions Liability.

Members were advised that the Appointed Auditor anticipates providing the Council with an unmodified audit report.

**Resolved -**

**That the Committee approve the audited Statement of Accounts for 2020/21 (Appendix A), subject to any amendments which in the opinion of the Director of Finance (Section 151 Officer) are minor in nature, such minor amendments to be defined as non-material to the financial position of the authority. The Director of Finance will exercise this delegation in consultation with the Chair of Governance Committee. In the event that the Director of Finance is of the opinion the amendments are material to the financial position of the authority, Governance Committee will be reconvened to approve the new Statement of Accounts.**

**22.G.62 2020/21 Letter of Representation**

Louise Mattinson, Director of Finance presented the proposed draft letter of representation which is provided in connection with the audit of the financial statements of Chorley Borough Council for the year ended 31 March 2021.

Georgia Jones advised that since the agenda was published, Grant Thornton have identified a further item regarding business grant income of £675k which has been incorrectly classified within the Comprehensive Income and Expenditure Statement (CIES). It was understood that the note in the accounts will be updated in respect of this but the CIES will not. Members were asked to confirm that they were happy for the mis-statement to remain unadjusted in the CIES.

Louise Mattinson, Director of Finance advised of the reasoning for this and explained that the reclassification relates to the analysis of business grants provided by the government to the council during the Covid pandemic, for which the council was deemed to act in the capacity of agent for some, whereas for others it was deemed to act as principal, each of which had different accounting treatment. Members were reassured that although a sizeable amount, the figure remained below the materiality threshold and therefore the council have chosen not to adjust.

Following queries, the Committee were advised that the Appendix detailing the Unadjusted mis-statements will be published alongside the accounts and a note would be included on the accounts themselves providing justification for the decision not to reclassify.

**Resolved -**

- 1. That the Committee authorise the Director of Finance and Chair of Governance Committee to sign the Letter of Representation**
- 2. That the Governance Committee is happy that the CIES won't be adjusted for the £675k discrepancy identified by Grant Thornton which Chorley Council considers immaterial.**

**22.G.63 2020/21 Audit Findings Report**

Georgia Jones, Grant Thornton presented the report of the External Auditor on their audit findings for the authority for the year ending 31 March 2021 that highlighted key matters arising in the audit of the Council's financial statements.

The Committee were advised that Grant Thornton's audit work was substantially complete, and although there are a few minor queries outstanding, it is not anticipated that these will require modification to the audit opinion. Grant Thornton anticipate giving an unmodified report.

Members were advised that the external auditors have not yet completed all of the Value for Money (VfM) work and so are not in a position to issue the Auditor's Annual Report. An audit letter explaining the reasons for the delay was provided. This report is expected by 30 June 2022, which is in line with the National Audit Office's revised deadline.

Members noted that Astley Hall was included in the accounts at a nominal value of £1 at 31 March 2021, based on a condition survey undertaken several years ago. As the renovation works progress towards completion in 2022-23, the current valuation basis will no longer be appropriate, therefore Grant Thornton recommend that Chorley Council revalue the asset to ensure that the value is not materially misstated.

**Resolved - That the report be noted.**

**22.G.64 Chorley Borough Council Audit Plan 2020-21**

Georgia Jones, Grant Thornton presented the report of the External Auditor on the Chorley Borough Council Audit Plan 2020/21.

Members were advised that the same plan was brought before the Committee earlier in the year, however this has subsequently been updated to include Value for Money (VfM) risk. An updated risk assessment was provided to highlight this key change to the audit plan. Grant Thornton will report back on the VfM work once complete.

**Resolved - That the report be noted.**

**22.G.65 Homes England Compliance Audit**

Louise Mattinson, Director of Finance presented her report which acknowledges receipt of the Homes England Compliance Audit report as required by Homes England.

The Homes England Compliance Audit relates to the Tatton Development. Homes England have provided funding to the value of £3.72m towards the Tatton capital scheme and as a result there is a requirement to meet their audit requirements. Grant Thornton were engaged to conduct the audit which has now been reviewed by Homes England and judged to meet all requirements.

The review concluded that Chorley Council has complied with all the programme requirements and guidance. A Green grade has been assigned and no breaches were identified.

**Resolved -**

- 1. To acknowledge receipt of the report as required by Homes England**
- 2. Note there are no breaches recorded and the report is green meeting all requirements.**

**22.G.66 Internal Audit Plan April to September 2022**

Dawn Highton, Service Lead for Audit and Risk presented her report which sets out the programme of work to be undertaken by the Internal Audit Service. This provides details of the Internal Audit Plan and associated performance indicators as well as seeking Committee approval of the Audit Plan and Internal Audit Charter.

Historically the Internal Audit Plan has been compiled and approved on an annual basis, however, to enable Internal Audit to be flexible and responsive to emerging risks across the organisation, it is proposed that the Internal Audit Plan is only developed for April to September. The intention is then to revisit the audit needs analysis and to liaise with key stakeholders to consider any new and emerging risks to identify the work plan for October to March 23. Adopting this way of working will also allow the Council to accurately tailor the plan to the resources we have available during each 6-month period.

It has also been agreed that the Internal Audit Service will provide 105 audit days to Chorley Leisure Limited (CLL). The plans for both the Council and CLL will be completed solely by the in-house team with external support procured for the specialist ICT reviews. For the period October 22 to March 23, it is intended to increase the capacity of the Internal Audit Service with the recruitment of an audit trainee post and with the use of agency staff.

Members noted the reviewed Internal Audit Charter which has been amended to include Chorley Leisure Limited.

**Resolved -**

- 1. That the Committee approve the Internal Audit Plan and associated indicators.**
- 2. That the Committee approve the Internal Audit Charter.**

**22.G.67 GDPR Update**

Chris Moister, Director of Governance presented his report which informed Members of the actions taken to review the Council's compliance with the General Data Protection Regulations (now Data Protection Act 2018).

Following the requirements of the General Data Protection Regulations which came into force in May 2018, the Council delivered and adopted a compliant framework which met our obligations under the legislation. It had been intended to undertake a full review in 2020/21 to ensure that the adopted policies remained compliant, however this review was delayed due to the impact of Covid. The review was undertaken by legal services in the final quarter of this year. The Information Security Framework was not reviewed by legal services as while compliance with it supports GDPR compliance, it is not in itself a GDPR policy. IT owns this document and have been asked to undertake a review of it.

The policies were considered compliant with only some minor amendments to be made. The review considered policy compliance, data retention, data controllers, training, adequacy decision and data breaches.

The Committee noted that since 1 April 2021, the council has self-reported data breaches twice, although neither incident was viewed as serious internally. In light of our actions the ICO took no action on either self-report. Members took assurance that the GDPR framework is operating and embedded due to the limited number of data breaches.

The Committee highlighted the importance of mandatory GDPR training for Members and were advised that this was undertaken as part of the induction following the elections. E-learning was also available.

**Resolved - That the report be noted.**

#### **22.G.68 Local Code of Corporate Governance**

Chris Moister, Director of Governance presented his report which updates Members on the outcome of a review of the Local Code of Corporate Governance.

The Council has an adopted Local Code of Corporate Governance, in compliance with CIPFA Guidance, which sets out how the Council delivers its Corporate Governance Framework and explains how it operates. The Local Code should be reviewed frequently to ensure it is up to date and reflects the current framework.

A number of policy families have been updated in the last 12 months, however Members acknowledged that the vast majority of the documents remain unchanged. Specific to this Local Code there have been presentational changes this year. The table of interrelationships between principles, statutory obligations and corporate objectives and supporting documents and processes has been moved into the body of the document. Although a small change it clearly shows the core documents and processes which support our framework, making the relationships clearer. The detail of the evidence of compliance has been moved into an appendix.

**Resolved - That Members approve the Local Code of Corporate Governance.**

#### **22.G.69 RIPA Application Update**

Chris Moister, Director of Governance/Monitoring Officer reported that no RIPA applications had been made.

#### **22.G.70 Work Programme**

The Committee considered the work programmes for 2021/22 and 2022/23 which set out the reports to be considered at each Governance Committee meeting throughout the Council year.

**Resolved – That the work programme be noted.**

Chair

Date

# Chorley Borough Council Audit Progress Report and Sector Update

**Year ending 31 March 2022**

May 2022



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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, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## Your key Grant Thornton team members are:

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

The paper also includes:

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

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

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

# Progress at May 2022

## Financial Statements Audit

We undertook our initial planning and interim work for the 2021/22 audit in March and April 2022. We expect to begin our work on your draft financial statements in August.

Our interim fieldwork includes:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements

Also on this agenda is our detailed audit plan, setting out our proposed approach to the audit of the Authority's 2021/22 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 November 2022.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. The Department for Levelling Up, Communities and Housing (DLUHC) states that they intend, subject to consultation, to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. We anticipate issuing our Auditor's Annual Report in December 2022.

# Progress at May 2022 (cont.)

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim began in November. DWP extended the deadline for reporting the findings of this work to 28 February 2022. We completed our work and reported to DWP on 31 March 2022. This was later than the deadline as the work books had not been completed to the required evidential standard by council officers.

### Meetings

We meet regularly with the Director of Finance as part of our liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

We also met with your Chief Executive in April to discuss the Authority's strategic priorities and plans.

We have also provided training to your finance team with a view to helping the audit progress smoothly this year. This included detail around the standard of audit evidence required. We continue to liaise with finance officers to try to ensure an efficient audit for 2021/22.

## Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2022, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

# Audit Fees

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

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

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

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

## Additional fees for 2020/21

Our audit of the financial statements took longer than anticipated or planned for. This was partly due to the timeliness of responses from Council officers. We are therefore proposing an additional fee of £17k in relation to the 2020/21 audit.

The reasons for the additional fee are:

- Progress on the audit was very slow with information requests outstanding for a number of weeks in some cases. When additional resource was brought in by the Council to help in the final couple of weeks, some of this outstanding information was then provided in a matter of a couple of days, indicating that the requests appeared to be fairly straight forward and the information readily available.
- The progress through the period January to March was slower than hoped given pressures on the Finance team. We had a discussion in January and were asked for a hiatus so the finance team could focus on the budget. Given the budget timetable, during this time officers made little progress on the audit. Communication could have initially been more timely from officers, but we acknowledge this did improve over the period. Again initially it was only at routine catch up calls scheduled by us, that we were advised of lack of progress in providing information. The Director of Finance brought in additional resource from the Council side in mid February which improved response time. Overall a more proactive communication of delays/difficulties at an earlier stage would have helped us plan resources more efficiently.

# Audit Fees (cont.)

We initially had a large unadjusted misstatement. This related to grant income, where the Council had acted as agent, being incorrectly adjusted for in income and expenditure. As a result we had to complete additional internal procedures including an Audit Panel which extended the audit by approx.1 week and additional time was required.

The above issues impact on the audit team's time in terms of:

- a number of meetings with officers at the Council to discuss the lack of progress
  - a number of meetings internally with the audit team to discuss work progress, information not received, resourcing implications
  - internal consultation in relation to the error mentioned above
  - additional time to discuss implications for reporting and the reporting itself
- 
- VFM work – when we issued our audit plan for 2020-21, the value for money work for the 2019-20 work had not been finalised. The outcome of that work was a qualified 'except for' conclusion. This has meant we have had to revise our work plan for in relation to value for money for 2020-21 to complete additional work on this area of focus.

# Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p data-bbox="120 408 264 435"><b>Audit Plan</b></p> <p data-bbox="120 456 1576 560">We are required to issue a detailed audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	June 2022	Delivered
<p data-bbox="120 584 421 611"><b>Audit Findings Report</b></p> <p data-bbox="120 632 1205 659">The Audit Findings Report will be reported to the November Governance Committee.</p>	November 2022	Not yet due
<p data-bbox="120 730 338 758"><b>Auditors Report</b></p> <p data-bbox="120 778 824 805">This includes the opinion on your financial statements.</p>	November 2022	Not yet due
<p data-bbox="120 877 450 904"><b>Auditor's Annual Report</b></p> <p data-bbox="120 925 1155 959">This Report communicates the key issues arising from our Value for Money work.</p>	December 2022	Not yet due

# Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six opinion files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

# Financial Reporting Council annual report (cont.)

## Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

Grade	Number 2020/21	Number 2020/19	Number 2019/18
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis.

As auditors we have shown compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Having formal internal consultations when considering complex technical issues.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Sector Update

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

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

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

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

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

Public Sector

Local  
government

# Levelling up White Paper – Department for Levelling Up, Communities and Housing (“DLUCH”)

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

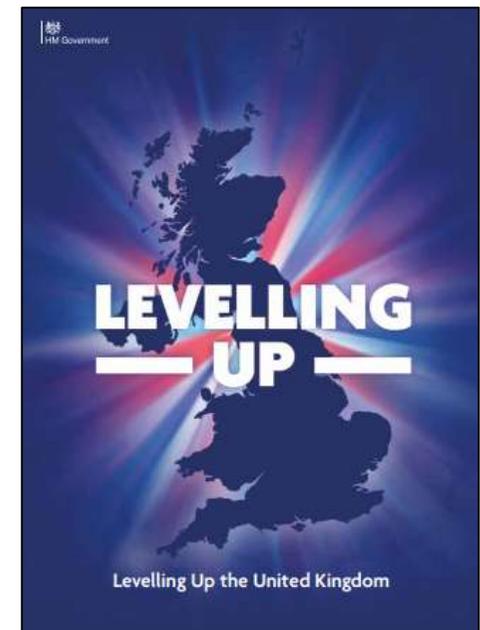
- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)  
([www.gov.uk](https://www.gov.uk))



# Grant Thornton – reaction to Levelling up White Paper

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”

# Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to ‘have regard to’ their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority’s functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



# Good practice in annual reporting – NAO

The National Audit Office (NAO) has published this guide which sets out good practice principles for annual reporting with examples from public sector organisations

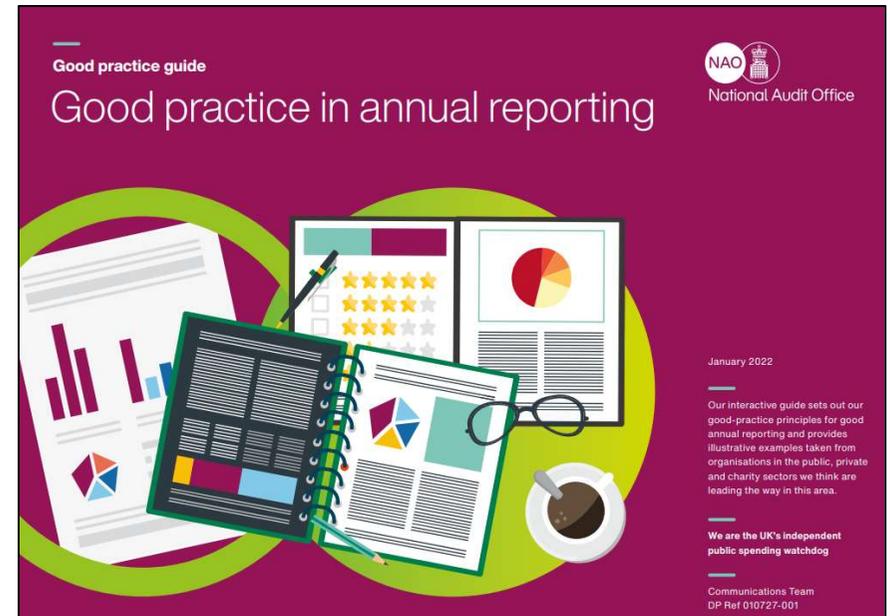
The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

The NAO further comment “The best annual reports we have seen use these principles to tell the “story” of the organisation. It is important that stakeholders, including the public and Parliament, are able to hold an organisation to account. To do this effectively, stakeholders need to properly understand the organisation’s strategy, key risks that might get in the way of delivering this strategy and the effectiveness of their management, and the amount of taxpayers’ money that has been spent to deliver the outcomes the organisation seeks to achieve.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

Although the guide does not include any local authority examples, those included, and the underlying principles, are equally relevant to all public facing organisations.



The guide can be found here:

[Good practice in annual reporting - National Audit Office \[NAO\] Report](#)



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# External audit plan

**Year ending 31 March 2022**

Chorley Borough Council  
June 2022



# Contents



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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, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

# Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Key matters

## Factors

### Council developments

Local economies have struggled under lockdown and this is impacting the financial stability of local authorities. Whilst the focus has now shifted towards recovery from the pandemic, the Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

The Council is currently undertaking a programme to develop and implement a shared service approach across many of its operational areas with neighbouring South Ribble Borough Council. The first phase was primarily focused on governance, partnerships and communications and implementing a joint management structure across the two bodies and was implemented in April 2020. Phase 2 – ICT was implemented in December 2021. The business case also approved the sharing of Customer Services, including Revenues and Benefits which was due to be implemented March 2022.

In May 2021, the Council established a new wholly owned company, Chorley Leisure Ltd, to manage the Council's leisure facilities and services. Leisure services staff were transferred to the new subsidiary on 1 September 2021. Furthermore, Chorley BC Property Ltd has become operational.

### Impact of Covid 19 pandemic

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council has faced many front-line challenges such as administration of grants to businesses, council tax reliefs and closure of leisure centres alongside the additional challenges of reopening services under new government guidelines. Some Finance staff have had to work at home.

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit in recognition of the challenges in returning to the 31 July deadline, the Department for Levelling Up, Housing and Communities, in the response to the Redmond Review have extended the deadline for audited financial statements to 30 November for the 2021-22 financial statements.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been discussed with the Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control and a risk factor in regards to expenditure recognition.
- The Council's valuer reported a material uncertainty in regards to the valuation of properties in 2019-20 due to the Covid 19 pandemic. In 2020-21, we reported that the circumstances driving this uncertainty had largely abated although the valuations still include a significant degree of estimation and uncertainty. We identified a significant risk in regards to the valuation of land, buildings and investment properties

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Chorley Borough Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the *Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to both of these documents.*

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Governance Committee of your 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 audit approach is based on a thorough understanding of the Council's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings and investment properties
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Group Audit

The Council has established wholly-owned subsidiaries, Chorley Leisure Ltd and Chorley BC Property Ltd and this may require consolidated accounts to be produced to report the group transactions and balances. We have requested management provide an assessment of the impacts of group financial reporting considering requirements of the CIPFA code.

## Materiality

We have determined planning materiality to be £0.966m (PY £0.966m) for the Council, which equates to 1.9% of your prior year gross expenditure for the year. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. We do not consider a reduction in performance materiality is required for 2021-22. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.048m (PY £0.048m).

## Value for Money arrangements

Our initial risk assessment regarding your arrangements to secure value for money has not identified any significant risks requiring separate attention.

We will be considering your arrangements across the three key criteria areas of finance, governance and performance. We will continue to monitor and update our risk assessment and responses until we issue Auditor's Annual Report.

## Audit logistics

Our audit of the final accounts will take place in July and August 2022. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £63,322 (PY: £75,816) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions – rebutted	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. 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 the 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 Borough Council mean that all forms of fraud are seen as unacceptable</li> </ul>	As we do not consider this to be a significant risk for the Council we will not be undertaking any specific work in this area other than our normal audit procedures.
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. .</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement.</p> <p>We note that there are previous examples, as highlighted by Internal Audit, where management may have over-ridden controls relating to procurement and the appointment of officers.</p> <p>We have also previously identified weak controls around authorisation of journal postings.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul>

# Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements</p> <p>The pension fund net liability of £56,703m (2020-21) is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation of £85.094m (2020-21) represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>Investment Properties: All investment properties should be valued and reported at fair value under relevant accounting principles. Again, this valuation of £32.783m (2020-21) represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to Council's materiality and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings, including investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• discuss with the valuer the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• evaluating 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 at year end.</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties
- Depreciation
- Business rates appeals provisions and significant accruals,
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 investments

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have submitted inquiries to management to set out how management has identified and considered each of its material estimates, the uncertainty attaching to each, and how it has concluded its approach is appropriate in determining the estimate.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## 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 this report.

# Materiality

## The concept of materiality

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. 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.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £0.966m (PY £0.966m) for the Council, which equates to 1.9% of your prior year gross expenditure.

We design our procedures to detect errors in specific accounts balances or disclosures at a lower level of precision. The senior officer remuneration disclosure in the financial statements has been identified as an area requiring lower level of materiality of £20,000, due to the sensitive nature of the disclosure.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

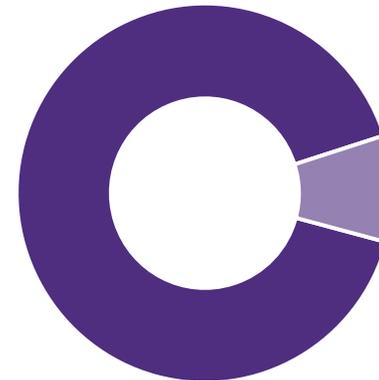
## Matters we will report to the Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.048m (PY £0.048m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance Committee to assist it in fulfilling its governance responsibilities.

