

Governance Committee

Wednesday, 18th January 2023, 2.30 pm
Council Chamber, Town Hall, Chorley and YouTube

Agenda

Apologies

- | | | |
|---|--|-----------------|
| 1 | Minutes of meeting Wednesday, 23 November 2022 of Governance Committee | (Pages 3 - 8) |
| 2 | Declarations of Any Interests

Members are reminded of their responsibility to declare any pecuniary interest in respect of matters contained in this agenda.

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 | External Audit Findings Report

To receive and consider the report of the External Auditors, Grant Thornton. | (Pages 9 - 48) |
| 4 | Annual Governance Statement Management Actions Update

To receive and consider the report of the Director of Governance. | (Pages 49 - 52) |
| 5 | RIPA Application Update

The Monitoring Officer will present a verbal report at the meeting. | |
| 6 | Work Programme

To receive and consider the work programme for the Committee. | (Pages 53 - 54) |

7 Exclusion of the Public and Press

To consider the exclusion of the press and public for the following items of business on the ground that it involves the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972.

By Virtue of Paragraph 1: Information relating to any individual.

Condition:

Information is exempt to the extent that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Information is not exempt if it relates to proposed development for which the local planning authority may grant itself planning permission pursuant to Regulation 3 of the Town & Country Planning General Regulations 1992(a).

8 Audit and Risk Interim Report as at 31st December 2022

(Pages 55 -
110)

To receive and consider the report of the Head of Audit and Risk.

9 Any urgent business previously agreed with the Chair

Chris Sinnott
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 and Neville Whitham.

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Minutes of Governance Committee

Meeting date Wednesday, 23 November 2022

Members present: Councillor Mark Clifford (Chair) and Councillors Sam Chapman, Gordon France, Margaret France, Michelle Le Marinel, Dedrah Moss and Neville Whitham

Officers: Louise Mattinson (Director of Finance), Neil Halton (Principal Management Accountant), Hanne Birchall (Senior Financial Accountant), Chris Moister (Director of Governance), Dawn Highton (Head of Audit and Risk), Jacqui Murray (Senior Auditor) and Nina Neisser (Democratic and Member Services Officer)

Apologies: Councillor Debra Platt

Other Members: Georgia Jones (Grant Thornton UK LLP), Peter Ripley (Independent Person) and Charlotte Fitch (Independent Person)

22.G.23 Minutes of meeting Wednesday, 3 August 2022 of Governance Committee

Resolved – That the minutes of the Governance Committee meeting held on 3 August 2022 be confirmed as a correct record for signature by the Chair.

22.G.24 Declarations of Any Interests

There were no declarations of any interests.

22.G.25 External Audit Plan - Addendum

Georgia Jones, Grant Thornton presented the report of the External Auditor which provides an addendum to the External Audit Plan issued in June 2022.

Members were reminded that when the original External Audit Plan for 2021/22 was issued in June 2022, it had not been confirmed whether the council needed to also prepare group accounts. Following this, discussions with the council confirmed that group accounts were required, and they have since been received. Confirmation of this is provided in the addendum as well as setting out related risks.

The Committee noted that the group audit was going to take place at the same time as the financial statements audit. Potential risks for the council haven't changed from the original audit plan, but the risks from the group audit were outlined in the report.

Resolved - That the report be noted.

22.G.26 External Audit Findings Report

Georgia Jones, Grant Thornton presented the report of the External Auditor which summarises the key findings and other matters arising from the statutory audit of Chorley Borough Council and the preparation of the group and Council's financial statements for the year ended 31 March 2022.

The Committee were advised that the audit of the council's financial statements was ongoing and was substantially complete. At the time of writing the report there were numerous areas of work outstanding but these had since been resolved. Grant Thornton anticipated giving an unqualified report and anticipated meeting the deadline of 30 November. The Value for Money work would be completed in the three months after the audited opinion.

Members were advised of the main adjustments made to the Statement of Accounts from the version published on 12 August 2022. Three further adjustments have been identified for consideration. These adjustments would be amended in the final Statement of Accounts.

Resolved – That the report be noted.

22.G.27 Statement of Accounts 2021/22

Louise Mattinson, Director of Finance presented the report which presents the audited Statement of Accounts for 2021/22 for approval, subject to the final pieces of work to be undertaken by Grant Thornton.

Members were advised that if any material adjustments were identified between now and the conclusion of the sign off, then the Governance Committee would need to reconvene to approve the accounts. Since the publication of the Statement of Accounts work has continued and three adjustments have been identified for consideration as follows;

1. **Land and buildings valuation (in relation to Whittle GP Surgery)** – The valuation of land and buildings produced a differing value in the accounts and the valuation by £82k. This has not been adjusted as it is considered minor in nature and immaterial. This unadjusted misstatement will be amended in the Letter of Representation which is provided to the Committee for signature by the Director of Finance and the Chair of the Governance Committee, as well as the final version of the Audit Findings Report from Grant Thornton.
2. **Heritage assets (in relation to Astley Hall)** – there was an insurance valuation of £2.9m but the Council also undertook a professional valuation. The Code of Practice allows the authority to value those assets by any method considered appropriate and relevant. Grant Thornton are content with the council's approach of using the professional valuation. This creates a slight variation between the carrying value of assets in the Statutory Accounts and the professional valuation of £642k, therefore the figures in the accounts need uplifting by £642k. The council proposes to include this adjustment in the Statement of Accounts.
3. **Plant at leisure centres** – double counting of some plant at one of the leisure centres has led to the need to adjust an overstatement in the accounts to the value of £2.2m. Although this is not a significant change (more about the

presentation of the figures in the accounts), it is considered a material adjustment and therefore the council proposes to include this adjustment.