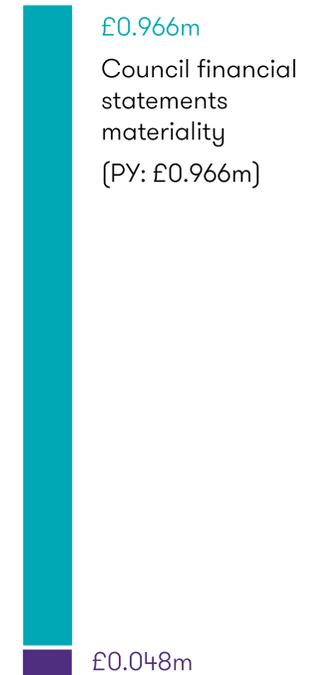
## Prior year gross operating costs

£51m Council



■ Prior year gross operating costs

## Materiality



# IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

We do not intend to rely on the operation of application controls whether automated / IT dependent and therefore we have carried our streamlined ITGC assessment on the IT systems that support the financial reporting. This is to gain an understanding of the design of these systems.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
<b>Civica Financials</b>	<b>Financial reporting</b>	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> </ul>
<b>Academy</b>	<b>Housing Rents</b>	<ul style="list-style-type: none"> <li>Streamlined ITGC design assessment</li> </ul>

# Value for Money arrangements

## Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Risks of significant weakness

These would be risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

At this stage of our audit work we have not identified any significant weaknesses. However, under the new VFM arrangements we will be considering the Council's arrangements in place across the three criteria areas of finance, governance and performance. We will review the Council's financial outturn for 2020-21 and its planned position for 2021-22.

We will keep the possibility of a significant risk arising and/or an existing risk increasing to a significant level as part of our ongoing 2020-21 VFM review. Our findings will be summarised in the Auditor's Annual Report.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

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



### Key recommendation

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



### Improvement recommendation

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

# Audit logistics and team



## Georgia Jones, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

## Matt Derrick, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

## Learizza Paat, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In 2017, PSAA awarded a contract of audit for Chorley Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £34,846. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 12 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22, as set out below, is detailed overleaf and has been discussed with the Director of Finance.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Chorley Borough Council audit	£61,463	£75,816	£63,322
Total audit fees (excluding VAT)	£61,463	£75,816	£63,322

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related 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.

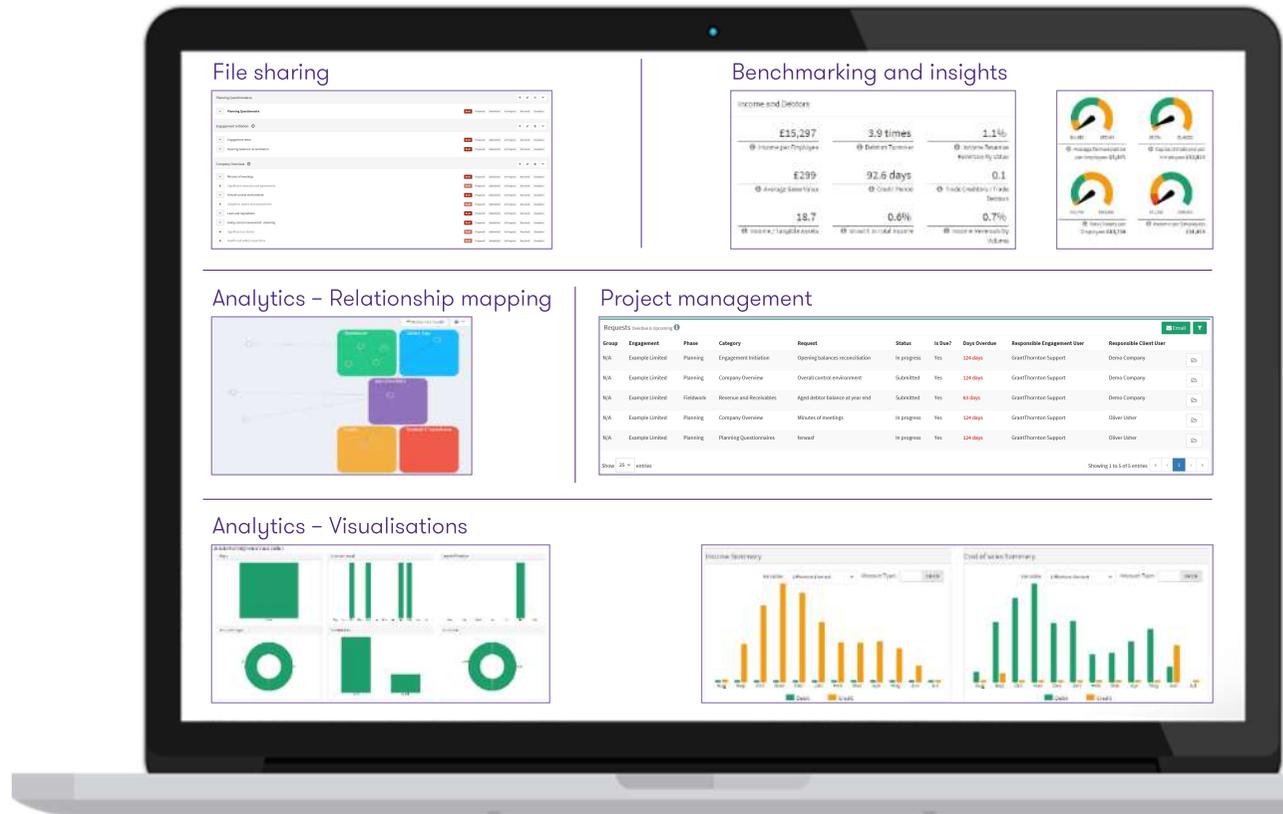
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits Subsidy Grant	22,080	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £22,080 in comparison to the total fee for the audit of £63,322 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



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Agenda Item 4



Grant Thornton's Analytics solution is supported by Inflo Software technology

# Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



## Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



## File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



## Project management

- Facilitates oversight of requests
- Access to a live request list at all times



## Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

## How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

### Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

### More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

# Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Council's financial statements, which resulted in two recommendations being reported in our 2020/21 Audit Findings Report.

We will follow up on the implementation of our recommendations and we will review the progress as part of our audit testing for 2021-22.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
To be reviewed as part of the 2021-22 audit	<p><b>Valuation of heritage assets</b></p> <p>The Council holds Astley Hall as a heritage asset which is valued using the historical cost basis which is permitted in the CIPFA Code where it is not practicable to obtain a valuation.</p> <p>The building was revalued to a nominal £1 at 31 March 2011 following a condition survey. During 2020-21, the Council capitalised £0.3m of expenditure in relation to the restoration of Astley Hall. At 31 March 2021, the building was then revalued to £1.</p> <p>As the restoration works progress towards completion in 2022-23, the current valuation basis will no longer be appropriate.</p> <p>We recommended that management should review the basis of valuation for Astley Hall going forward to ensure the value is not materially misstated.</p>	<p>Management have agreed the recommendation. We will review the action taken as part of our final accounts audit.</p>
To be reviewed as part of the 2021-22 audit	<p><b>Minimum Revenue Provision</b></p> <p>At 31 March 2021, the Council's MRP was £1.713m. At 31 March 2020 the MRP was £0.569m. The MRP represents 1.92% of the Council's overall Capital Financing Requirement. This has increased from 0.64% at 31 March 2020.</p> <p>This is measure of the pace at which charges to revenue (GF) are being made to finance capital expenditure that has not previously been financed.</p> <p>The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financing capital assets will fall on future generations of taxpayers.</p> <p>We recommended that management review the Council's MRP policy to ensure the provision continues to be prudent and is sufficient to finance capital expenditure that has not previously been finance through the application of capital receipts, capital grants or direct revenue charges.</p>	<p>Management have agreed the recommendation. We will review the action taken as part of our final accounts audit.</p>



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Report of	Meeting	Date
Director (Finance)	Governance Committee	Wednesday, 1 June 2022

## Management Response to External Audit Planning Enquiries

Is this report confidential?	No
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Is this decision key?	No
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### Purpose of the Report

- To present to the Governance Committee, as those charged with governance of the Council, the management responses provided to the planning enquiries made by the External Auditors, Grant Thornton, as part of the 2021/22 statutory accounts.

### Recommendations to Governance Committee

- The Governance Committee, is asked to review and approve the management responses to the auditors enquires, as attached.

### Reasons for recommendations

- In line with Auditing Standards, and to support the Audit Planning process, the External Auditors need to establish the risk of fraud or error.
- The Auditors' questions, together with the answers provided by Management, are detailed at Appendix A, and details of estimates / methodology used are outlined at Appendix B.
- This report is being brought to Governance Committee early this year (was end of July last year) to ensure a prompt start, and timely conclusion to the Audit.

### Other options considered and rejected

- Not applicable.

### Corporate priorities

- The report relates to the following corporate priorities: (please bold all those applicable):

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

### **Background to the report**

8. In line with Auditing Standards, and to support the Audit Planning process, the External Auditors need to establish the risk of fraud or error.

### **Climate change and air quality**

9. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

### **Equality and diversity**

10. Not applicable.

### **Risk**

11. The risks identified to the External Auditors, in response to the planning enquiries are detailed in the Appendices to the report.

### **Comments of the Statutory Finance Officer**

12. As part of their responsibilities in conducting the audit of the statutory accounts, the External Auditors are required to seek responses, and request information, on all aspects of the Council's activities as they feel are necessary. The information requested as part of their planning enquiries, is in line with this.

### **Comments of the Monitoring Officer**

13. No comments.

### **Background documents**

There are no background papers to this report.

### **Appendices**

Appendix A – External Auditor Planning Enquiries & Management Response 2021/22

Appendix B – Estimates used in the production of the 2021/22 Accounts

Report Author:	Email:	Telephone:	Date:
Steve Kenyon (Deputy Director of Finance)	steve.kenyon@chorley.gov.uk	01257 515151	16 <sup>th</sup> May 2022

**GENERAL ENQUIRIES OF MANAGEMENT**

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>The Council has continued to make Covid Business Grant payments throughout 2021/22 amounting to <b>£9.6 million</b> – with the final schemes (ARG4 &amp; Omicron Grants) running to 31<sup>st</sup> March 2022.</p> <p>Covid 19 has continued to have an impact on Council income e.g. Business Rates / Council Tax receipts, and fees &amp; charges. However, this has been a reduced impact compared to 2020/21.</p> <p>During 2021/22, the Council set up a wholly owned Leisure company “Chorley Leisure Limited”. This will be included in the Statement of accounts (Group Accounts), along with the accounts of “Chorley Property Limited”.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by the Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>We have considered the accounting policies. There have not been any events or transactions that have caused us to change or adapt our accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>No</p>

<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>The council has paid out £9.6m of business grants as part of the Government's Covid support scheme. This was done using processes / controls implemented in 2020/21.</p>
<p>5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?</p>	<p>Due to Covid and general economic conditions we would expect temporary reductions in some of the valuations of our commercial assets including Market Walk and Strawberry Fields</p>
<p>6. Are you aware of any guarantee contracts? If so, please provide further details</p>	<p>None</p>
<p>7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details</p>	<p>No</p>
<p>8. Other than in house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>Forbes Solicitors – appointed to act in formation of Chorley Property Limited carry over from previous years.</p>
<p>9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>No</p>

<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>See attached;</p>  <p>GT Summary - Advisors - CBC.xlsx</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>None identified</p>

**FRAUD RISK ASSESSMENT**

<p>1. Has Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes, and there is no indication that the financial statements have been materially misstated due to fraud</p> <p>Internal Audit undertake their own proactive fraud detection work and participate fully in the National Fraud Initiative.</p> <p>Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Governance Committee and to Senior Management Team, including fraud risks and governance issues.</p> <p>Internal Audit Section will undertake special investigations in cases of suspected fraud or irregularity. Financial Procedure Rules and the Council's Anti-Fraud and Corruption Policy require the Head of Audit to be notified immediately of all discovered or suspected cases of fraud, corruption or other financial irregularity.</p> <p>Fraud in relation to revenues and benefits is dealt with separately by specific investigation</p>
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	<p>officers.</p> <p>The s151 Officer has the overall responsibility for assessing the risk of material misstatement in the financial statements and is supported by services who provide the appropriate evidence for this assessment.</p> <p>A review of all corporate risks forms part of the quarterly report to the Leadership Team, of which the CFO is a member, identifying risk levels, risk owners and mitigating actions. This is reported to Shared Senior Management Team of which the CFO is a member.</p> <p>All reports submitted to committees require financial comments from the CFO or qualified representative. In addition, a risk section has been added to reports so that authors outline the major risks associated with decisions.</p> <p>Financial implications of future risks are discussed amongst officers at Senior Management Team as well interaction with members at leader’s brief and committee meetings</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>There is always a risk of error and fraud in relation to Benefits and supplier payments however we are confident this is mitigated through quality assurance processes, segregation of duties and internal checks within the systems / teams involved.</p> <p>An additional level of assurance is provided through the work of Internal Audit.</p> <p>There are risks of fraud relating to Covid grants payments made to businesses throughout 2021/22 however these have been mitigated through clearly defined processes and segregation of duties.</p> <p>Additional safeguards have been provided through the reconciliation / assurance work undertaken in conjunction with BEIS (to date no issues identified).</p>

<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>No</p>
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Through the work carried out by internal audit Reporting of Corporate Risks to Governance Committee Specific fraud would be communicated to the Governance Committee when deemed material</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>Risk of applicant fraud in respect of Covid Business Grants; mitigated through robust application &amp; validation processes</p> <p>As above</p> <p>No</p>
<p>6. What processes do the Council have in place to identify and respond to risks of fraud?</p>	<p>Internal Audit, in accordance with the Public Sector Internal Audit Standards considers the risk of fraud in every review.</p> <p>Fraud risks are included on the Council's dedicated risk management system GRACE and categorised as a fraud risk to allow for specific fraud risk monitoring.</p>
<p>7. How do you assess the overall control environment for the Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls,</li> </ul>	<p>During 21/22, a comprehensive internal audit plan has been delivered for the Council focusing on the overall control environment to consider if it is effective. Where controls are deemed to be ineffective or need strengthening, a robust action plan is developed with the risk owner with agreed timescales for implementation of mitigating actions.</p>

<p>including segregation of duties; and</p> <ul style="list-style-type: none"> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Counter Fraud policies are in place and available on both the intranet and the website. These include:</p> <ul style="list-style-type: none"> <li>Anti Fraud, Bribery and Corruption Strategy</li> <li>Whistleblowing policy</li> <li>Anti money laundering policy.</li> <li>The Fraud Response plan</li> </ul> <p>No specific areas for the over ride of controls have been identified during 21/22</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>There is adequate separation of duties in place to prevent the potential for misreporting</p>

<p>9. How does the Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Code of Conduct including ethical standards and behaviours which officers are required to comply with. The code is referenced in employee appointment letters and a link is provided in the letter to a number of relevant documents including the Code of Conduct, adherence to which is a condition of their employment</p> <p>The Information Security Policy is also there which states what is acceptable and unacceptable in terms of information and using the Council's IT systems.</p> <p>Council values that provide an ethical framework are used at recruitment and during staff reviews.</p> <p>Awareness is raised of probity policies via Core Brief and items on the Intranet.</p> <p>Mandatory fraud awareness training has been rolled out to all officers during 2021/22.</p> <p>No significant issues have been reported</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>The recruitment process includes robust measures to ensure all relevant documents are obtained and reviewed prior to an offer of employment being made.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Major related party's risks are monitored and reported separately</p>

<p>12. What arrangements are in place to report fraud issues and risks to the Governance Committee?</p> <p>How does the Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Governance Committee approve the Internal Audit Plan and receive interim reports throughout the year. Reports contain a summary of work undertaken and would include fraud risk and issues and breaches of internal control if identified.</p> <p>The Internal Audit reviews completed during 21-22 have not identified any fraud issues or significant breaches of internal control.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

**IMPACT OF LAW & REGULATIONS**

<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council have in place to prevent and detect non-compliance</p>	<p>It is a requirement for the Monitoring Officer to receive and comment on all council and executive decisions.</p>
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<p>with laws and regulations?</p> <p>Are you aware of any changes to the Council’s regulatory environment that may have a significant impact on the Council’s financial statements?</p>	<p>Internal controls, segregation of duties, and the work of Internal Audit / risk management processes outlined previously</p> <p>None</p>
<p>2. How is the Governance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Monitoring Officer (or deputy) attends all Governance Committee meetings</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>None</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>None</p>
<p>5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Litigation or claims may be picked up by legal services or services. Where necessary these will be reported to the Leader of the Council through the monitoring officer. Any budget implications of such litigations will be reported to Executive Cabinet, either through a separate report or through the quarterly budget monitoring report.</p> <p>The Council has set aside reserves to fund possible future costs of planning appeals.</p>

6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None
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**RELATED PARTIES**

<p>1. Have there been any changes in the related parties including those disclosed in the Council's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and the Council</li> <li>• whether the Council has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>The Shared Service operating model with South Ribble Borough Council continued to be rolled out through 2021/22, overseen by a joint Committee with representation from both Councils.</p> <p>The Council set up a wholly owned Leisure Company – “Chorley Leisure Ltd” in May 2021, and “Chorley BC Property Ltd” became operational (was dormant in 2020/21).</p>
<p>2. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The Transformation and Partnerships Team send emails to Directors and Service leads to refresh the list enabling Finance to identify significant transactions undertaken or budgeted to be undertaken</p>

3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	<p>The Council has sufficient separation of duties and appropriate authorisation limits to ensure purchase orders and invoices are paid as required.</p> <p>Monthly budget monitoring ensures that the Council will identify any variances to agreed payments with related parties.</p>
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	<p>Payments cannot be paid outside normal procedure rules including separation of duties regarding payments being raised and invoices paid.</p> <p>There is no out of hours service.</p>

**GOING CONCERN**

1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the Council will no longer continue?	<ul style="list-style-type: none"> <li>• Development &amp; continuing refresh of Corporate Strategy</li> <li>• Individual service and employee plans linked to Corporate Strategy</li> <li>• Regular reviews of service and corporate level risk registers</li> <li>• In year budget monitoring</li> <li>• Medium Term financial planning (Revenue)</li> <li>• Capital Strategy</li> </ul>
2. Are management aware of any factors which may mean for the Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No – not aware of any factors

<p>3. With regard to the statutory services currently provided by the Council, does the Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Council to cease to exist?</p>	<p>Yes – direct provision for the foreseeable future</p>
<p>4. Are management satisfied that the financial reporting framework permits the Council to prepare its financial statements on a going concern basis?</p> <p>Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes – satisfied</p> <p>Yes - satisfied</p>

**ACCOUNTING ESTIMATES**

<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>Pension Valuations</p> <p>PPE Valuations</p> <p>Material Creditor and Debtor transactions including shared services charges between Councils</p> <p>Provision for Business Rates appeals.</p> <p>Preparation of Group Accounts</p>
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<p>2. How does the Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>This is dealt with within the finance section</p> <p>Senior Finance staff keep up-to-date with changes in accounting practises including purchasing the Code of Practice, attending relevant CIPFA training sessions and reviewing previous accounts to prepare for any changes.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>Use of the CIPFA code of practice for local govt accounts. Review of source data provided to external experts (PP&amp;E, pensions) and comparison of assumptions and results between financial years.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Comparison of estimates to eventual actual transactions, use this to form future judgements. Use these to review and challenge current outcomes of estimates.</p>
<p>5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?</p>	<p>No changes made to the processes, however underlying assumptions are reviewed and potentially changed.</p>
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Review of skills held internally, and outsource identified gaps, using knowledge of reputable and appropriate experts.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Review the underlying assumptions, and where there is material change, analyse to understand it and/or challenge the results.</p>

<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Answered above</p>
<p>9. What is the nature and extent of oversight and governance over management’s financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management’s process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>Any substantial changes to the statement of accounts that result from changes in accounting estimates will be reported to Governance Committee alongside the draft statement.</p>
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes</p>

12. How is the Governance Committee provided with assurance that the arrangements for accounting estimates are adequate ?

Any substantial changes to the statement of accounts that result from changes in accounting estimates will be reported to Governance Committee alongside the draft statement.

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**Informing the Audit Risk Assessment**

**ACCOUNTING ESTIMATES**

Estimate (Please add/remove estimates as appropriate)	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty  - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	RICS approved valuation methodologies	Use of external RICS qualified auditors	Yes – External Valuers and in-house RICS qualified employees	Variances to be checked with in-house team and where necessary alternative valuers will be used to challenge any variances	No
Depreciation	The approach is outlined in the statement of accounts utilizing Code of Practice and up to date CIPFA Capital Accounting guidance	Analysis of impairments, acquisitions and disposals included in the closure of accounts procedures	Yes – External Valuers and in-house RICS qualified employees	No other alternatives have been considered for 21/22	No
Level 3 investments – Investment in Joint Ventures	The Council does not have any investments of this nature.				

Deferred income	Standard schedules based on lease agreements.	Assessment of amount of outstanding lease payments	No. Process complies with standard practice for producing such estimates.	Model used follows requirements of accounting standards and Code. There are no alternative methodologies available.	No
Provisions (Bad Debts)	For Sundry Debts, for significant areas such as income from Market Walk, assessment has been made at a detailed level. For more general debt, a percentage provision has been applied. For HB overpayments, provision is based on a percentage dependent on the age of the debt. The levels of provision for this type of debt have been reviewed for 2021/22. CTax and Business Rates debt (including Costs) is again based on age bandings and percentages. All percentage bandings have been reviewed for 2021/22 in view of the	Estimates are derived by reference to the available relevant data and in accordance with professional standards and guidance.	No. Process is internal only. All staff involved are trained and experienced to sufficient degree both to fully understand the process and its significance and to apply it in practice.	There is an inherent element of estimation uncertainty and this has inevitably been increased by the circumstances of the pandemic. Every effort has been made to limit this increase, by close reference to all available data.	Base methodology remains unchanged for 2021/22.

	impacts of the Covid 19 pandemic and, where judged appropriate, varied compared to previous years.				
Provisions (NNDR)	For pre-2017 List appeals, a calculation is carried out based on levels of outstanding appeals, the grounds of the appeals and past experience of success rates and levels of reductions in RV. For the 2017 List, provision is based on an estimated percentage, derived with reference to comparator councils, adjusted for changes made at the 'Check' and 'Challenge' stages.	Estimates are derived by reference to the available relevant data, comparators, etc and in accordance with professional standards and guidance.	Estimate has been produced in-house. LG Futures have been retained to review and advise on its appropriateness.	A degree of estimation uncertainty is inherent even with the pre-2017 List, because although it is based on objective data and an established methodology, there is always the possibility of variation from previous percentage success rates and RV reduction. The uncertainty is higher in respect of the 2017 List, where there is very little objective evidence on which to assess the likely ultimate level of successful appeals. The percentage applied is judged to be within the range of likely outcomes, but towards the higher end of that range. Consideration has been given to applying a lower percentage, but this would expose the Council to the risk of future loss without the provision to cover it, with the possibility that this could be for a significant amount.	Only change compared to previous year is that a certain amount of information is now available in respect of numbers and status of 2017 List cases at the 'Check' and 'Challenge' stages and this has been incorporated

Accruals	Estimates are based on hard data, eg values of orders placed, actual invoiced/remitted amounts paid /received in first month of succeeding financial year, values produced by completion final returns and grant claims.	Accruals are raised only where there is objective evidence of expenditure/income which is required to be recognized in the financial year.	No. Process is internal only. All staff involved are trained and experienced to sufficient degree both to fully understand the process and its significance and to apply it in practice.	Robust nature of base data and relatively mechanistic nature of process mean that there is only a very limited degree of uncertainty, eg an invoiced amount may vary slightly from an order value, a subsequent amendment might be made to a return on which a grant claim was based, but it will be rare for these to produce any significant variation.	No.
Credit loss and impairment allowances	The only estimate of this type made by the Council is that for non-recoverability of Short Term Debtors. Detail in respect of this has been provided under the heading of Provisions (Bad Debts) above	See under Provisions (Bad Debts) above	See under Provisions (Bad Debts) above	See under Provisions (Bad Debts) above	See under Provisions (Bad Debts) above
Finance lease liabilities	The Council does not hold any assets under finance leases.				

<p>Minimum Revenue Provision (MRP)</p>	<p>Full Council (22<sup>nd</sup> February 2022) approved the 2022/23 Treasury Management Strategy.</p> <p>This included a revised approach to the calculation of MRP.</p>	<p>The Council calculates MRP on pre-2008 debt in “equal annual instalments”; this aspect of the calculation remains unchanged.</p> <p>For debt post-2008, the Council has adopted a varied approach; charging MRP largely in equal instalments over the life of an asset; however using an annuity basis for income generating schemes.</p> <p>The revised methodology uses the annuity method for <u>all</u> post 2008 debt to ensure a consistent and equitable approach.</p> <p>These changes will be applied in the</p>	<p>Discussions with Link Treasury Advisers</p>	<p>The methodology is applied to actual external borrowing – in the year after borrowing took place; in line with guidance.</p>	<p>2021/22 – No 2022/23 - Yes</p>
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		2022/23 accounts.			
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Report of	Meeting	Date
Director of Finance	Governance Committee	Wednesday, 1 June 2022

## Charities and Trust Funds 2021/22

Is this report confidential?	No
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Is this decision key?	No
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### Purpose of the Report

- To present for approval the accounts for the year ended 31 March 2022 for charities and trusts for which the Council is the sole trustee.

### Recommendations to Governance Committee

- That the accounts presented in Appendix A to E be approved.

### Executive summary

- The Council's Statement of Accounts 2021/22 does not include a disclosure on the Trust Funds held by the council. As an alternative, figures are presented in this report, which therefore provides an opportunity of providing more detail about each charity or trust.

### Corporate priorities

- The report relates to the following corporate priorities:

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

### Background to the report

- As part of the process of decluttering the Council's Statement of Accounts in 2015/16, the previous Trust Funds note was omitted as the figures relating to the trusts were not material, and inclusion of the note in the statement would not improve users'

understanding of the Council's financial position. Excluding the note from the statement means that the external auditors have not been obliged to audit it.

6. Having excluded the note from the 2021/22 Statement of Accounts, this report gives Governance Committee members the opportunity to review and approve the accounts for each of the charities or trusts, presented as Appendix A to E. A brief summary of the financial performance of each charity or trust is presented in the following paragraphs. There is no statutory requirement for the accounts to be audited. Figures are not rounded so that all transactions can be seen in full. The note to the accounts had figures rounded to the nearest thousand pounds, which means that low value transactions were not visible.
7. Three of the charities or trusts hold external investments. No sums have been disinvested and reinvested, but the market value of investments varies from year to year. Such changes in market value are reflected in the relevant accounts.

#### **Edward McKnight Memorial Fund**

8. This fund was established many years ago to pay for educational lectures in memory of Edward McKnight, Chorley's first librarian, who died in 1911. It has a cash balance, held by Chorley Council, which receives interest at the average rate earned on the Council's investments. It has not incurred any expenditure for many years. Its accounts are presented at Appendix A. These show that cash held for the fund as at 31 March 2022 was £5,404.41.

#### **William Cocker Charity**

9. The William Cocker Charity is not registered with the Charity Commission, and there is no need to do so because of its low turnover. It was established for the provision of recreation grounds in Chorley, and the interest earned on its external investment is paid to Chorley Council for that purpose. Appendix B presents the accounts for the charity.

#### **Proceeds of Sale of Former Free Library**

10. This registered charity was established in 1992 using the proceeds of the sale of the Avondale Road Library, previously known as the Free Library. The objects of the charity are such charitable purposes for the general benefit of the inhabitants of Chorley.
11. The main source of income is interest on the charity's external investments, but Chorley Council also pays interest (at the average rate earned on its investments) on the cash balance it holds for the charity. The balance held by the Council was £17,566.97 as at 31 March 2022, and all figures are presented in the accounts in Appendix C.

#### **W B Park's Charity**

12. It is understood that W B Park's Charity was established for the extension of the Infectious Diseases Hospital, Withnell. The Council holds a cash balance of £1,704.89 for the charity, which does not have interest added because of the difficulty of applying the charity's resources to an appropriate purpose. It is not a registered charity, and its accounts are presented as Appendix D.

**H T Parke's Baths Fund**

13. The H T Parke's Baths Fund was established for the maintenance of Brinscall Baths. The interest earned on its external investment is paid to Chorley Council for that purpose. The fund is not registered as a charity. Appendix E presents its accounts for 2021/22.

**Climate change and air quality**

14. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

**Equality and Diversity**

15. Not applicable

**Comments of the Statutory Finance Officer**

16. This report has replaced the disclosure note previously presented in the Council's annual Statement of Accounts, and provides members with the opportunity to review and query the performance of each charity or trust before approving their accounts.

**Comments of the Monitoring Officer**

17. The Monitoring Officer has no comments.

**Appendices**

Appendix A  
 Appendix B  
 Appendix C  
 Appendix D  
 Appendix E

Report Author:	Email:	Telephone:	Date:
Martin Fisher (Financial Accountant)	<a href="mailto:martin.fisher@chorley.gov.uk">martin.fisher@chorley.gov.uk</a>	01257 515354	17/05/22

## Appendix A

**Edward McKnight Memorial Fund**

<b>Receipts &amp; payments account for the year ended 31 March 2022</b>		
<b>2020/21</b>		<b>2021/22</b>
<b>£</b>		<b>£</b>
	<b>Receipts</b>	
4.85	Interest on cash held by Chorley Council	8.09
<b>4.85</b>	<b>Total receipts</b>	<b>8.09</b>
	<b>Payments</b>	
	No expenditure in year	
<b>0.00</b>	<b>Total payments</b>	<b>0.00</b>
<b>4.85</b>	<b>Net receipts/(payments)</b>	<b>8.09</b>
5,391.47	Bank and cash at the start of the period	5,396.32
<b>5,396.32</b>	<b>Bank and cash at the end of the period</b>	<b>5,404.41</b>

<b>Statement of assets and liabilities at 31 March 2022</b>		
<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£</b>		<b>£</b>
	<b>Cash assets</b>	
5,396.32	Cash held by Chorley Council	5,404.41
<b>5,396.32</b>	<b>Total cash assets</b>	<b>5,404.41</b>
<b>5,396.32</b>	<b>Total assets</b>	<b>5,404.41</b>

Appendix B

**William Cocker Charity**

<b>Receipts &amp; payments account for the year ended 31 March 2022</b>		
<b>2020/21</b>		<b>2021/22</b>
<b>£</b>		<b>£</b>
	<b>Receipts</b>	
60.74	Interest on investments	58.56
<b>60.74</b>	<b>Total receipts</b>	<b>58.56</b>
	<b>Payments</b>	
(60.74)	Provision of recreation grounds in Chorley (paid to Chorley Council)	(58.56)
<b>(60.74)</b>	<b>Total payments</b>	<b>(58.56)</b>
<b>0.00</b>	<b>Net receipts/(payments)</b>	<b>0.00</b>
0.00	Bank and cash at the start of the period	0.00
<b>0.00</b>	<b>Bank and cash at the end of the period</b>	<b>0.00</b>

<b>Statement of assets and liabilities at 31 March 2022</b>		
<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£</b>		<b>£</b>
	<b>Other assets</b>	
3,770.00	External investments	3,938.63
<b>3,770.00</b>	<b>Total other assets</b>	<b>3,938.63</b>
<b>3,770.00</b>	<b>Total assets</b>	<b>3,938.63</b>

## Appendix C

**Proceeds of Sale of Former Free Library  
(registered charity 1010457)**

<b>Receipts &amp; payments account for the year ended 31 March 2022</b>		
<b>2020/21</b>		<b>2021/22</b>
<b>£</b>		<b>£</b>
	<b>Receipts</b>	
3,579.36	Interest on investments	3,618.39
9.31	Interest on cash held by Chorley Council	20.9
<b>3,588.67</b>	<b>Total receipts</b>	<b>3,639.29</b>
	<b>Payments</b>	
<b>0.00</b>	<b>Total payments</b>	<b>0.00</b>
<b>3,588.67</b>	<b>Net receipts/(payments)</b>	<b>3,639.29</b>
10,339.01	Bank and cash at the start of the period	13,927.68
<b>13,927.68</b>	Bank and cash at the end of the period	<b>17,566.97</b>

<b>Statement of assets and liabilities at 31 March 2022</b>		
<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£</b>		<b>£</b>
	<b>Cash assets</b>	
13,927.68	Cash held by Chorley Council	17,566.97
<b>13,927.68</b>	<b>Total cash assets</b>	<b>17,566.97</b>
	<b>Other assets</b>	
116,161.14	External investments	122,291.16
<b>116,161.14</b>	<b>Total other assets</b>	<b>122,291.16</b>

<b>130,088.82</b> Total assets	<b>139,858.13</b>
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**Appendix D**

**W B Park's Charity**

<b>Receipts &amp; payments account for the year ended 31 March 2022</b>		
<b>2020/21</b>		<b>2021/22</b>
<b>£</b>		<b>£</b>
	<b>Receipts</b>	
	No income in year	
<b>0.00</b>	<b>Total receipts</b>	<b>0.00</b>
	<b>Payments</b>	
	No expenditure in year	
<b>0.00</b>	<b>Total payments</b>	<b>0.00</b>
<b>0.00</b>	<b>Net receipts/(payments)</b>	<b>0.00</b>
1,704.89	Bank and cash at the start of the period	1,704.89
<b>1,704.89</b>	<b>Bank and cash at the end of the period</b>	<b>1,704.89</b>

<b>Statement of assets and liabilities at 31 March 2022</b>		
<b>31</b>		<b>31</b>
<b>March</b>		<b>March</b>
<b>2021</b>		<b>2022</b>
<b>£</b>		<b>£</b>
	<b>Cash assets</b>	
1,704.89	Cash held by Chorley Council	1,704.89
<b>1,704.89</b>	<b>Total cash assets</b>	<b>1,704.89</b>
<b>1,704.89</b>	<b>Total assets</b>	<b>1,704.89</b>

## Appendix E

<b>H T Parke's Baths Fund</b>		
<b>Receipts &amp; payments account for the year ended 31 March 2022</b>		
<b>2020/21</b>		<b>2021/22</b>
<b>£</b>		<b>£</b>
	<b>Receipts</b>	
95.48	Interest on investments	58.20
<b>95.48</b>	<b>Total receipts</b>	<b>58.20</b>
	<b>Payments</b>	
(95.48)	Maintenance of Brinscall Baths (paid to Chorley Council)	(58.20)
<b>(95.48)</b>	<b>Total payments</b>	<b>(58.20)</b>
<b>0.00</b>	<b>Net receipts/(payments)</b>	<b>0.00</b>
0.00	Bank and cash at the start of the period	0.00
<b>0.00</b>	Bank and cash at the end of the period	<b>0.00</b>

<b>Statement of assets and liabilities at 31 March 2022</b>		
<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£</b>		<b>£</b>
	<b>Other assets</b>	
2,495.23	External investments	2,198.19
<b>2,495.23</b>	<b>Total other assets</b>	<b>2,198.19</b>
<b>2,495.23</b>	<b>Total assets</b>	<b>2,198.19</b>

Report of	Meeting	Date
Service Lead Audit and Risk	Governance Committee	Wednesday, 1 June 2022

## Internal Audit Annual Report and Opinion 2021-2022

Is this report confidential?	No
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Is this decision key?	No
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### Purpose of the Report

1. The purpose of this report is to summarise the work undertaken by the Internal Audit Service during 2021/2022 and to give an opinion as required by the Public Sector Internal Audit Standards (PSIAS) on the adequacy and effectiveness of the Council's framework of governance, risk management and control.
2. The report also includes the results of the Quality Assurance and Improvement Programme.

### Recommendations to Governance Committee

3. That the Committee is asked to note the report for the year ended 31.3.22.

### Reasons for recommendations

4. The completion of an Annual Audit Report and Opinion is a requirement of the Public Sector Internal Audit Standards.

### Other options considered and rejected

5. None.

### Corporate priorities

6. The report relates to the following corporate priorities:

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

**Background to the report**

7. The Service Lead Audit and Risk is responsible for the delivery of an Annual Internal Audit Report and Opinion that can be used by the council to inform its Annual Governance Statement.
8. The attached report complies with the requirements of the PSIAS. It includes details of the coverage of work undertaken, a summary of the work that has been carried out that supports the opinion. It sets out any qualifications to the opinion, together with reasons for those qualifications, discloses any impairments or restrictions in scope.
9. It also states whether the work has been undertaken in conformance with PSIAS, the results of any Quality Assurance Improvement Programme (QAIP), summary of actual performance against targets/measures and any issues that are considered relevant to the preparation of the AGS.

**Climate change and air quality**

10. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

**Equality and diversity**

11. The material discussed and presented in this report has no impact upon equality and diversity.

**Risk**

12. The primary role of the Audit and Risk Service is to provide assurance or otherwise that the council is effectively managing its risk and to provide support to all Directorates in relation to risk and control.

**Comments of the Statutory Finance Officer**

13. No comments.

**Comments of the Monitoring Officer**

14. No comments.

**There are no background papers to this report****Appendices**

Appendix A – Internal Audit Annual Report and Opinion 2021-22

Appendix B – Summary of work 2021-22

Appendix C – Performance Indicators 2021-22

Report Author	Email:	Telephone	Date:
Dawn Highton (Service Lead - Audit and Risk)	dawn.highton@southribble.gov.uk	01257 515151	13-5-22

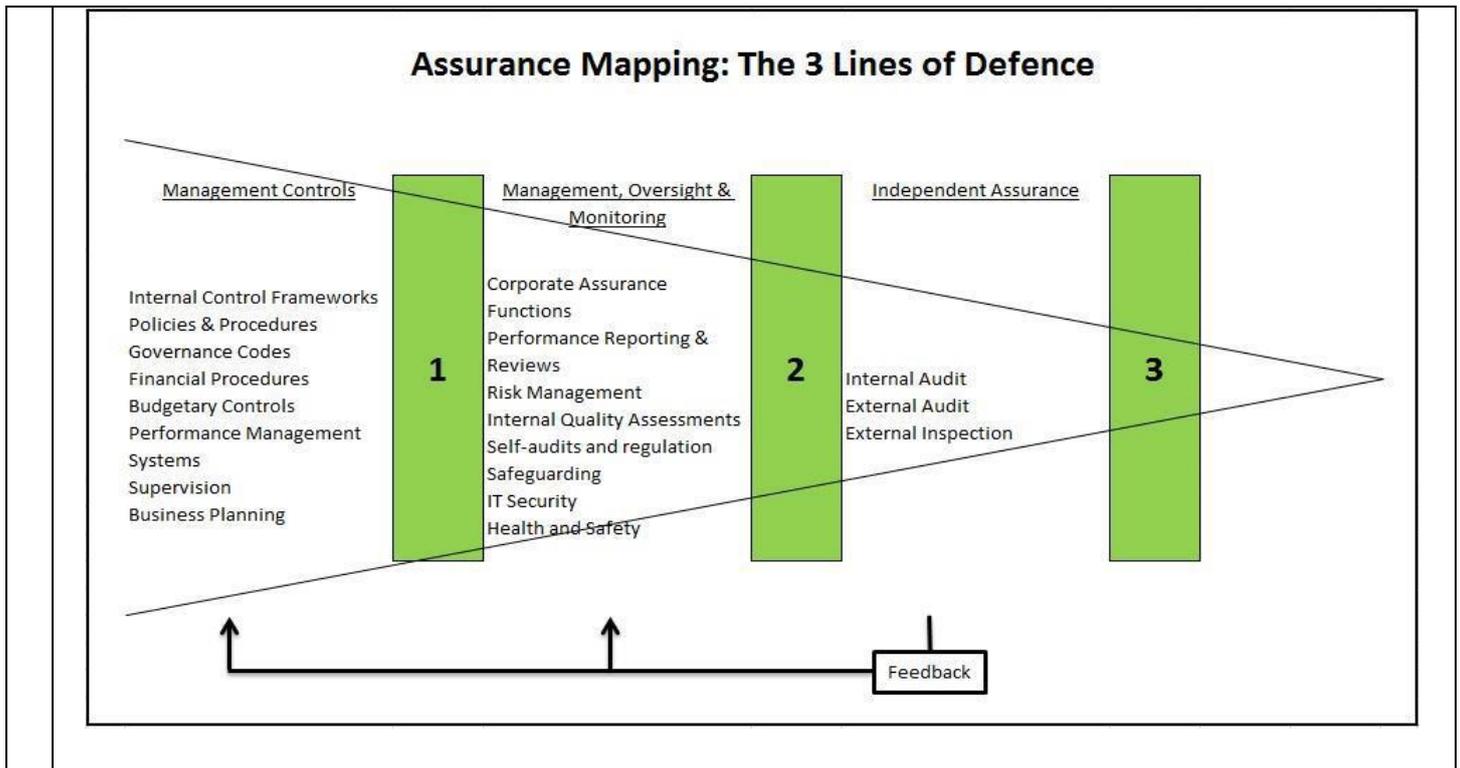
Appendix A

# Annual Internal Audit Report and Opinion 2021/2022

Chorley Council  
Date 1<sup>st</sup> June 2022

<b>Introduction</b>	
1	<p>The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.</p> <p>The role of the Head of Audit, in accordance with the PSIAS, is to provide an annual opinion on the overall adequacy and effectiveness of the organisation’s governance, risk management and control processes.</p> <p>The CIPFA Statement on the role of the Head of Internal Audit in Local Government noted that the Head of Internal Audit in a local authority plays a critical role in delivering the authority’s strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.</p> <p>The opinion is based upon the work performed and other sources of assurance, achieved through a risk-based plan of work, previously agreed with the Shared Senior Management Team and approved by the Governance Committee.</p>
2	<p>The Service Lead Audit and Risk performs the Head of Audit role for Chorley Council and Shared Services.</p>

<b>The Role of Internal Audit and Management</b>	
3	<p>The statutory basis for Internal Audit in local government is the Accounts and Audit (England) Regulations 2015. Internal Audit work is also governed by the PSIAS whose definition of internal audit is:</p> <p><i>“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”</i></p>
4	<p>The Council has adopted a three line of defence model in which the responsibility for implementing a strong system of governance and internal control within the Council lies primarily with the Shared Senior Management Team.</p> <p>Directors and Service Leads provide the first line of defence as they need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change. Compliance / support functions provide the second line of defence, with the third line being provided by Internal Audit and other inspection agencies.</p> <p>Internal Audit do not repeat the work of the second line, rather it is considered during reviews to assess the level of reliability which can be placed upon it.</p>
5	<p>.</p>

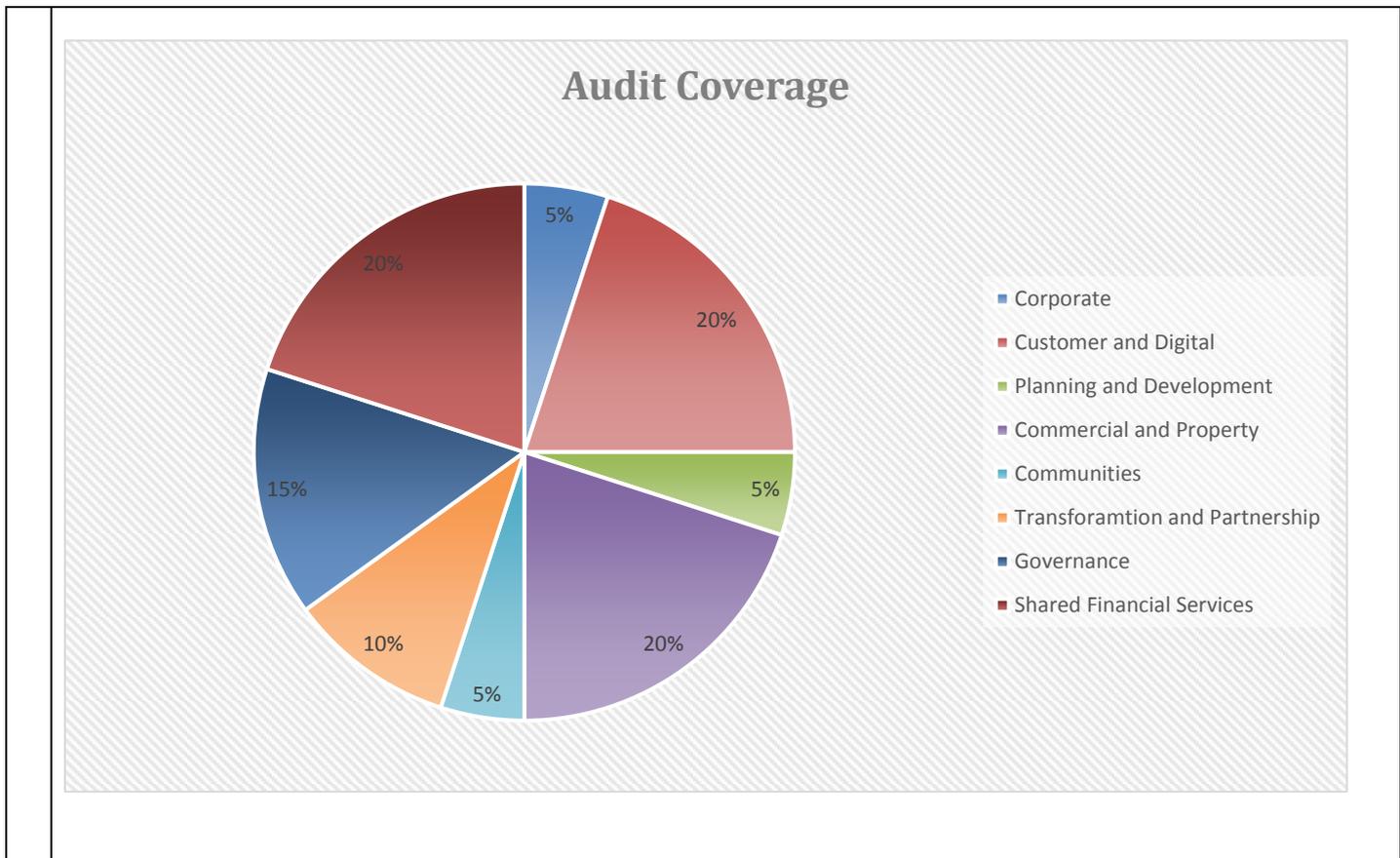


<b>Basis of the opinion</b>	
6	<p>The Service Lead Audit and Risk is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its Annual Governance Statement.</p> <p>In assessing the level of assurance to be given, the opinion has been given based on:</p> <ul style="list-style-type: none"> <li>• Reviews undertaken and reports included within the Internal Audit Annual Plan;</li> <li>• Advice / consultancy work undertaken by the Internal Audit team;</li> <li>• The implementation of agreed management actions by Directorates;</li> <li>• The quality and performance of the Internal Audit service and the extent to which it complies with the Public Sector Internal Audit Standards and ISO 9001 Quality Management System;</li> <li>• Other sources of assurance where appropriate;</li> <li>• Analysis of the annual Service Assurance Statements.</li> </ul>
7	<p>In giving the opinion it should be noted that an assurance opinion cannot be absolute as it is based on only those elements of governance and controls reviewed or taken into account as a result of any of the above activity.</p>

<b>Scope and Objectives of Internal Audit</b>	
8	<p>The scope and objectives of Internal Audit are set out in the Internal Audit Charter which was last approved by the Governance Committee in April 2022.</p>
9	<p>The Internal Audit Charter also sets out any impairments or restriction in scope for Internal Audit as <i>“The Service Lead for Audit and Risk is also operationally responsible for Insurance, Business Continuity, Emergency Planning and Health and Safety functions and for the administration and development of, and reporting on, the Risk Management Strategy. It is considered prudent that any internal audit engagement covering the above operational areas and the risk management framework, especially for the formation of the annual opinion on the effectiveness of the control environment, would be overseen by the Council’s Monitoring Officer”</i></p>
<p>A review of the risk management arrangements was undertaken during 2021-22, however due to the</p>	

operational responsibility detailed above, this was carried out by an independent third party.

Audit Coverage for 2021/22	
10	The annual Internal Audit Plan for 2021-2022 was approved by the Shared Senior Management Team and the Governance Committee in April 2021. In order to provide an opinion, coverage of the whole authority should be obtained. This Plan contained a total of 25 audit reviews.
11	In January 2022, the Governance Committee approved the deferral of 4 reviews due to the limitations of resource, meaning that the planned coverage of work, by Directorate for the audit plan was as follows:



Internal Audit Opinion	
12	As the Service Lead Audit and Risk, I am satisfied that sufficient assurance work has been carried out to provide an annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes.
13	Based on the work undertaken and evidence available to Internal Audit including other sources of assurance, it is considered that the overall adequacy and effectiveness of the Council's governance, risk management and control processes are <b>adequate</b> .
14	Due to the expansion of shared services, the Council has strengthened its governance and risk management arrangements. The past 12-18 months have seen the introduction or the improvement of a range of corporate processes to provide a robust governance framework. The Council must now work to ensure that the processes are fully embraced across the whole authority so that the governance framework becomes fully embedded in all Council activities.

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<b>Work completed to support the opinion</b>	
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15	<p><u>Planned Audit Work</u></p>
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Each review undertaken by Internal Audit is awarded an assurance opinion derived from the findings and based upon the following definitions:

<b>Full</b>	the Authority can place complete reliance on the controls. No control weaknesses exist.
<b>Substantial</b>	the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.
<b>Adequate</b>	the Authority can place only partial reliance on the controls. Some control issues need to be resolved.
<b>Limited</b>	the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

Reviews completed during 2021-2022 and the assurance rating awarded is included in the table below:

<b>Full</b>	<ul style="list-style-type: none"> <li>• No reviews have been awarded full assurance during 2021-2022</li> </ul>
<b>Substantial</b>	<ul style="list-style-type: none"> <li>• Sundry Debtors</li> <li>• Section 106 Agreements</li> <li>• Market Walk</li> <li>• Compliance with Contract Procedure Rules</li> <li>• Budget Monitoring</li> <li>• Creditors</li> <li>• Treasury Management</li> </ul>
<b>Adequate</b>	<ul style="list-style-type: none"> <li>• Council Tax</li> <li>• Business Rates</li> <li>• Disabled Facilities Grants</li> <li>• Performance Management / Data Quality</li> <li>• Overtime and Expenses</li> <li>• Risk Management</li> <li>• Income Collection</li> </ul>
<b>Limited</b>	<ul style="list-style-type: none"> <li>• Primrose Gardens</li> <li>• GDPR – Review of Data Sharing Agreements</li> </ul>

16	<p>Internal Audit have also issued the following reports / provided assurance which do not include a formal assurance rating:</p>
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- Annual Governance Statement review to identify themes for inclusion in the AGS action plan;
- COVID grant assurance returns for the Department for Business Energy and Industrial Strategy (BEIS);
- National Fraud Initiative review of matches;
- ICT Audit Needs Assessment;
- Commercial and Asset Follow Up Review.

17	<p>The Internal Audit Team and the Service Lead Audit and Risk have also participated in a number of corporate groups and initiatives throughout the year in order to provide support and advice on a variety of risk and control issues. These include:</p> <ul style="list-style-type: none"> <li>• Membership of the Senior Leadership Team</li> <li>• Member of the officer Corporate Governance Group</li> <li>• Customer Services Transformation project;</li> <li>• Commercial and Property projects (as and when required).</li> <li>• Human Resources Transformation project.</li> </ul> <p>Internal Audit also disseminate fraud alerts to relevant officers and manage accessibility to the National Anti-Fraud Network (NAFN). The Service Lead Audit and Risk is an active member of the Officer Corporate Governance Group.</p> <p>Full details of all the work undertaken is included at <b>Appendix B</b> – Summary of Internal Audit Work 2021-2022.</p>																												
18	<p>Whilst the ICT Audit Needs Assessment was completed during 2021-22, the Internal Audit Plan contained a further ICT review however this was unable to be completed due to the implementation of the ICT Digital Strategy and on-going change within the ICT Service.</p>																												
19	<p><u>Follow up of agreed management actions.</u></p> <p>Members will be aware that a significant amount of work has been undertaken during 2021-2022 to establish a robust process to monitor the implementation of agreed management actions from Internal Audit reports.</p> <p>In order to enable a rigorous monitoring system, all agreed management actions are added to the Council’s risk management system GRACE. This allows action owners to update the system with progress made in a timely fashion and for monthly reports to be issued to Directors. Outstanding audit actions are now a standing item on all Directorate monthly meetings.</p> <p>The table below sets out the number of agreed internal audit actions and their current status:</p> <table border="1" data-bbox="148 1361 1485 1615"> <thead> <tr> <th></th> <th>No of actions b/f from pre 2021.22</th> <th>No of actions from 21.22 reports</th> <th>Total</th> <th>No due for implementation by March 22.</th> <th>No of actions implemented</th> <th>%age Implementation rate</th> </tr> </thead> <tbody> <tr> <td>CBC</td> <td>46</td> <td>51</td> <td>97</td> <td>78</td> <td>54</td> <td>70%</td> </tr> <tr> <td>Shared Services</td> <td>7</td> <td>29</td> <td>36</td> <td>31</td> <td>28</td> <td>90%</td> </tr> <tr> <td><b>Total</b></td> <td><b>53</b></td> <td><b>80</b></td> <td><b>133</b></td> <td><b>109</b></td> <td><b>82</b></td> <td><b>75%</b></td> </tr> </tbody> </table>		No of actions b/f from pre 2021.22	No of actions from 21.22 reports	Total	No due for implementation by March 22.	No of actions implemented	%age Implementation rate	CBC	46	51	97	78	54	70%	Shared Services	7	29	36	31	28	90%	<b>Total</b>	<b>53</b>	<b>80</b>	<b>133</b>	<b>109</b>	<b>82</b>	<b>75%</b>
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20	<p>Whilst the target implementation rate of 90% has not been met, the outstanding actions have been reviewed and it has been established that the reasons are largely due to the implementation of phase 2 of shared services and the short term impact on ICT and staffing across the authority.</p> <p>Revised dates have been agreed for any actions still to be implemented and it is anticipated that the implementation rate will rise over the course of the next 6-8 months.</p>																												
21	<p><u>Other sources of assurance</u></p>																												

	<p>Internal Audit has continued to consider other forms of assurance received by the Council. When preparing the audit plan and when undertaking individual reviews, we assess other sources of information available to us and assess them for the level of reliance which can be placed on them.</p>
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<b>Risk Management</b>	
22	<p>Over 2021-2022, a significant amount work has been undertaken to further embed the Council’s risk management arrangements. This includes:</p> <ul style="list-style-type: none"> <li>• Development and approval of the Risk Management Strategy;</li> <li>• Re-launch of the Council’s GRACE risk management system;</li> <li>• Individual officer training delivered to over 140 officers within the Council and leisure company for risk management and the use of GRACE;</li> <li>• Dedicated risk management training for members;</li> <li>• Mandatory risk management training for all members of staff through the corporate Learning Hub;</li> <li>• Review of the Corporate Risk Register by the Senior Management Team and Governance Committee;</li> <li>• Development of risk registers to capture risks and mitigations for a range of activities, including corporate strategy projects, business planning, partnerships and operational risks;</li> <li>• Consideration of risk in all committee / Council reports;</li> <li>• Risk management as a standing item on Directorate monthly meetings;</li> <li>• Development of reports for the Officer Corporate Governance Group and Directors.</li> </ul>
23	<p>It is acknowledged that whilst progress has been made over the past 12 months to embed risk management, there is still work to do to further improve and this is recognized by the action contained within the Annual Governance Statement Action Plan.</p>

<b>Public Sector Internal Audit Standards (PSIAS)</b>	
24	<p>In accordance with the PSIAS, the Chief Internal Auditor (Service Lead Audit and Risk) has established a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both internal and external assessments. This is included as a separate item on this agenda.</p>
25	<p>The internal assessments include the following:</p> <ul style="list-style-type: none"> <li>• An annual self-assessment of the effectiveness of the Internal Audit Service audit service using the PSIAS and Local Government Application Note. From this assessment an action plan highlighting areas for improvements will be developed.</li> <li>• Day-to-day monitoring of compliance with the procedures and audit methodology that conform to the PSIAS, which will be regularly reviewed. All documentation used throughout the whole Internal Audit process is required to comply with the standards and this is recorded on final reports.</li> </ul>
26	<p>An external assessment must be undertaken once every 5 years. This was last undertaken in April 2018 and reported to the Governance Committee in May 2018. The assessment provides an external validation of the self-assessment with next assessment planned for 2023.</p>
27	<p>The internal annual self-assessment has now been conducted and the results are included as a separate report on the agenda. This review confirmed that the Service largely conforms to the professional standards. All areas identified for improvement from the review from 2021 have been</p>

	<p>implemented with only one area identified as a partial conformance and is included on the action plan to progress over the coming months.</p> <p>Members will recall that the Internal Audit Service also successfully achieved the ISO9001 Quality Management System this year. This clearly demonstrates the commitment to improvement and ensuring that a high quality service is provided to both Councils.</p>
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<b>Internal Audit Performance</b>	
28	<p>The table at <b>Appendix C</b> summarises the key performance data for the Internal Audit Service during 2021-2022 and demonstrates that the majority of performance indicators have either been achieved or exceeded.</p> <p>There are two indicators which are slightly below target:</p> <ul style="list-style-type: none"> <li>• % of planned time used – this is due to the issues experienced over the course of the year with recruitment and retention of officers;</li> <li>• % of agreed actions implemented by management, which is below target with the explanation provided above.</li> </ul>

**Summary of Internal Audit Work 2021/22**

Appendix B

Internal Audit Plan 21/22	Assurance Rating	Commentary
Annual Governance Statement	Not applicable	<p>The review comprised of detailed testing and analysis of the Local Code of Corporate Governance and Service Assurance Statements completed by Directors.</p> <p>Common themes of improvements are included within the Annual Governance Statement Action Plan 2022</p>
Anti-Fraud & Corruption	Not applicable	<p>A full review of the Council's probity policies was undertaken and approved by the Governance Committee. All policies are available to officers on Connect and the Council website.</p> <p>Throughout the year, fraud alerts received from various sources are circulated so that officers / the public are made aware of new threats and risks.</p> <p>Fraud and Corruption mandatory training module has been developed and is available on the Learning Hub.</p>
National Fraud Initiative	Not applicable	<p>Over the course of the past year the annual Council Tax Single Person Discount exercise data was submitted to the NFI. The Council has used the services offered by the NFI to undertake pre-payment checks to reduce the risk of grant payments being made either in error or fraudulent claims. In addition investigations arising from the biennial NFI has led to the recovery of overpaid Housing Benefit of £1397.50 and additional Council Tax of £440.</p>
COVID Support Work	Not applicable	<p>A considerable amount of work has been undertaken in support of the various grants paid over the past 12 months.</p> <p>Newly introduced processes were considered by Internal Audit prior to implementation to provide assurance that they are robust, meet Government requirements and measures are in place to ensure fraudulent activity is minimised for grant payments.</p> <p>Internal Audit participated in the BEIS post payment assurance verification process; providing the required evidence to support the payments made are compliant with the grant eligibility criteria.</p>
Council Tax	Adequate	<p>Processes in place for the collection of Council Tax are well established however, mainly due to the impact of the pandemic some key controls have not been operational or require strengthening relating to supervisor checks, review of discounts and administrator access to the dedicated Council Tax system.</p>
Business Rates	Adequate	<p>Processes in place for the collection of NNDR are well established however, mainly due to the impact of the pandemic, some key controls have not been operational or require strengthening relating to supervisory checks and review of discounts.</p>

Summary of Internal Audit Work 2021/22

Appendix B

Internal Audit Plan 21/22	Assurance Rating	Commentary
Sundry Debtors	Substantial	This was a risk-based review and only minor improvements are required to strengthen the current arrangements in place.
Customer Services Transformation Project	Not applicable	Following the implementation of a Shared Service within Revenues and Benefits, Internal Audit play an active role in the project team reviewing and aligning processes to ensure they are both robust and resilient.
ICT - Audit Needs Assessment	Not applicable	To establish a framework of assurance within ICT, a comprehensive audit needs assessment was undertaken which involved gaining a full understanding of the both current status of ICT and future proposals. This will be used to ensure reviews undertaken in 2022/23 are risk based, meaningful and targeted at high risk areas.
Section 106 agreements	Substantial	This was a risk-based review and only minor improvements are required to strengthen the current arrangements in place.
Commercial and Assets	Not applicable	<p>This review was a follow up of the gap analysis carried out in 2019. The original gap analysis identified significant weaknesses in the system of control which put at risk the achievement of the system objectives. In total 23 management actions were agreed at the time.</p> <p>This review has identified that 18 of the actions have been implemented in full. The remaining actions, whilst in progress, are dependent upon improvements to the dedicated ICT system.</p>
Market Walk	Substantial	This was a risk-based review and only minor improvements are required to strengthen the current arrangements in place.
Primrose Gardens	Limited	<p>It was established that in the two years that Primrose Gardens has been open to residents the Asset Manager has put in place effective policies and procedures to direct the day to day operation of the site. A suite of policies has been developed and officers actively support, and proactively enforce these, to help ensure the safety and well-being of residents, fellow staff members, visitors and service providers.</p> <p>However, despite the above, issues were identified that have the potential to expose the Council to financial and/or reputational damage, and in a position where it would struggle to demonstrate it has effectively planned for an emergency incident on site.</p> <p>A range of management actions were agreed and a significant number of these have now been implemented in full. The remaining actions are in progress and are due to be finalised imminently.</p>
Leisure Centres	Not	The review has been completed and report presented to the Board of Directors of Chorley Leisure Limited.

Summary of Internal Audit Work 2021/22

Appendix B

Internal Audit Plan 21/22	Assurance Rating	Commentary
	applicable	
Disabled Facilities Grants	Adequate	<p>Overall, the management of the application process was of a good standard that enabled applications to be processed on time whilst working remotely. Testing was undertaken on a sample of applications processed throughout periods of Covid 19 lockdown and identified that due to a change in working practices driven by the pandemic, modifications have been made to established controls to accommodate working from home arrangements.</p> <p>Established controls have now been reinstated, however due to the control changes in place during the period of review an Adequate assurance rating was awarded for this review.</p>
Performance Management / Data quality	Adequate	<p>The Council is committed to delivering high quality and value for money services for its residents. The achievement of this is measured and reported through its performance management framework. This review considered the progress made since the development of the Performance Management Framework and verification of the reported figures for Q3 20/21 and Q1 21/22.</p> <p>Several issues identified demonstrate that there is a need for greater oversight of the data collection system by the responsible officers, in conjunction with the authorising officers.</p>
Recruitment and Selection / Human Resources Transformation Project	Not applicable	<p>Due to the HR transformation project which encompassed a new payroll system and a suite of joint HR policies, it was agreed that it would be more beneficial for Internal Audit to play an active role in the project team to assist with the smooth transition to the new provider.</p>
Payroll – Overtime and Expenses	Adequate	<p>This audit was a planned audit review undertaken in accordance with the agreed 2021-22 Internal Audit Plan, however since the plan was agreed the Council has been working towards implementing a new payroll system and a suite of joint HR policies across both Councils that will change processes for claiming overtime and expenses going forward. This review was undertaken to ascertain the level of compliance with the current policies and arrangements to ensure that any findings can be addressed and encompassed within the new processes taking effect from April 2022 and allow targeted training to be delivered.</p> <p>Our review confirmed that there are established arrangements in place at each Council to claim, authorise and reimburse expense and overtime payments and that these arrangements are generally followed. Recommendations were agreed to improve arrangements in relation to the retention of documentation and guidance.</p>

**Summary of Internal Audit Work 2021/22**

Appendix B

Internal Audit Plan 21/22	Assurance Rating	Commentary
GDPR – Data Sharing Agreements	Limited	<p>This review highlighted that the ROPA has not been routinely updated in line with changes in structure and responsibilities across the organization and there was no evidence of an established process in place for regular routine monitoring and update of the ROPA.</p> <p>A number of actions have been agreed to strengthen the current arrangements.</p>
Risk Management	Adequate	<p>The review established that overall procedures are in place to record and monitor risks. Whilst some work has been undertaken to help embed these procedures there is still work to be done to ensure that the recording and evaluation of all risks have been fully completed on the dedicated risk management system GRACE.</p>
Compliance with contract procedure rules	Substantial	<p>From the work undertaken we were able to establish that there was a high level of compliance with the Councils CPRs and evidence was available to support that the essential processes within the procurement cycle had been followed.</p>
Budget Monitoring and reporting	Substantial	<p>Our work has established that the budget monitoring process has significantly improved over the past 12 months, with monthly budget monitoring reports issued. The style and content of the report is now consistent across the two authorities and the use of narrative helps to draw out any significant issues.</p> <p>There are no formal departmental procedures documented for finance staff to follow meaning there is a risk to the council that errors may occur and guidance notes or training for budget holders has not been carried out.</p>
Bank reconciliation	Not applicable	<p>Whilst this was included as a separate review, bank reconciliations were included Income Collection and Treasury Management.</p>
Creditors	Substantial	<p>Our work has confirmed that since our last review, a significant amount of work has been undertaken to improve the control environment since the 2019/20 review. Controls in place for Creditors are generally well established and operating as intended, and a number of processes have been strengthened.</p> <p>There are only a couple of areas which could be further strengthened, and actions have been agreed in relation to these.</p>
Treasury Management	Substantial	<p>The Treasury Management Service fulfils an important role in the overall financial management of the Council's</p>

Summary of Internal Audit Work 2021/22

Appendix B

Internal Audit Plan 21/22	Assurance Rating	Commentary
		<p>affairs. It deals with ‘the management of the authority’s investments and cashflows, its banking, money market and capital market transactions; the control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks’ (CIPFA).</p> <p>Our work confirmed that the controls in place for Treasury Management are well established and generally operating as intended with only a few minor improvements required to strengthen operational procedures</p>
Income collection	Adequate	<p>Our work established that the Council has sufficient arrangements in place for the collection, receipting and banking of Council income via the cash office and via other channels such as payments received via the website, post office and telephone, however some weaknesses were identified in other areas including:</p> <ul style="list-style-type: none"> <li>• The lack of an overarching banking and cash handling policy;</li> <li>• Improvements to the income reconciliation process (in relation to income directly from Chorley Leisure Ltd);</li> <li>• Establishing controls to restrict access to the dedicated cash receipting system and</li> <li>• Strengthening the supervisory / management checks.</li> </ul>

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## INTERNAL AUDIT PERFORMANCE INDICATORS 21.22

	Indicator	Audit Plan	Target 2021/22	Actual to Date	Comments
1	% of planned time used	CBC	90%	84%	Slightly below target. This is based upon the revised audit plan approved by the Governance committee in Jan 22.
2	% audit plan completed	CBC	90%	95%	Target exceeded. Out turn figures based upon revised Audit Plan agreed by Governance Committee Jan 22.
3	% satisfaction rating (assignment level)	CBC	90%	97%	Target exceeded
4	% of agreed actions implemented by management	CBC	90%	70%	Below target
		SS	90%	90%	Target achieved

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Report of	Meeting	Date
Service Lead – Audit and Risk	Governance Committee	Wednesday, 1 June 2022

**Review of the Effectiveness of Internal Audit 2022**

Is this report confidential?	No
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Is this decision key?	No
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**Purpose of the Report**

1. This report relates to the results of the self-assessment carried out by Internal Audit against the requirement of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) as a means of assessing the effectiveness of Internal Audit.

**Recommendations to Governance Committee**

2. That the Committee notes the results of the self-assessment recently undertaken as part of the Governance Committee’s consideration of the system of internal control.

**Reasons for recommendations**

3. Evidence that the Council has an effective Internal Audit Service.

**Corporate priorities**

4. The report relates to the following corporate priorities:

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

**Background to the report**

5. The Accounts and Audit (England) Regulations 2015 requires that the relevant body, at least once in a year, to conduct a review of the effectiveness of its system of internal audit. The purpose behind the review is to ensure that the opinion in the annual report by the Head of Audit / Chief Audit Executive (CAE) can be relied upon as a key source of evidence in the Annual Governance Statement.

6. The Public Sector Internal Audit Standards came into effect on the 1<sup>st</sup> April 2013 and are applicable to the whole of the public sector. A Local Government Application Note was produced by CIPFA in collaboration with the Chartered Institute of Internal Auditors as a sector specific requirement within the PSIAS framework. The LGAN was re-issued in 2019 with minor amendments.
7. One of the Attribute Standards within the PSIAS refers to a Quality Assurance and Improvement Programme (QAIP) which must comprise both internal and external assessments. This has been recently been reviewed and is included at **Appendix A**.
8. The QAIP states that internal assessments are both on-going and periodic, whilst an external assessment must be undertaken at least once every five years. External assessment can be in the form of a full external assessment or a self-assessment with independent external validation. The majority of Lancashire districts made the decision to continue with the annual self-assessment to be independently verified by a peer review. The last external assessment was conducted in April 2018 and reported to the Governance Committee with the next review scheduled for completion in early 2023.

#### **Annual Assessment**

9. In order to meet the requirements of the Accounts and Audit Regulations, a self-assessment has been carried out by the Service Lead Audit and Risk using the checklist contained within the revised LGAN. The LGAN states that if the periodic assessment is in the form of a self-assessment, the checklist contained within the guidance should be used for assessing conformance as it covers both the PSIAS and the LGAN.
10. The self-assessment is attached at **Appendix B** to this report. This demonstrates that the Service conforms with the Standards. There are 134 aspects of conformance, of which full conformance has been achieved for 128. There are 5 areas which are not applicable to the Internal Audit Service with only 1 partial conformance.
11. The Action Plan at **Appendix C** shows the identified actions from the 2021 self-assessment with an update of the current status of each action. There is only the one action being carried forward to 2022 for the one area of partial conformance.
12. A short summary of the issues that have led to this report; any previous decisions or history which are relevant and help members understand the issues.

#### **Climate change and air quality**

13. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

#### **Equality and diversity**

14. The material presented and discussed in this report has no direct implications on equality and diversity.

#### **Risk**

15. Failure to undertake the annual self assessment against the PSIAS and LGAN will leave the Council unable to demonstrate that the Internal Audit Service confirms with the expected Standards.

**Comments of the Statutory Finance Officer**

16. No comments.

**Comments of the Monitoring Officer**

17. No comments.

**Background documents**

Public Sector Internal Audit Standards  
Local Government Application Note

**Appendices**

Appendix A – Quality Assurance and Improvement Programme  
Appendix B – Annual Self Assessment  
Appendix c – Action Plan

Report Author:	Email:	Telephone:	Date:
Dawn Highton (Service Lead - Audit and Risk)	dawn.highton@southribble.gov.uk	01257 515151	4/5/22

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**QUALITY ASSURANCE &  
IMPROVMENT PROGRAMME**

**April 2022**



WORKING TOGETHER

## **INTRODUCTION**

The PSIAS require the Chief Audit Executive to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit activity to be assessed against the PSIAS (ie Definition of Internal Auditing, the Code of Ethics and the Standards themselves) for conformance.

The Accounts and Audit Regulations 2015 require a relevant authority to conduct a review each financial year of the effectiveness of the system of internal control. Since Internal Audit is a significant component of internal control, it is appropriate for an annual review to be conducted of the effectiveness of internal audit.

The PSIAS require that the QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical whilst external assessments must be undertaken at least once every five years.

### **Internal Assessments:**

#### Ongoing Assessment

This requires the CAE to establish policies and procedures to guide staff in the conduct of their duties to ensure they conform to the PSIAS. This is achieved in the following ways:

- The Quality System includes procedures which are maintained by the Chief Audit Executive to provide staff with detailed information regarding the various elements of the audit process. This is contained on the Shared Drive.
- The Quality system and associated documents not only explains about the audit process but also the way in which the Shared Internal Audit Service conducts itself, how work is recorded using an electronic record management system for evidencing and recording audit work and maintaining audit files
- These policies and procedures are updated on an ongoing basis through the issue of update messages to the staff with the content being updated within the Quality system.
- The Quality system contains references to the audit planning process and how the annual audit plan is produced and approved by Governance Committee. Once approved, the CAE then allocates the plan amongst the auditors. This is usually based on a combination of factors; namely familiarity with the audit activity, the auditor has some existing knowledge of the service. However, the CAE has to be aware of other factors here:
  - over familiarity with the service which may lead to complacency
  - the need to provide audit staff with variety in their work
  - the need to ensure the audit work is commensurate with the skills and experience and competence of the auditor concerned
- The CAE ensures that the audit review has been undertaken in accordance with the Quality system and that all necessary aspects of the audit have been

carried out and the findings and conclusions within the report are supported by appropriate evidence.

- A review process in which the CAE / Senior Auditor considers the audit working papers and report and raises any queries with the auditor carrying out the review.
- Satisfaction Surveys (Assignment level) are issued with the Final Audit report and are issued to the lead contact. These seek feedback about various aspects of the audit, the auditor’s approach and the usefulness of the audit.
- A set of Performance Indicators designed to give an indication of the success in the delivery of the service. The following indicators are maintained:

Performance Indicator	Target
% of planned time used	90%
% audit plan completed	90%
% satisfaction rating (assignment level)	90%
% of agreed actions implemented by management	90%

## Service Development.

The Shared Internal Audit Service develops through various means including:

- Institute of Internal Auditors – information is regularly received by email of relevant courses put forward by the IIA.
- North West and North Wales Regional Audit Group events – seminars and weekend events designed to keep auditors up to date and identify potential improvements
- Other courses – short courses offered by a range of training providers.

In addition, on an annual basis, a Business Plan is compiled and approved. This contains individual projects to improve the Internal Audit Service and progress against these is monitored through the year.

## Internal Performance Reviews.

The Shared Internal Audit Service complies with the corporate management performance framework. This comprises of the automated performance review process, three times per annum and regular meetings (121s) with their immediate line manager.

## Periodic Assessment

The periodic assessment is in the form of a PSIAS self-assessment which is completed annually by the CAE. This is challenged internally by the Corporate Governance Group. Following this, the self-assessment is reported to Governance Committee in May who are asked to note the results as part of the Committee's consideration of the system of internal control (Ref: Accounts and Audit Regulations 2015). The conclusion regarding conformance with the Standards then forms part of the authority's Annual Governance Statement.

Any significant areas of non-compliance with the PSIAS that are identified through the self-assessment will be reported in the Annual Report and used to inform the Annual Governance Statement.

## External Assessments

The requirement for an external assessment to be carried out at least once every five years can be satisfied by either arranging for a full external assessment, carried out by a person(s) from outside the organisation, or a self-assessment with external validation.

## Approach

In March 2014, the Governance Committee confirmed that the approach to be taken for the external assessment would be a **self-assessment with external validation** using a Peer Review approach amongst the Lancashire districts.

The Lancashire districts have appointed a Subgroup to determine the exact approach to be adopted and they have developed a Memorandum of Understanding setting out the approach together with a draft format of a report. A timetable has been developed for those authorities who have agreed to participate, leading up to March 2023 by when all reviews must be completed in order to meet the five year requirement.

## Scope of the Assessment

The external validation will consist of a broad scope of coverage primarily designed to assess the extent of conformance with the Standards. This will be determined through an examination of a range of documentation including the Internal Audit Charter, the Audit Plan, its policies, procedures and practices.

The assessment will also comprise completion of a questionnaire and short interviews with key officers within the council, designed to assess the quality of relationship that internal audit has with its customers. In other words, the review will look beyond the simple checklist approach seek to identify the extent to which internal audit adds value to the organisation.

The outcome of the review will be a written report containing an action plan in response to any significant comments and recommendations that may be identified.

Any significant areas of non-compliance with the PSIAS that are identified through the self-assessment will be reported in the Annual Report and used to inform the Annual Governance Statement.

Questions to consider			Evidence / comments
<b>1 Mission of Internal Audit</b>			
Based on your review of conformance with other requirements of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?			✓ Arrangements set out within Internal Audit Charter. Annual Audit Plan and Opinion.
<i>To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.</i>			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>2 Definition of Internal Auditing</b>			
Based on your review of conformance with other requirements of the PSIAS and LGAN, is the internal audit activity independent and objective?			✓ Arrangements set out within Internal Audit Charter. Financial Procedure Rules.
CONFORMS	PARTIAL	NOT CONFORMING	
Based on your review of conformance with other requirements of the PSIAS and LGAN, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?			✓ The Internal Audit Manual and associated procedures
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>3 Core Principles</b>			
The Core Principles, taken as a whole, articulate internal audit effectiveness, and provide a basis for considering whether the review of conformance with the attribute standards and performance standards reflects full conformance, partial conformance or non-conformance with the PSIAS and the Local Government Application Note. In making this assessment, the assessor should have regard to positive evidence of conformance or non-conformance and the lack of evidence of non-conformance where positive evidence is difficult to obtain.			
Where there are instances of partial conformance or non-conformance in particular areas, you may need to make a judgment having regard to materiality and other factors in order to form a view on whether the internal audit activity CONFORMS with a particular Core Principle. Any such judgments should be highlighted and explained.			
<b>Demonstrates integrity.</b>			
Having regard to your review of conformance with the Code of Ethics (Integrity, Seven Principles of Public Life), do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by demonstrating integrity?			✓ All members of IA team professionally qualified and comply with awarding bodies Code of Ethics. Staff declarations. Register of Interest
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>Demonstrates competence and due professional care.</b>			<ul style="list-style-type: none"> <li>✓ Compliance with awarding bodies Code of Ethics</li> <li>✓ Specialist skills procured when required (ICT)</li> <li>✓ Experienced Audit Team</li> <li>✓ Audit Manual and procedures</li> </ul>
Having regard to your review of conformance with the Code of Ethics (Competence, Confidentiality, Seven Principles of Public Life) and any other evidence from the review of conformance with Standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by demonstrating competence and due professional care?			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>Is objective and free from undue influence (independent).</b>			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter</li> <li>✓ Annual Report and Opinion</li> </ul>
Having regard to your review of conformance with the Code of Ethics (Objectivity, Seven Principles of Public Life) and any other evidence from the review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being objective and free from undue influence (independent)?			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>Aligns with the strategies, objectives, and risks of the organisation.</b>			<ul style="list-style-type: none"> <li>✓ Risk assessment based upon current risks and objectives of the organization / service.</li> <li>✓ Internal Audit Plan compiled following consultation with Managers and risk analysis. Plan approved by Governance Committee</li> </ul>
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>Is appropriately positioned and adequately resourced.</b>			<ul style="list-style-type: none"> <li>✓ Organisational structure</li> <li>✓ Audit Plan incl resources</li> </ul>
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being appropriately positioned and adequately resourced?			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>Demonstrates quality and continuous improvement.</b>			<ul style="list-style-type: none"> <li>✓ Internal Audit self-assessment reported to Governance Committee May 2021 /May 22</li> <li>✓ Quality Assurance and Improvement programme.</li> </ul>
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by demonstrating quality and continuous improvement?			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>Communicates effectively.</b>			<ul style="list-style-type: none"> <li>✓ Reporting arrangements as set out within the Audit Charter.</li> </ul>
Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by communicating effectively?			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>Provides risk-based assurance.</b>			

<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?</p>			<ul style="list-style-type: none"> <li>✓ Annual risk assessment undertaken to inform annual plan.</li> <li>✓ Review of risk registers</li> <li>✓ Service Assurance statements</li> <li>✓ Corporate risk registers</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p><b>Is insightful, proactive, and future-focused.</b></p>			
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being insightful, proactive, and future-focused?</p>			
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by being insightful, proactive, and future-focused?</p>			<ul style="list-style-type: none"> <li>✓ Internal Audit involvement with project teams providing proactive advice and guidance on risk, governance and control (As per Internal Audit Plan).</li> <li>✓ New and emerging risks considered during the risk assessment and within each individual audit</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p><b>Promotes organisational improvement.</b></p>			
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by promoting organisational improvement?</p>			
<p>Based on your review of conformance with standards, do you consider that the internal audit activity fully CONFORMS with the PSIAS and LGAN by promoting organisational improvement?</p>			<ul style="list-style-type: none"> <li>✓ CAE member of Senior Leadership Team and involvement with Corporate Governance Group</li> <li>✓ identification of key areas for improvement within the AGS following comprehensive review undertaken by IA.</li> <li>✓ Individual Internal Audit Reports</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<b>4 Code of Ethics</b>			
<b>Integrity</b>			
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display integrity by: <ul style="list-style-type: none"> <li>■ Performing their work with honesty, diligence and responsibility?</li> <li>■ Observing the law and making disclosures expected by the law and the profession?</li> <li>■ Not knowingly partaking in any illegal activity nor engaging in acts that are discreditable to the profession of internal auditing or to the organisation?</li> <li>■ Respecting and contributing to the legitimate and ethical objectives of the organisation?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Quality Assurance and Improvement Programme</li> <li>✓ Satisfaction surveys</li> <li>✓ Audit Charter – responsibilities</li> <li>✓ Signed Declaration of interests</li> <li>✓ Code of Conduct</li> <li>✓ Professional Code of Ethics</li> <li>✓ Audit Manual</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Objectivity</b>			
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display objectivity by: <ul style="list-style-type: none"> <li>■ Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</li> <li>■ Not accepting anything that may impair or be presumed to impair their professional judgement?</li> <li>■ Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Quality Assurance and Improvement Programme</li> <li>✓ Satisfaction surveys</li> <li>✓ Audit Charter – responsibilities</li> <li>✓ Signed Declaration of interests</li> <li>✓ Code of Conduct</li> <li>✓ Professional Code of Ethics</li> <li>✓ Audit Manual</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>Confidentiality</b>			
Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display due respect and care by: <ul style="list-style-type: none"> <li>■ Acting prudently when using information acquired in the course of their duties and protecting that information?</li> <li>■ Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Quality Assurance and Improvement Programme</li> <li>✓ Satisfaction surveys</li> <li>✓ Audit Charter – responsibilities</li> <li>✓ Signed Declaration of interests</li> <li>✓ Code of Conduct</li> <li>✓ Professional Code of Ethics</li> <li>✓ Audit Manual</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

<b>Competency</b>			<ul style="list-style-type: none"> <li>✓ All members of IA team are professionally qualified.</li> <li>✓ Specialist skills procured when required (ICT)</li> <li>✓ Experienced Audit Team</li> <li>✓ On-going training and development (assessed through staff PDRs)</li> </ul>
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors display competence by:</p> <ul style="list-style-type: none"> <li>■ Only carrying out services for which they have the necessary knowledge, skills and experience?</li> <li>■ Performing services in accordance with the PSIAS?</li> <li>■ Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</li> </ul>			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>Seven Principles of Public Life</b>			<ul style="list-style-type: none"> <li>✓ All members of IA team are professionally qualified and therefore comply with their awarding bodies Code of Ethics</li> <li>✓ Annual declarations of interest</li> <li>✓ Internal Audit Charter</li> <li>✓ Code of conduct</li> </ul>
<p>Based on your review of conformance with other requirements of the PSIAS and LGAN, do you consider that internal auditors, whether consciously or through conformance with organisational procedures and norms, have due regard to the Committee on Standards of Public Life's <i>Seven Principles of Public Life</i>?</p>			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<b>Standards</b>			
<b>5 Attribute Standards</b>			
<b>5.1 1000 Purpose, Authority and Responsibility</b>			
The questions in this section seek to confirm that the purpose, authority and responsibility of the internal audit activity have been properly defined consistent with the PSIAS, formally approved in an internal audit charter and periodically reviewed.			
Does the internal audit charter conform with the PSIAS by including a formal definition of: <ul style="list-style-type: none"> <li>■ the purpose</li> <li>■ the authority, and</li> <li>■ the responsibility</li> </ul> of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?			Internal Audit Charter <ul style="list-style-type: none"> <li>✓ Purpose (section 1)</li> <li>✓ Authority (section 4)</li> <li>✓ Responsibilities (section 7)</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<p>Does the internal audit charter conform with the PSIAS by clearly and appropriately defining the terms ‘board’ and ‘senior management’ for the purposes of the internal audit activity?</p> <p>Note that it is expected that the Governance committee will fulfil the role of the board in the majority of instances.</p>			<p>✓ Internal Audit Charter (Section 3.2)</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the internal audit charter also:</p> <ul style="list-style-type: none"> <li>■ Set out the internal audit activity’s position within the organisation?</li> <li>■ Establish the chief audit executive’s (CAE) functional reporting relationship with the board?</li> <li>■ Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively? Where applicable, this will need to encompass shared service or external providers of internal audit, and the role of the contract manager.</li> <li>■ Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?</li> <li>■ Establish internal audit’s right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?</li> <li>■ Define the scope of internal audit activities?</li> <li>■ Recognise that internal audit’s remit extends to the entire control environment of the organisation?</li> <li>■ Establish the organisational independence of internal audit?</li> <li>■ Cover the arrangements for appropriate resourcing?</li> <li>■ Define the role of internal audit in any fraud-related work?</li> <li>■ Set out the existing arrangements within the organisation’s anti- fraud and anti-corruption policies, requiring the CAE to be notified of all suspected or detected fraud, corruption or impropriety?</li> <li>■ Include arrangements for avoiding conflicts of interest if internal audit or the CAE undertakes non-audit activities?</li> <li>■ Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?</li> <li>■ Define the nature of consulting services?</li> <li>■ Recognise the mandatory nature of the PSIAS?</li> </ul>			<p>Internal Audit Charter</p> <ul style="list-style-type: none"> <li>✓ Purpose (Section 1)</li> <li>✓ Reporting (section 5)</li> <li>✓ Organisational independence and objectivity (section 5)</li> <li>✓ Independence &amp; Objectivity</li> <li>✓ Authority (section 4)</li> <li>✓ Scope &amp; Responsibilities (section 6)</li> <li>✓ Scope &amp; Responsibilities</li> <li>✓ Independence (section 5)</li> <li>✓ Responsibilities (section 7)</li> <li>✓ Scope of activities (section 6)</li> <li>✓ Independence &amp; Objectivity</li> <li>✓ Scope &amp; Responsibilities</li> <li>✓ Scope of Activities</li> <li>✓ Compliance with PSIAS (section 3)</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Does the CAE periodically review the internal audit charter and present it to senior management and the board for approval?			<ul style="list-style-type: none"> <li>✓ Reviewed and presented to Governance Committee March 21 / March 22</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>5.2 1100 Independence and Objectivity</b>			
The questions in this section seek to confirm that the internal audit activity is independent and internal auditors are objective in performing their work.			
Does the CAE have direct and unrestricted access to senior management and the board?			<ul style="list-style-type: none"> <li>✓ As per Internal Audit Charter</li> </ul>
Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the Governance committee?			<ul style="list-style-type: none"> <li>✓ As per Internal Audit Charter</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
Does the CAE attend Governance committee meetings?			<ul style="list-style-type: none"> <li>✓ CAE attendance and participation at Governance committee meetings</li> </ul>
Does the CAE contribute to Governance committee agendas?			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
Are threats to objectivity identified and managed at the following levels:			
<ul style="list-style-type: none"> <li>■ Individual auditor?</li> <li>■ Engagement?</li> <li>■ Functional?</li> <li>■ Organisation?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Declaration of interests form</li> <li>✓ Internal Audit Plan</li> <li>✓ Internal Audit Charter (Independence)</li> <li>✓ Code of Conduct</li> <li>✓ Code of Ethics</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>1110 Organisational Independence</b>			
This subsection seeks to confirm that reporting and management arrangements been put in place that preserve the CAE's independence and objectivity.			
This is of particular importance when the CAE is line-managed by another officer of the authority.			
Does the CAE report to an organisational level equal or higher to the corporate management team?			<ul style="list-style-type: none"> <li>✓ CAE reports to Director of Governance who is a member of the Shared Senior Management Team</li> </ul>
Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter (reporting and monitoring)</li> <li>✓ Financial Procedure Rules</li> <li>✓ Organisation structure</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<p>Does the CAE's position in the management structure:</p> <ul style="list-style-type: none"> <li>■ Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?</li> <li>■ Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Audit Plan reported to and approved by Governance committee March 2022</li> <li>✓ All final reports and action plans agreed and issued to Directors.</li> <li>✓ Internal Audit Charter</li> <li>✓ Organisation Structure</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent?</p>			<ul style="list-style-type: none"> <li>✓ Annual Audit Report</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Is the organisational independence of internal audit realised by functional reporting by the CAE to the board?</p> <p>The 'Interpretation' to PSIAS 1110 provides examples of factors which may indicate that the CAE reports functionally to the Board, which include where the board:</p> <ul style="list-style-type: none"> <li>■ approves the internal audit charter</li> <li>■ approves the risk-based audit plan</li> <li>■ approves the internal audit budget and resource plan</li> <li>■ receives communications from the CAE on the activity's performance (in relation to the plan, for example)</li> <li>■ approves decisions relating to the appointment and removal of the CAE</li> <li>■ approves the remuneration of the CAE</li> <li>■ seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.</li> </ul> <p>The Public Sector Interpretation to PSIAS 1110 notes that board approval of CAE remuneration does not generally happen in the UK public sector, and that the underlying principle is therefore that the independence of the CAE must be safeguarded by ensuring that their remuneration or performance assessment is not inappropriately influenced by those subject to audit.</p> <p>EQA assessors should therefore consider whether adequate steps are taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not inappropriately influenced by those subject to audit. This might for example reflect some involvement of the chief executive in the performance assessment process or feedback from the Governance committee chair.</p>			<p>Reports to Governance Committee incl:</p> <p>Audit Plan (March 22)</p> <p>Audit Charter (March 22)</p> <p>Audit Plan (March 22 resources.</p> <p>Audit Interim reports (Sept/ Nov / Jan)</p> <p>Annual report incl opinion</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>1111 Direct Interaction with the Board</b>			
Does the CAE communicate and interact directly with the board?			<ul style="list-style-type: none"> <li>✓ As per Internal Audit Charter</li> <li>✓ Governance committee meetings and minutes / Chairs Brief</li> <li>✓ Ad-hoc meetings</li> <li>✓ All reports in Service Lead</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>1112 Chief Audit Executive Roles Beyond Internal Auditing</b>			
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter includes safeguards</li> </ul>
Does the board periodically review these safeguards?			
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>1112 Chief Audit Executive Roles Beyond Internal Auditing</b>			
Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter includes safeguards</li> <li>✓ Internal Audit periodically reviewed and approved by Governance Committee</li> </ul>
Does the board periodically review these safeguards?			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>1120 Individual Objectivity</b>			
Do internal auditors have an impartial, unbiased attitude?			<ul style="list-style-type: none"> <li>✓ Professional Code of Ethics</li> <li>✓ Internal Audit Charter</li> <li>✓ Satisfaction survey at end of each audit would likely indicate any difficulties</li> <li>✓ Officer declarations</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
Do internal auditors avoid any conflict of interest, whether apparent or actual?			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	<ul style="list-style-type: none"> <li>✓ Signed declaration of interests</li> <li>✓ Professional code of ethics</li> </ul>
<b>1130 Impairment to Independence or Objectivity</b>			
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
Does review indicate that work allocations have operated so that internal auditors have not assessed specific operations for which they have been responsible within the previous year?			<ul style="list-style-type: none"> <li>✓ Internal Audit Charter</li> <li>✓ Staff are experienced auditors and have had no operational responsibilities</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?			<ul style="list-style-type: none"> <li>✓ Review of Risk Management undertaken by external 3<sup>rd</sup> party to maintain independence</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
Is the risk of over-familiarity or complacency managed effectively: for example by rotating assignments for ongoing assurance engagements and other audit responsibilities periodically within the internal audit team?			<ul style="list-style-type: none"> <li>✓ Allocation of work based on skills, knowledge and experience of audit team, where possible responsibilities and assurance engagements are periodically rotated.</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
Have internal auditors declared interests in accordance with organisational requirements?			<ul style="list-style-type: none"> <li>✓ Signed declaration of interests forms.</li> </ul>

CONFORMS	PARTIAL	NOT CONFORMING	
Questions to consider			Evidence / comments
CONFORMS	PARTIAL	NOT CONFORMING	✓ None offered or accepted, however, process covered within Code of Conduct
CONFORMS	PARTIAL	NOT CONFORMING	✓ None identified
CONFORMS	PARTIAL	NOT CONFORMING	✓ Declaration of Interests signed by auditors ✓ Professional Code of Ethics
CONFORMS	PARTIAL	NOT CONFORMING	✓ No impairment of independence or objectivity noted
CONFORMS	PARTIAL	NOT CONFORMING	✓ Any significant changes to the approved audit plan would be reported to the Governance committee for approval
CONFORMS	PARTIAL	NOT CONFORMING	

5.3 1200 Proficiency and Due Professional Care			
This section seeks to confirm that engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the CAE and their staff, and how they exercise their capability in practice.			
<b>1210 Proficiency</b>			
Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent? Is the CAE suitably experienced?			<ul style="list-style-type: none"> <li>✓ CMIIA</li> <li>✓ Service Lead JD</li> <li>✓ 9 years Head of Audit experience</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes? Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?			<ul style="list-style-type: none"> <li>✓ CAE fully responsible for recruitment.</li> <li>✓ Up to date Job descriptions and person specifications e.g. Senior Auditor and Auditor posts</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities? Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?			<ul style="list-style-type: none"> <li>✓ Through in-house, external training courses, networking.</li> <li>✓ Specialist skills for ICT audit bought in.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?			<ul style="list-style-type: none"> <li>✓ All auditors sufficiently experienced.</li> <li>✓ Internal Audit procedures clearly specify the need to consider fraud risks.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of key information technology risks and controls?			<ul style="list-style-type: none"> <li>✓ Staff have a general knowledge.</li> <li>✓ Specialist ICT service is bought in for specific audits.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?			<ul style="list-style-type: none"> <li>✓ One member of staff is trained in use of IDEA. Used primarily in Payroll and Creditors work.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>1220 Due Professional Care</b>			
<p>Do internal auditors exercise due professional care by considering the:</p> <ul style="list-style-type: none"> <li>■ Extent of work needed to achieve the engagement's objectives?</li> <li>■ Relative complexity, materiality or significance of matters to which assurance procedures are applied?</li> <li>■ Adequacy and effectiveness of governance, risk management and control processes?</li> <li>■ Probability of significant errors, fraud, or non-compliance?</li> <li>■ Cost of assurance in relation to potential benefits?</li> </ul> <p>In doing the above, internal auditors must also consider how technology-based audit and other data analysis techniques can provide assurance.</p>			<ul style="list-style-type: none"> <li>✓ Discussed and agreed with auditee / Engagement Plan</li> <li>✓ Testing of controls to mitigate risks as part of audit work</li> <li>✓ Through core audit work</li> <li>✓ Management actions considered for practicality of implementation and discussed with auditee prior to agreement</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Do internal auditors exercise due professional care during a consulting engagement by considering the:</p> <ul style="list-style-type: none"> <li>■ Needs and expectations of clients, including the nature, timing and communication of engagement results?</li> <li>■ Relative complexity and extent of work needed to achieve the engagement's objectives?</li> <li>■ Cost of the consulting engagement in relation to potential benefits?</li> </ul>			As above
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

<b>1230 Continuing Professional Development</b>			
<p>Has the CAE defined the skills and competencies for each level of auditor?</p> <p>and</p> <p>Does the CAE periodically assess individual auditors against the predetermined skills and competencies?</p>			<ul style="list-style-type: none"> <li>✓ Job description for Senior Auditor and Auditor</li> <li>✓ Staff Performance development reviews regularly undertaken</li> <li>✓ Regular 1-1 discussions are held with each Auditor to discuss performance / progress against reviews etc.</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Do internal auditors undertake a programme of continuing professional development?</p> <p>and</p> <p>Do internal auditors maintain a record of their professional development and training activities?</p>			<ul style="list-style-type: none"> <li>✓ Work undertaken and on-going training helps to ensure requirements for CPD are met.</li> <li>✓ The Corporate Learning Hub is utilized to hold all training data.</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

5.4 1300 Quality Assurance and Improvement Programme			
<p>The questions in this section seek to confirm that the CAE has developed and maintained a Quality Assurance and Improvement Programme (QAIP) through which conformance with the PSIAS can be and is properly assessed.</p>			
<p>Has the CAE developed a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?</p> <p>Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?</p> <p>Does the CAE maintain the QAIP?</p> <p>Are any statutory requirements for review of the internal audit activity satisfied?</p>			<ul style="list-style-type: none"> <li>✓ Quality Assurance and Improvement Programme (QAIP) in place including performance indicators and quality control of audit work.</li> <li>✓ QAIP periodically reviewed.</li> <li>✓ Referenced in Review of Effectiveness of Internal Audit to Governance Committee (May 22)</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p><b>1310 Requirements of the Quality Assurance and Improvement Programme</b></p>			
<p>Does the QAIP include both internal and external assessments?</p>			<ul style="list-style-type: none"> <li>✓ Specified in the QAIP</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p><b>1311 Internal Assessments</b></p>			
<p>Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?</p>			<ul style="list-style-type: none"> <li>✓ Reviews allocated on a quarterly basis and monitored through regular discussions with individual auditors</li> <li>✓ Specified in the QAIP</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal assessments include ongoing monitoring of the internal audit activity, such as:</p> <ul style="list-style-type: none"> <li>■ Routine quality monitoring processes?</li> <li>■ Periodic assessments for evaluating conformance with the PSIAS?</li> </ul>			<ul style="list-style-type: none"> <li>✓ CAE or Senior Auditor reviews each audit assignment and reports</li> <li>✓ PSIAS checklist used for Annual Review of Effectiveness of IA</li> <li>✓ Specified in the QAIP</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> <li>■ Is there a set of comprehensive targets which between them encompass all significant internal audit activities?</li> <li>■ Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?</li> <li>■ Does the CAE measure, monitor and report on progress against these targets?</li> <li>■ Does ongoing performance monitoring include obtaining stakeholder feedback?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Targets approved by Governance committee March 2022</li> <li>✓ Agreed part of Business planning</li> <li>✓ To be included with every progress report to Governance committee</li> <li>✓ Satisfaction survey issued following each review</li> <li>✓ Review progress monitored at regular 121s</li> <li>✓ Time Management System</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?</p> <p>Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.</p>			<ul style="list-style-type: none"> <li>✓ Annual Self Assessments carried out by CAE</li> <li>✓ Memorandum of understanding sets out criteria for external assessment carried out by Lancashire Heads of Audit (Peer review)</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?</p>			<ul style="list-style-type: none"> <li>✓ Reported to Governance committee in each progress report</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>1312 External Assessments</b>			
<p>Has an external assessment been carried out, or is one planned to be carried out, at least once every five years?</p> <p>Has the CAE discussed the alternative approaches to external assessment with the board? This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether there are factors which might be considered to warrant a demonstrably independent assessment.</p>			<ul style="list-style-type: none"> <li>✓ External peer review carried out April 2018.</li> <li>✓ Governance committee Report June 2018.</li> <li>✓ Next external peer review planned for 2023</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<p>Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?</p> <p>In doing this, the CAE should consider whether the assessor or assessment team has demonstrated its competence in both the professional practice of internal auditing <i>and</i> the external assessment process. Competence can be demonstrated through both experience and theoretical learning. Experience of similar organisations or sectors is more valuable than less relevant experience. In the case of an assessment team, not all members need to have all the competencies</p> <p>– it is the team as a whole that is qualified.</p> <p>If the capability of the assessor or assessment team is not immediately obvious, the CAE should document how they used professional judgement to decide whether this is sufficient to carry out the external assessment.</p> <p>If the assessor or assessment team has any real or apparent conflicts of interest with the organisation, this should be clearly explained to the board, and safeguards should be put in place to minimise the effect of this on the conduct of the external assessment.</p> <p>Conflict of interest may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.</p>			<p>✓ Peer Review teams are all Lancashire Heads of Audit and any impairments will be taken into account by the Sub Group who appoint the reviewers for each authority.</p> <p>✓ Use of Lancashire Peer Review process agreed with the Governance Committee</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the Governance committee, the CFO or the chief executive?</p> <p>The CAE should also agree this scope with the external assessor or assessment team.</p>			<p>✓ Memorandum of Understanding in place.</p>
CONFORMS	PARTIAL	NOT CONFORMING	
<p><b><i>1320 Reporting on the Quality Assurance and Improvement Programme</i></b></p>			
<p>Has the CAE reported the results of the QAIP to senior management and the board?</p> <p>Note that:</p> <ul style="list-style-type: none"> <li>■ the results of both external and periodic internal assessment must be communicated upon completion</li> <li>■ the results of ongoing monitoring must be communicated at least annually</li> <li>■ the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.</li> </ul>			<p>✓ Review of the effectiveness of Internal Audit reported to Governance Committee (May 22)</p> <p>✓ On-going monitoring included in interim reports to Governance Committee and Corporate Governance Group throughout the year including performance indicators.</p>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?			✓ Head of Audit Annual Report May 21 / May 22
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>1321 Use of 'CONFORMS with the International Standards for the Professional Practice of Internal Auditing'</b>			
Has the CAE stated that the internal audit activity CONFORMS with the PSIAS only if the results of the QAIP support this?			✓ Included within every Internal Audit Report
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>1322 Disclosure of Non-conformance</b>			
Has the CAE reported any instances of non-conformance with the PSIAS to the board?			✓ Annual Report May 21
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
If appropriate, has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?			Not applicable
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<b>6 Performance Standards</b>			
<b>6.1 2000 Managing the Internal Audit Activity</b>			
The questions in this section seek to confirm that the internal audit activity's work achieves the purposes and responsibility of the activity, as set out in the internal audit charter, and that the internal audit activity adds value to the organisation and its stakeholders by:			
<ul style="list-style-type: none"> <li>■ providing objective and relevant assurance</li> <li>■ contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.</li> </ul>			
<b>2010 Planning</b>			
Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?			<ul style="list-style-type: none"> <li>✓ Risk based plans are developed annually consistent with the Council's priorities, corporate and operational risk registers</li> <li>✓ Audit plan considers both assurance work and consultancy work on corporate plan / strategy projects.</li> <li>✓ Reviews cover broad range of service areas to enable an annual internal audit opinion to be made.</li> </ul>
Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?			
Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:			
<ul style="list-style-type: none"> <li>■ How the internal audit service will be delivered?</li> <li>■ How the internal audit service will be developed in accordance with the internal audit charter?</li> <li>■ How the internal audit service links to organisational objectives and priorities?</li> </ul>			
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<p>Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?</p> <p>In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?</p> <p>If such a risk management framework does not exist, has the CAE used their judgement of risks after input from senior management and the board and evidenced this?</p>			<ul style="list-style-type: none"> <li>✓ Audit Risk Assessment reflects risk position of each area of activity. Consideration given to range of factors including previous opinion, date last audited, new and emerging risks / changes to processes / staffing etc.</li> <li>✓ Audit Risk Assessment considers SSMT minutes, corporate, project and operational risk registers</li> <li>✓ Risk Management Strategy supported by</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the risk-based plan set out the:</p> <ul style="list-style-type: none"> <li>■ Audit work to be carried out?</li> <li>■ Respective priorities of those pieces of audit work?</li> <li>■ Estimated resources needed for the work?</li> </ul> <p>Does the risk-based plan differentiate between audit and other types of work?</p> <p>Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?</p>			<ul style="list-style-type: none"> <li>✓ Plan now only developed for 6 months to allow focus on new and emerging risks</li> <li>✓ Audit Plan contains both assurance, consultancy and governance reviews (approved by Governance committee )</li> <li>✓ Priorities agreed with Directors and reflected in the timing of the review</li> <li>✓ Resources allocated</li> <li>✓ Audit Plans contain contingency time to allow</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?</p>			<ul style="list-style-type: none"> <li>✓ Audit Plan kept under constant review and amended when necessary. Any changes are reported to and approved by Governance</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Is the internal audit activity's plan of engagements based on a documented risk assessment?</p> <p>Is the risk assessment used to develop the plan of engagements undertaken at least annually?</p>			<ul style="list-style-type: none"> <li>✓ An Audit risk assessment is used as basis for Audit Plan.</li> <li>✓ Audit Risk assessment updated throughout the year and used as basis of the development of the</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>In developing the risk-based plan, has the CAE also given sufficient consideration to:</p> <ul style="list-style-type: none"> <li>■ Any declarations of interest (for the avoidance for conflicts of interest)?</li> <li>■ The requirement to use specialists, eg IT or contract and procurement auditors?</li> <li>■ Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?</li> <li>■ The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Office declaration of interests</li> <li>✓ Procurement of ICT specialists</li> <li>✓ Contingency time included within Audit Plan</li> <li>✓ Plan allocations set out time for Audit Planning / Monitoring / Reporting and time for Governance</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?</p> <p>Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?</p>			<ul style="list-style-type: none"> <li>✓ Senior Managers consulted on the Audit risk assessment and comments recorded.</li> <li>✓ Plan presented to SSSMT</li> <li>✓ Governance committee approval of audit plan</li> <li>✓ All involved with the planning process</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?</p> <p>Are consulting engagements that have been accepted included in the risk-based plan?</p>			<ul style="list-style-type: none"> <li>✓ Consultancy engagements included as part of the planning process</li> <li>✓ Plan includes consultancy / projects etc.</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<b>2020 Communication and Approval</b>			
<p>Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?</p> <p>Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?</p>			<ul style="list-style-type: none"> <li>✓ Audit Plan reported to Shared Management Team and Governance committee.</li> <li>✓ Have previously reported changes and sought approval from the Governance committee</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Has the CAE communicated the impact of any resource limitations to senior management and the board?</p>			<ul style="list-style-type: none"> <li>✓ Any resource limitations discussed with senior managers / CGG / Governance committee.</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>2030 Resource Management</b>			
<p>Does the risk-based plan explain how internal audit's resource requirements have been assessed?</p>			<ul style="list-style-type: none"> <li>✓ Plan allocations set out the number of days available including both internal and external resources</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?</p>			<ul style="list-style-type: none"> <li>✓ Timing of engagements discussed with Directors / Service Leads and recorded on Audit risk assessment and Audit Plan. Issued to SSMT</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?</p> <p>This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.</p>			<ul style="list-style-type: none"> <li>✓ Any concerns would be identified and discussed prior to production of and approval of the plan.</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<b>2040 Policies and Procedures</b>			
<p>Has the CAE developed and put into place policies and procedures to guide the internal audit activity?</p> <p>Examples include maintaining an audit manual and/or using electronic management systems to guide staff in performing their duties in a manner that CONFORMS to the PSIAS</p> <p>Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?</p>			<ul style="list-style-type: none"> <li>✓ Audit Manual and associated procedures</li> <li>✓ Audit drive (electronic system)</li> <li>✓ Document templates</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>2050 Coordination</b>			
<p>Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?</p> <p>The CAE should generally share information and coordinate activities with other internal and external providers of assurance and consulting services. They may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers.</p> <p>They should also meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans.</p> <p>Where key organisational risks relate to work undertaken through partnerships, the auditor may be able to take assurance from work undertaken by others, or by obtaining assurance directly.</p>			<ul style="list-style-type: none"> <li>✓ Assurances considered and collated at audit plan discussion stage,</li> <li>✓ Service Assurance Statements identify other sources of assurance given</li> <li>✓ Reports issued to External Audit</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>2060 Reporting to Senior Management and the Board</b>			
<p>Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?</p> <p>Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?</p> <p>Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?</p>			<ul style="list-style-type: none"> <li>✓ Progress against the plan, findings and KPIs presented to CGG</li> <li>✓ Interim reports presented to Governance committee</li> <li>✓ Issues raised with managers / directors when appropriate.</li> <li>✓ All other reviews reported in accordance with Governance committee timetable</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<b><i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i></b>			
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	

6.2 2100 Nature of Work			
<p>The questions in this section seek to confirm that the internal audit activity evaluates and contributes to the improvement of the organisation’s governance, risk management and internal control processes using a systematic and disciplined approach.</p>			
<b>2110 Governance</b>			
<p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation’s governance processes for:</p> <ul style="list-style-type: none"> <li>■ Making strategic and operational decisions?</li> <li>■ Overseeing risk management and control?</li> <li>■ Promoting appropriate ethics and values within the organisation?</li> <li>■ Ensuring effective organisational performance management and accountability?</li> <li>■ Communicating risk and control information to appropriate areas of the organisation?</li> <li>■ Coordinating the activities of and communicating information among the board, external and internal auditors and management?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Overall aim of the IA Service (Audit Charter)</li> <li>✓ Through specific audit reports, including the annual audit of the Governance / Risk Management Frameworks.</li> <li>✓ CAE involvement in Corporate Governance Group</li> <li>✓ Ownership of corporate policies i.e. anti-fraud, whistleblowing etc</li> <li>✓ Performance Management included within each engagement where appropriate</li> <li>✓ Performance Management included within Internal Audit Plan annually as a review.</li> <li>✓ Communicated through Audit reports and through provision of advice and guidance</li> <li>✓ Individual Audit reports issued to Directors /External Audit</li> <li>✓ Internal Audit annual report and progress reports to</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Has the internal audit activity evaluated the design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes and activities? This is an area where the CAE may be able to use other sources of assurance.</p>			<ul style="list-style-type: none"> <li>✓ Ownership of corporate policies i.e. anti-fraud, money laundering etc.</li> <li>✓ Through individual audit reviews incl. Ethical culture</li> <li>✓ SAS received and reviewed as part of the AGS process</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Has the internal audit activity assessed whether the organisation’s information technology governance supports the organisation’s strategies and objectives? This is an area where the CAE may be able to use other sources of assurance.</p>			<ul style="list-style-type: none"> <li>✓ Salford Council commissioned to provide ICT assurance</li> <li>✓ ICT reports considered by the CGG</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<b>2120 Risk Management</b>			
<p>Has the internal audit activity evaluated the effectiveness of the organisation’s risk management processes by determining that:</p> <ul style="list-style-type: none"> <li>■ Organisational objectives support and align with the organisation’s mission?</li> <li>■ Significant risks are identified and assessed?</li> <li>■ Appropriate risk responses are selected that align risks with the organisation’s risk appetite?</li> <li>■ Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Review of Risk management included within Internal Audit Plan</li> <li>✓ Use of risk management framework</li> <li>✓ Use of GRACE risk management system to record risks and controls</li> <li>✓ All risks assigned to an owner</li> <li>✓ Corporate risk register reported and monitored</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the internal audit activity evaluated the risks relating to the organisation’s governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> <li>■ Achievement of the organisation’s strategic objectives?</li> <li>■ Reliability and integrity of financial and operational information?</li> <li>■ Effectiveness and efficiency of operations and programmes?</li> <li>■ Safeguarding of assets?</li> <li>■ Compliance with laws, regulations, policies, procedures and contracts?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Risk-based Audit Plan</li> <li>✓ Risk-based auditing for each individual audit review</li> <li>✓ All areas considered as part of planning / scope of each review as appropriate.</li> <li>✓ Service Assurance Statements reviewed by IA annually</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p> <p>CIPFA has issued a <i>Code of Practice on Managing the Risk of Fraud and Corruption</i>, and strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk.</p>			<ul style="list-style-type: none"> <li>✓ Individual audit engagements specifically review identified fraud risks</li> <li>✗ Review to assesses the council’s arrangements against CIPFA Code of Practice and Fighting Fraud and Corruption Locally completed and action plan being developed.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

<p>Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?</p> <p>Are internal auditors alert to other significant risks when undertaking consulting engagements?</p> <p>Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation’s risk management processes?</p>			<p>✓ IA involved with project teams to provide advice and guidance on governance, control and risk.</p>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving risk management processes?</p>			<p>✓ GRACE system assigns risk owners to individual risks. IA do not own any risks other than those relating to the IA service</p>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p><b>2130 Control</b></p>			
<p>Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation’s governance, operations and information systems regarding the:</p> <ul style="list-style-type: none"> <li>■ Achievement of the organisation’s strategic objectives?</li> <li>■ Reliability and integrity of financial and operational information?</li> <li>■ Effectiveness and efficiency of operations and programmes?</li> <li>■ Safeguarding of assets?</li> <li>■ Compliance with laws, regulations, policies, procedures and contracts?</li> </ul>			<p>✓ Risk-based Audit Planning process</p> <p>✓ Risk-based auditing for each individual audit review</p> <p>✓ All areas considered as part of planning / scope of each review as appropriate.</p> <p>✓ Risk-based Audit Plan</p> <p>✓ Service Assurance statements reviewed by IA annually</p>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation’s control processes?</p>			<p>✓ Where appropriate</p> <p>✓ Knowledge shared within wider Audit and Risk team during fortnightly meetings</p>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p><b>6.3 2200 Engagement Planning</b></p>			
<p>Do internal auditors develop and document a plan for each engagement?</p> <p>Does the engagement plan include the engagements:</p> <ul style="list-style-type: none"> <li>■ Objectives?</li> <li>■ Scope?</li> <li>■ Timing?</li> <li>■ Resource allocations?</li> </ul>			<p>✓ Standard document templates / Audit Engagement Plan issued agreed and issued at the start of each review.</p>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> <li>■ The objectives of the activity being reviewed?</li> <li>■ The means by which the activity controls its performance?</li>   <li>■ The significant risks to the activity being audited?</li>   <li>■ The activity's resources?</li>   <li>■ The activity's operations?</li>   <li>■ The means by which the potential impact of risk is kept to an acceptable level?</li> <li>■ The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?</li> <li>■ The opportunities for making significant improvements to the activity's governance, risk management and control processes?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Audit Engagement Plan and report</li> <li>✓ Review of performance information is included within the engagement where appropriate</li> <li>✓ Use of risk registers and recorded in the Risk and Control Evaluation</li> <li>✓ Resource availability considered at the Audit Engagement Plan stage and discussed during the initial meeting.</li> <li>✓ Part of audit planning and initial discussion with Service Lead incl. within the Engagement Plan</li> <li>✓ Review of the risk register and assessment of the controls in place</li> <li>✓ Basis of the risk based assignment. Findings included within the report</li> <li>✓ Basis of the risk based assignment. Findings and actions to improve included within the report</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:</p> <ul style="list-style-type: none"> <li>■ Objectives?</li> <li>■ Scope?</li> <li>■ The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Engagement plan developed and agreed with wholly owned companies prior to commencement</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <ul style="list-style-type: none"> <li>■ Objectives?</li> <li>■ Scope?</li> <li>■ The respective responsibilities of the internal auditors and the client and other client expectations?</li> </ul> <p>For significant consulting engagements, has this understanding been documented?</p>			<p>✓ Engagement plan clearly sets out the role of Internal Audit within consulting engagements</p>
<p>CONFORMS</p>	<p><del>PARTIAL</del></p>	<p><del>NOT CONFORMING</del></p>	

Questions to consider			Evidence / comments
<b>2210 Engagement Objectives</b>			
<p>Have objectives been agreed for each engagement?</p> <p>Have internal auditors carried out a preliminary risk assessment of the activity under review?</p> <p>Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?</p> <p>Have internal auditors considered the probability of the following when developing the engagement objectives:</p> <ul style="list-style-type: none"> <li>■ Significant errors?</li> <li>■ Fraud?</li> <li>■ Non-compliance?</li> <li>■ Any other risks?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Within Audit Engagement Plan and discussed at initial meeting.</li> <li>✓ Review of the risk register and compilation of the RCE</li> <li>✓ Audit engagement working papers</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished?</p> <p>If the criteria has been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?</p>			<ul style="list-style-type: none"> <li>✓ Most service areas have PIs to assess adequacy of performance and these are tested where appropriate and included within the Engagement Plan</li> </ul>
<p>If the criteria has been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?</p> <p>If the value for money criteria has been referred to, has the use of all the organisation's main types of resources been considered, including money, people and assets?</p>			<ul style="list-style-type: none"> <li>✓ If PI's were inadequate we would identify and include within the IA report.</li> <li>✓ Where appropriate</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?</p> <p>Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?</p>			<ul style="list-style-type: none"> <li>✓ Included within the Audit Engagement Plan</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Is the scope that is established for each engagement generally sufficient to satisfy the engagement's objectives?</p> <p>Does the scope for each engagement include consideration of relevant systems, records, personnel and physical properties? Does this consideration include areas under the control of outside parties, where appropriate?</p>			<ul style="list-style-type: none"> <li>✓ Audit Engagement Plan (reviewed and agreed with CAE and Directors)</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<p>Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?</p> <p>Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting standards?</p>			<p>This has not occurred as significant consultancy work is included within the IA Annual plan</p>
<del>CONFORMS</del>	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>For each consulting engagement, was the scope of the engagement generally sufficient to address any agreed-upon objectives?</p> <p>If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?</p> <p>During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?</p> <p>During consulting engagements, were internal auditors alert to any significant control issues?</p>			<ul style="list-style-type: none"> <li>✓ Included within Audit Engagement Plan</li> <li>✓ This has not occurred but discussion would take place if the situation arose</li> <li>✓ Key focus of the consultancy work</li> <li>✓ IA role is to ensure that governance, risk management and control issues are considered throughout the whole project</li> </ul>
<del>CONFORMS</del>	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>2230 Engagement Resource Allocation</b>			
<p>Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of each engagement based on:</p> <p>a) The nature and complexity of the individual engagement?</p> <p>b) Any time constraints?</p> <p>c) The resources available?</p>			<ul style="list-style-type: none"> <li>✓ Resource allocation is estimated for each review and is included within the Annual Plan</li> <li>✓ Plan is based on current knowledge of the system under review.</li> <li>✓ Plan allocations issued to all auditors</li> <li>✓ Time is monitored throughout the course of the audit to ensure resources are used effectively and efficiently.</li> </ul>
<del>CONFORMS</del>	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

<b>2240 Engagement Work Programme</b>			
<p>Have internal auditors developed and documented work programmes that achieve the engagement objectives?</p> <p>Do the engagement work programmes include procedures for:</p> <ul style="list-style-type: none"> <li>■ Identifying information?</li> <li>■ Analysing information?</li> <li>■ Evaluating information?</li> <li>■ Documenting information?</li> </ul> <p>Were work programmes approved prior to implementation for each engagement?</p> <p>Were any adjustments required to work programmes approved promptly?</p>			<ul style="list-style-type: none"> <li>✓ RCE produced which details all the controls to be tested during the course of the review.</li> <li>✓ All working papers are retained on the Shared Audit network drive.</li> <li>✓ Experienced / Professionally qualified auditors able to use appropriate methods to identify, analyse, evaluate and document information in order to provide assurance or otherwise in all reviews undertaken</li> <li>✓ CAE / Senior Auditor approves all RCEs prior to review commencing.</li> <li>✓ Auditors can amend work programme according to complexity and time on approval by CAE</li> </ul>
CONFORMS	<del>PARTIAL</del>	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>6.4 2300 Performing the Engagement</b>			
The questions in this section seek to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support engagement			
<b>2310 Identifying Information</b>			
<p>Do internal auditors generally identify (sufficient, reliable, relevant and useful) information which supports engagement results and conclusions?</p> <p>Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the</p>			<ul style="list-style-type: none"> <li>✓ Working papers retained on the Shared Audit network drive.</li> <li>✓ Experienced auditors able to identify sufficient, reliable, relevant and useful information in order to provide assurance or otherwise in all reviews undertaken</li> <li>✓ CAE review of working papers and report would identify any shortcomings.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2320 Analysis and Evaluation</b>			
Have internal auditors generally based their conclusions and engagement results on appropriate analyses and			<ul style="list-style-type: none"> <li>✓ Auditors follow standardized process. Each assurance rating is based upon evidence considered as part of the quality process</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Have internal auditors generally remained alert to the possibility of the following when performing their individual audits, and has this been documented:</p> <ul style="list-style-type: none"> <li>■ Intentional wrong doing?</li> <li>■ Errors and omissions?</li> <li>■ Poor value for money?</li> <li>■ Failure to comply with management policy?</li> <li>■ Conflicts of interest?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Experienced auditors who would be able to identify and document within working papers</li> <li>✓ Review of working papers and report to ensure scope and objectives of the review achieved</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2330 Documenting Information</b>			
<p>Have internal auditors documented the relevant information required to support engagement conclusions and results?</p> <p>Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?</p>			<ul style="list-style-type: none"> <li>✓ Working papers contain the relevant information (template documents and quality system)</li> <li>✓ Senior Auditor review of working papers and report would identify any shortcomings</li> <li>✓ Any shortcomings would be addressed and rectified</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<p>Does the CAE control access to engagement records?</p> <p>Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?</p> <p>Has the CAE developed and implemented retention requirements for all types of engagement records?</p>			<ul style="list-style-type: none"> <li>✓ Records held on shared network drive. Only internal audit staff have access to this drive.</li> <li>✓ Retention requirements included within the Audit Manual</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?</p>			<ul style="list-style-type: none"> <li>✓ Retention schedule developed in accordance with corporate approach</li> </ul>
<b>2340 Engagement Supervision</b>			
<p>Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?</p> <p>Is appropriate evidence of supervision documented and retained for each engagement?</p>			<ul style="list-style-type: none"> <li>✓ Ongoing discussion with auditor, file review and report clearance will identify any issues</li> <li>✓ Working papers reviewed are signed by the Senior Auditor / CAE and comments recorded on the RCE to highlight any areas of concern which must be addressed prior to the issue of the draft report.</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<b>6.5 2400 Communicating Results</b>			
<p>The questions in this section seek to confirm that internal auditors communicate the results of engagements in an</p>			
<b>2410 Criteria for Communicating</b>			
<p>Do the communications of engagement results include the following:</p> <ul style="list-style-type: none"> <li>■ The engagement's objectives?</li> <li>■ The scope of the engagement?</li> <li>■ Applicable conclusions?</li> <li>■ Recommendations and action plans, if appropriate?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Report templates used</li> <li>✓ Summary of overall findings included with controls assurance ratings</li> <li>✓ Management Action Plan</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	
<p>Do internal auditors generally discuss the contents of the draft final reports with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?</p>			<ul style="list-style-type: none"> <li>✓ Meeting with Lead Officer to discuss draft report, findings and agree management actions</li> <li>✓ Report issued to officers set out in the engagement plan</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

<p>If recommendations and an action plan have been included, are recommendations prioritised according to risk?</p> <p>If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?</p> <p>If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?</p>			<ul style="list-style-type: none"> <li>✓ Red and amber risks reviewed and actions prioritized according to the level of control</li> <li>✓ Actions prioritized by priority level with the timescale recorded on the action plan</li> <li>✓ Any alternative actions are recorded in the management action plan.</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<p>Subject to confidentiality requirements and other limitations on reporting, do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?</p>			<ul style="list-style-type: none"> <li>✓ Material facts disclosed.</li> <li>✓ Control assurance ratings based on findings of the review. If challenged, the auditee must provide evidence to support change</li> <li>✓ All Audit reports are issued to Directors and External Audit.</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Opinions should be supported by sufficient, reliable, relevant and useful information (in line with responses to questions for PSIAS 2300).</p> <p>Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?</p>			<ul style="list-style-type: none"> <li>✓ Each identified risk is awarded an assurance opinion on the RCE These support the overall assurance opinion awarded for the review</li> <li>✓ Positive assurance is included within the report</li> <li>✓ Working papers reviewed to ensure accuracy of opinion</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?</p>			<ul style="list-style-type: none"> <li>✓ Where necessary (but has not occurred)</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?</p>			<ul style="list-style-type: none"> <li>✓ CAE providing assurance to council wholly owned companies.</li> <li>✓ Reports to Board of Directors and Governance Committee set out reporting requirements</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>2420 Quality of Communications</b>			
<p>Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and timely?</p>			<ul style="list-style-type: none"> <li>✓ Report template used</li> <li>✓ Factual accuracy of report findings confirmed with auditee at draft report stage</li> <li>✓ Satisfaction survey issued after each review</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>2421 Errors and Omissions</b>			
<p>If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?</p>			<ul style="list-style-type: none"> <li>✓ This would be done where required</li> <li>✓ Meeting to discuss draft report may identify errors and omissions if applicable</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

<b><i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i></b>			
Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?			✓ Noted on the Report template
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<b>2431 Engagement Disclosure of Non-conformance</b>			
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: <ul style="list-style-type: none"> <li>■ The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?</li> <li>■ The reason(s) for non-conformance?</li> <li>■ The impact of non-conformance on the engagement and the engagement results?</li> </ul>			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
<b>2440 Disseminating Results</b>			
Has the CAE determined the circulation of audit reports within the organisation, bearing in mind confidentiality and legislative requirements?			✓ Circulation specified on Audit Engagement Plan
CONFORMS	PARTIAL	NOT CONFORMING	
Has the CAE communicated engagement results to all appropriate parties?			✓ As per each individual Audit Engagement Plan
CONFORMS	PARTIAL	NOT CONFORMING	
Before releasing engagement results to parties outside the organisation, did the CAE: <ul style="list-style-type: none"> <li>■ Assess the potential risk to the organisation?</li> <li>■ Consult with senior management and/or legal counsel as appropriate?</li> <li>■ Control dissemination by restricting the use of the results?</li> </ul>			Not applicable
CONFORMS	PARTIAL	NOT CONFORMING	
Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?			<ul style="list-style-type: none"> <li>✓ Summary of consultancy work undertaken included within Progress Report / Annual Report</li> <li>✓ Any significant issues highlighted during the consultancy engagement are raised with the lead officer during the review</li> </ul>
CONFORMS	PARTIAL	NOT CONFORMING	

Questions to consider			Evidence / comments
<b>2450 Overall Opinion</b>			
<p>Has the CAE delivered an annual internal audit opinion?</p> <p>Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?</p> <p>Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?</p> <p>Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information (having regard to the answers to questions on PSIAS 2300)?</p>			<ul style="list-style-type: none"> <li>✓ Annual Report</li> <li>✓ Results of individual reviews reported to senior managers and the Governance committee throughout the year</li> <li>✓ Overall annual opinion based on opinions of individual pieces of audit work undertaken during the year and knowledge of other sources of assurance both internal and external.</li> </ul>
<del>CONFORMS</del>	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Does the communication identify the following:</p> <ul style="list-style-type: none"> <li>■ The scope of the opinion, including the time period to which the opinion relates?</li> <li>■ Any scope limitations?</li> <li>■ The consideration of all related projects including the reliance on other assurance providers?</li> <li>■ The risk or control framework or other criteria used as a basis for the overall opinion?</li> </ul> <p>Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?</p> <p>Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?</p>			<ul style="list-style-type: none"> <li>✓ Annual Report</li> <li>✓ Where appropriate</li> <li>✓ Other assurance providers are included (highlighted within SAS as part of AGS work)</li> <li>✓ Results of audit reviews undertaken during the year</li> <li>✓ Included in summary table of each review</li> <li>✓ Opinion included within AGS</li> </ul>
<del>CONFORMS</del>	<del>PARTIAL</del>	<del>NOT CONFO</del>	
<p>Does the annual report incorporate the following:</p> <ul style="list-style-type: none"> <li>■ The annual internal audit opinion?</li> <li>■ A summary of the work that supports the opinion?</li> <li>■ A disclosure of any qualifications to the opinion?</li> <li>■ The reasons for any qualifications to the opinion?</li> <li>■ A disclosure of any impairments or restriction in scope?</li> <li>■ A comparison or work actually carried out with the work planned?</li> <li>■ A statement on conformance with the PSIAS?</li> <li>■ The results of the QAIP?</li> <li>■ Progress against any improvement plans resulting from the QAIP?</li> <li>■ A summary of the performance of the internal audit activity against its performance measures and targets?</li> <li>■ Any other issues that the CAE judges is relevant to the preparation of the governance statement?</li> </ul>			<ul style="list-style-type: none"> <li>✓ Annual report includes all required information</li> </ul>
<del>CONFORMS</del>	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	

Questions to consider			Evidence / comments
<b>6.6 2500 Monitoring Progress</b>			
<p>The questions in this section seek to confirm that a system is in place to monitor effectiveness of audit communications results to management, including appropriate follow up when no action is taken by management.</p> <p>Has the CAE established a process to monitor and follow up management actions to ensure that agreed actions have been effectively implemented or that senior management have accepted the risk of not taking action?</p>			
<p>Where issues have arisen during the follow-up process (for example, where agreed actions have not been implemented), has the CAE considered revising the internal audit opinion?</p> <p>Do the results of monitoring management actions inform the risk-based planning of future audit work?</p>			<ul style="list-style-type: none"> <li>✓ Comprehensive monitoring system introduced in 21/22.</li> <li>✓ Progress against implementation of actions reported to CGG and Governance Committee</li> <li>✓ Implementation of actions considered as part of the audit planning process</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<p>Does the internal audit activity monitor the results of consulting engagements as agreed with the client?</p>			<ul style="list-style-type: none"> <li>✓ As per any other engagement</li> </ul>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	
<b>6.7 2600 Communicating the Acceptance of Risks</b>			
<p>This section considers the arrangements which apply if the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation.</p> <p>Situations of this kind are expected to be rare. PSIAS 2600 sets out communication requirements for the CAE. It is not the responsibility of the CAE to resolve the risk.</p>			
<p>If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?</p> <p>If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?</p>			<p>Has not occurred but if it did, the matter would be reported to Senior Management</p> <p>This has not occurred but if it did, the matter would be reported to Governance committee</p>
CONFORMS	<del>PARTIAL</del>	<del>NOT CONFORMING</del>	



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## Public Sector Internal Audit Standards Self-Assessment Action Plan

May 2021 / May 2022

Ref	Action	Responsible Officer	Date	Status
1	Update of Internal Audit Manual and associated procedures to ensure they meet the current operational requirements.	Service Lead Audit and Risk / Senior Auditor	September 2021	Complete. Internal Audit Manual and associated procedures updated as part of the ISO 9001 certification for its Quality Assurance System re-accreditation.
2	Ensure that the PSIAS / LGAN self assessment is undertaken annually and reported to senior management and the Governance Committee.	Service Lead Audit and Risk	May 2022	Complete. Self assessment undertaken on an annual basis and presented to Governance Committee in May 21 and May 22. This will continue in future years with the external assessment due to be undertaken in early 2023.
3	Ensure the results of the QAIP are reported annually to both senior management and the Governance Committee	Service Lead Audit and Risk	May 2022	Complete – as above
4	Undertake a review of the Council's arrangements against the CIPFA Code of Practice on Managing the risk of fraud and corruption and Fighting Fraud and Corruption Locally	Service Lead Audit and Risk	November 2021.  July 22	In progress. The review has been undertaken an action plan is being developed.  <b>Action to be carried forward. Action plan to be fully developed by July 22.</b>
5	Implement a system to ensure all agreed management actions are routinely followed up	Service Lead Audit and Risk	May 2021	Complete. A comprehensive monitoring system has been implemented with Directors received monthly reports.  Percentage rates of implementation of management

				action rates as a KPI reported to Corporate Governance Group and Governance Committee.
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Report of	Meeting	Date
Director (Governance)	Governance Committee	Wednesday, 1 June 2022

## Draft Annual Governance Statement

Is this report confidential?	No
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Is this decision key?	Not applicable
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### Purpose of the Report

- To present the Annual Governance Statement for the period 2021/22.

### Recommendations

- That the Annual Governance Statement be approved as a correct statement of the Councils governance environment and be recommended to the Leader and Chief Executive for signature.

### Reasons for recommendations

- The Annual Governance Statement has been prepared in accordance with CIPFA/SOLACE Guidance and has drawn from evidence sources identified in the statement to reach its conclusions.

### Other options considered and rejected

- The Council are legally obliged to prepare an Annual Governance Statement.

### Corporate outcomes

- The report relates to the following corporate priorities:

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

### Background to the report

- The council is required to ensure that it has in place a sound system of governance, that it regularly reviews the effectiveness of that system and the it continuously seeks

to achieve best value in service delivery. As part of that, the council is required to publish an Annual Governance Statement (AGS).

7. The Annual Governance Statement is developed alongside the Statement of Accounts but assesses the governance framework for the whole council and all of its activities. The form of the AGS and the approach taken to its development is based on guidance that is produced by CIPFA and SOLACE.
8. The guidance from CIPFA and SOLACE sets out that councils are obliged to
  - Develop and maintain an up to date local code of governance consistent with the 'core principles' set out in the framework
  - Review their existing governance arrangements against the framework
  - Prepare a governance statement in order to report publicly on the extent to which the council complies with its own code on an annual basis including how it monitored the effectiveness of its governance arrangements in the year and on any planned changes in the coming period
9. The Annual Governance Statement is required to be signed by the most senior officer (normally the Chief Executive) and the most senior member (normally the Leader), but it is developed and owned collectively by senior officers and members.
10. The guidance states that there should be a review undertaken by a body, such as the Governance Committee, that has not been involved in the production of the AGS.
11. The statement has five sections:
  - Section one: introduction
  - Section two: the council's responsibility in producing an annual governance statement and the purpose of the annual governance statement
  - Section three: the governance framework, and how the council complies with its local code
  - Section four: how the council reviews the effectiveness of the governance framework
  - Section five: the steps that have been taken to test and enhance the council's governance framework, and the actions that need to be taken in the coming period.
12. This report provides an overview of the key elements of the AGS, with the full AGS attached at appendix A.
13. The AGS reflects that the Local Code of Corporate Governance was refreshed in March this year, and to reflect feedback from members on the length of the document the code has been hyperlinked rather than reproduced in the body of the statement. Members will note at section 4 of the report the Service Lead for Audit and Risk. Section 5 of the report details identified governance improvements.

## **Risk**

14. The risks identified within the AGS (the areas of the governance environment that require strengthening) will be managed by the Corporate Governance Group who will monitor the implementation of the improvements using the GRACE system.

**Climate change and air quality**

- 15. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

**Equality and Diversity**

- 16. Not applicable

**Comments of the Statutory Finance Officer**

- 17. No comments.

**Comments of the Monitoring Officer**

- 18. Contained in the body of the report.

There are no background papers to this report

**Appendices**

*Appendix A – Annual Governance Statement 2021/22 (draft)*

Report Author:	Email:	Telephone:	Date:
Chris Moister (Director of Governance/Monitoring Officer)	chris.moister@chorley.gov.uk	01257 515160	

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**CHORLEY COUNCIL****ANNUAL GOVERNANCE STATEMENT****1. Scope of responsibility**

The residents of the Borough of Chorley expect the Council to conduct our business in a lawful and transparent way. In particular the Council have a duty to safeguard public money and account for it in an economic, efficient and effective way.

We have a continuing duty to review and improve how we discharge our functions focussing on the priorities of economy, efficiency and effectiveness.

To do this, the Council have put in place arrangements for the governance of its affairs. These arrangements assess the effectiveness of the exercise of its functions, and consider how well we manage risk.

We have approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

**2. The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which control and direct the Council. It provides how we account to, engage with and lead the community. It enables us to monitor the achievement of our strategic objectives and to consider whether our objectives have led to the delivery of appropriate, cost effective services for that community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. This enables us to manage risk efficiently, effectively and economically.

The governance framework has been in place at Chorley Council for the year ended 31 March 2022 and up to the date of approval of the annual report and statement of accounts.

**3. The governance framework**

Our Governance Framework is based on the CIPFA/SOLACE Framework<sup>1</sup>. It promotes and demonstrates our commitment to the principles of good governance and incorporates the council's values that emphasise how we do things at South Ribble Borough Council. It is important to note that a robust governance framework only has value if it is complied with and contains sufficient controls to ensure this.

The adopted Local Code of Corporate Governance incorporates and demonstrates how the 7 principles detailed by the CIPFA/SOLACE Framework, and set out below, are complied with.

Good governance means:-

- behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

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<sup>1</sup> The CIPFA / SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers) framework "Delivering Good Governance in Local Government".

- ensuring openness and comprehensive stakeholder engagement
- defining outcomes in terms of sustainable economic, social and environmental benefits
- determining the interventions necessary to optimise the achievement of the intended outcomes
- developing the council's capacity, including the capability of its leadership and the individuals within it
- managing risks and performance through robust internal control and strong public financial management
- implementing good practices in transparency, reporting, and audit to deliver effective accountability

Our Local Code was reviewed and updated this year and approved by Governance Committee on 16 March 2022.

### **Impact of Covid on the Council's governance arrangements**

Covid continued to impact on the delivery of council business in the year 21/22 however the changes implemented in the previous year had become more embedded and there were no new changes to the governance environment required in that time.

### **4. Review of effectiveness**

Chorley Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework:

### **Corporate Governance Group / Officer arrangements**

In developing this Annual Governance Statement, the council's senior officers have worked collectively to understand and assess the effectiveness of the implementation of the council's governance framework. This work has been overseen by a Corporate Governance Group comprising:

- Chief Executive
- Deputy Chief Executive
- Director of Governance (Monitoring Officer)
- Director of Finance S151 Officer
- Shared Service Lead (Transformation and Partnerships)
- Shared Service Lead Audit and Risk

The Corporate Governance Group (CGG) have worked with the council's Senior Management Team who have individually produced and collectively reviewed service assurance statements which assess compliance with and understanding of the council's governance framework. This assessment has supported the production of this document.

It is also important to note the ongoing role that a council's senior officers have in ensuring that good governance is enacted in the working of the organisation.

A terms of reference for the CGG have been developed which will further enhance the governance monitoring and reporting arrangements.

### **Management Team / Leadership Team**

In this period the Council progressed the shared services agenda with South Ribble Council and all director posts are now shared across both authorities and a number of new shared service lead posts have been appointed to. In addition a new Director of Change and Delivery post has been established to assist in strategic delivery.

The council's Senior Management Team is made up of the Chief Executive, Deputy Chief Executive and Directors, as well as the Shared Service Lead for Communications and Visitor Economy who attends as an observer. The team meets weekly. They consider the strategic direction of the council, supporting effective organisational management and support for the delivery of the council's agreed priorities. In addition, the senior management team meet on a quarterly basis as a programme board to consider the progress made in delivering the council's corporate plan, address any issues and manage risk.

A shared Senior Leadership Team has also been established. This meets monthly and its membership includes all Assistant Directors and Service Leads in addition to the SMT members. This meeting focusses on overseeing internal communications, organisational development and transformation. In addition, the meeting receives reports on service performance and HR issues.

### **Programme Board**

A corporate programme board meets quarterly to review and monitor the performance of the Corporate Strategy projects and performance measures ahead of reporting to Cabinet. The board is made up of the Senior Management Team as those accountable for overall programme delivery and ensuring compliance with the Performance Management Framework. The board receive an update report highlighting issues, concerns and risks by exception. The board will discuss issues and identify solutions before cascading directions back to project managers and teams.

### **Monitoring Officer**

As the Council's Monitoring Officer, the Director of Governance has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Monitoring Officer will report and recommend to Council any proposed amendment to the Constitution, which falls outside the Monitoring Officers delegated powers, for adoption.

### **Scrutiny Committee**

The Council has an Overview and Scrutiny Committee which can challenge a decision which has been made by the Executive Cabinet or a statutory committee but not yet implemented, to enable them to consider whether the decision is appropriate.

### **Governance Committee**

The Council has appointed a Governance Committee whose terms of reference comply with the CIPFA guidelines. These extend to monitoring the Council's governance, risk management and internal control framework and include reviewing the adequacy of the governance framework.

### **Standards Sub-Committee**

The Council has appointed a Standards Sub-Committee of the Governance Committee whose terms of reference comply with the prevailing national guidance on standards and codes of conduct for members.

### **Internal Audit**

Strong Internal Audit and Risk Management disciplines are embedded and the Shared Audit and Risk Service maintains excellent working relationships with Senior Management, the Governance Committee and the Council's External Auditors to provide an integrated approach to the provision of assurance within the Council.

The Public Sector Internal Audit Standards require the Head of Audit to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance.

The Annual Internal Audit report contains the following opinion from the Head of Internal Audit:

Based on the work undertaken and evidence available to Internal Audit including other sources of assurance, it is considered that the overall adequacy and effectiveness of the Council's governance, risk management and control processes are **adequate**

Due to the expansion of shared services, the Council has strengthened its governance and risk management arrangements. The past 12-18 months have seen the introduction or the improvement of a range of corporate processes to provide a robust governance framework. The Council must now work to ensure that the processes are fully embraced across the whole authority so that the governance framework becomes fully embedded in all Council activities.

### **External Audit**

The Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Authority, the executive, Governance Committee, Overview and Scrutiny Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**5. Identified Governance Issues**

In the previous year the following themes were identified as requiring action and improvement:

Table A

Themes	Improvement Required	
Induction/Recruitment	<p>To ensure all new employees receive a comprehensive induction covering all core areas, the corporate induction will be updated to include welcome videos from the senior management, introduction to the borough and mandatory training covering core policies and health and safety.</p> <p>Continued focus on HR System transformation is required to ensure a robust administrative process is operational and suitable controls are in place for all aspects of Human Resources and Organisational Development</p>	Complete
Corporate Information Source for Officers (The Loop)	<p>To improve the user experience for employees and ensure essential information is easy to access. The following improvements to The Loop should be considered:</p> <ul style="list-style-type: none"> <li>• Defined area on The Loop for all core policies.</li> <li>• Service areas to review information they have published on the Loop and to remove outdated material.</li> <li>• Create a manager zone within The Loop to ensure all essential guidance and resources for managerial responsibilities are easily sourced.</li> </ul>	Substantially complete
Risk Management	<p>Ensure risk management is embedded throughout the organisation and within all Council activities.</p>	Ongoing
GDPR - RoPA	<p>A full review will be undertaken to ensure that the register is up to date with data responsibilities correctly defined, and continue to monitor and expedite the outstanding data disposal actions to ensure they are implemented imminently.</p>	Carried forward
Key Corporate Policies	<p>Adopt a standardised version control format for all policies and strategies.</p> <p>Review and update key policies and strategies and ensure that the latest version is available on The Loop and the Council's website where appropriate.</p>	Carried forward

Value for Money	Adopt an organisation wide Transformation Strategy & Programme incorporating a value for money elements to deliver efficient services through service reviews and shared services.	Complete
Inventories	Directors will ensure that inventories are compiled and maintained in accordance with the Councils guidance notes for service unit fixed assets registers.	Complete
Transparency Act	Publish up to date information and include all mandatory criteria.	Complete

The Council have identified the following improvements which will strengthen our corporate governance arrangements:

Table B

Theme	Areas for improvement	Suggested improvement
Process/ System	Failure to identify, monitor and report of fraud risks facing the Authority	To develop the Council’s approach to fraud following the assessment of the Council’s arrangements against Fighting Fraud and Corruption Locally 2020-2025
	Failure to have a system in place to ensure key corporate policies are regularly reviewed, version controlled and remain up to date and accurate.	Devise and implement a corporate process to ensure all staff revisit key policies so a good level of awareness is maintained across the organisation
	Contract Management System	Directors to ensure all contracts are entered onto the corporate CMS in a timely fashion including current “live” contracts.
	Risk Management	A range of reports to be developed to allow Directors to challenge data held with GRACE including partnership, project and operational risks.
	Cyber Security, use of ICT equipment and system access	Once approved, awareness of the contents of the Shared Information Security Framework should be raised using all communication methods.  A programme of Cyber security training sessions should be developed and delivered to highlight to all officers and members the risks faced by the

		council.  Align where appropriate all IT forms and processes across the shared council environment.
Staff development	Equality	Once approved, the refreshed equality framework should be rolled out including training and updating of EIAs on website
	Organisational Development  OD Strategy to be developed (May 22) Mandatory training modules to be completed in full	OD to ensure monitoring reports are issued to Directors on a regular basis. This is to include monitoring of compliance with new HR policies and processes.  All Directors to ensure all mandatory training is completed within the agreed timescales.
Corporate	Constitution	Constitution to be reviewed and updated where applicable.
	Business continuity	To put forward a business case for the future management of business continuity to standardize and align process across the two authorities.  To establish a forward plan of testing to ensure plans are robust, encompass all council activity and are fit for purpose.
	GDPR	Review data use and retention policies and compliance with RoPA and data destruction policies.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Cllr. A. Bradley**  
Leader of the Council

**G Hall**  
Chief Executive  
& Section 151 Officer



## Governance Committee Work Programme 2022/23

### 1 June 2022

Report	Officer
External Audit Progress Report	External Auditor
External Audit Plan 2021-22	External Auditor
Management Response to External Audit Planning Enquiries	Steve Kenyon
Charities and Trust Funds 2021/22	Martin Fisher
Internal Audit Annual Report 21-22	Dawn Highton
Review of the effectiveness of Internal Audit	Dawn Highton
Draft Annual Governance Statement	Chris Moister

### 3 August 2022

Report	Officer

### 23 November 2022

Report	Officer
Internal Audit Plan October - March	Dawn Highton
Annual review of probity policies	Dawn Highton
Audit and Risk Interim Report	Dawn Highton
Governance Committee effectiveness review	Dawn Highton

### 18 January 2023

Report	Officer
Audit and Risk Interim Report	Dawn Highton

### 15 March 2023

Report	Officer
Internal Audit Plan April – September	Dawn Highton