The recommendations remained to approve the audited Statement of Accounts subject to the amendments above; two are considered material and therefore will be adjusted and one has not been actioned in the accounts as it is not material to the accounts.

The Committee noted a rounding error in the draft Statement of Accounts which would be amended in the final version. Members also discussed the lease in relation to Logistics House.

Resolved -

- 1. To approve the audited Statement of Accounts for 2021/22 (Appendix A), subject to any amendments which, in the opinion of the Director of Finance (Section 151 Officer), are minor in nature, i.e. defined as non-material to the financial position of the council;**
- 2. To delegate authority to the Director of Finance, in consultation with the Chair of Governance Committee, to make such amendments;**
- 3. If the Director of Finance is of the opinion that any such amendments are material to the financial position of the council, to reconvene the Governance Committee to approve the new Statement of Accounts;**
- 4. To authorise the Director of Finance and Chair of Governance Committee to sign the Letter of Representation (Appendix B);**
- 5. To approve the two additional amendments to the accounts in relation to heritage assets and plant at the leisure centres.**

22.G.28 Treasury Management Mid Year Review 2022/23

Louise Mattinson, Director of Finance presented the report which outlines Treasury Management performance and compliance with Prudential Indicators for the period ended 30th September 2022 and presents monitoring figures for the quarter ended 30th September 2022, including updated interest rate forecasts from Link Asset Services.

At its meeting on 22 February 2022, Council approved the Treasury Management Policy Statement; Prudential Indicators; Investment Strategy; and the Annual Minimum Revenue Provision (MRP) Policy for 2022/23. The Treasury Management Annual Report for 2021/22 was presented to Governance Committee on 3rd August 2022. The Code of Practice for Treasury Management requires all Councils to review their treasury strategies and activities half yearly. This report satisfies that requirement.

Members noted that the latest forecasts show PWLB borrowing rates peaking December 2022 - March 2023 then gradually reducing, however the volatility of world and domestic markets must be stressed. Based on these projections, Members recognised that it was worth waiting to borrow rather than borrowing now. The council were monitoring and managing the cash balances to ensure they are maximised before seeking to borrow.

Members noted that the Council has;

- remained within its Prudential Indicators;
- adhered to its approved Counterparty Limits;

- not entered into any further borrowing; however further borrowing is likely to fund the approved Capital Programme;
- retained its “under borrowed” position;
- has achieved an increased investment yield of 0.82%

Resolved - That the report be noted.

22.G.29 Internal Audit Plan October 22 - March 23

Dawn Highton, Head of Audit and Risk presented the report which sets out the programme of work to be undertaken by the Internal Audit Service for the period between October 22 to March 23.

The Internal Audit Plan will be completed largely by the in-house team with external support procured for specialist ICT reviews and additional capacity provided by some temporary resource. The council has also recently successfully appointed to the post of Audit Trainee and this post is included in the resource allocation.

Successful delivery of the two combined six-month Plans will mean that Internal Audit will have delivered, in total 316 audit days to Chorley Council and 105 days to Chorley Leisure Limited, resulting in 21 audit assurance ratings. This is considered to be sufficient coverage in order to be able to provide the Governance Committee with an annual opinion on the overall adequacy and effectiveness of the organisation’s governance, risk management and control processes as required by the Public Sector Internal Audit Standards.

Members noted the adjustments to the risk assessments following a review in August 2022 but recognised the internal audit plan was not affected by this due to the plans being developed on a six-monthly basis rather than annually.

Resolved - That the Committee approve the Internal Audit Plan.

22.G.30 Internal Audit Interim Report as at 30th September 2022

Jacqui Murray, Senior Auditor presented the report which advises members of the work undertaken in respect of the Internal Audit Plan from April 2022 to September 2022 and to give an appraisal of the Internal Audit Service’s performance to date. The plan provides for 135 days of audit work.

The work undertaken this year was mostly complete, however there were some residual pieces of work still outstanding. It was anticipated that the report would be issued imminently and reported to the Governance Committee in January.

Members noted that the majority of the indicators were either above target or slightly below as at the end of September with only the percentage of agreed actions implemented by management for CBC and Shared Services being lower than the agreed target.

Internal Audit have reviewed the outstanding actions and have concluded that many of these are currently in progress but are not at the stage of being fully implemented. Many of these actions are heavily reliant on IT and it is hoped that as the IT improvements progress the outstanding actions can be implemented in the coming months.

Internal Audit have recently successfully recruited to an Audit Trainee post. Access to formal qualifications, alongside structured mentoring/in-service training will mean that there is an established plan to develop this individual into a fully-fledged Auditor role who is able to work independently and subsequently add value to both the Service and the organisation.

Resolved - That the report be noted.

22.G.31 RIPA Application Update

Chris Moister, Monitoring Officer reported that no RIPA applications had been made.

22.G.32 Work Programme

The Committee considered the work programme for 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

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The Audit Findings for Chorley Borough Council

Year ended 31 March 2022

January 2023



Contents



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

Georgia Jones

Name : Georgia Jones

For Grant Thornton UK LLP

Date January 2023

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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Chorley Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

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

- The group and Council's financial statements give a true and fair view of the financial position of the group and Council and [the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Our audit work was completed on site/remotely during August to November. Our findings are summarised on pages 7 to 21. We have identified 2 adjustments to the financial statements that have resulted in a £0m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is now complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters;

- Review of the final version of the financial statements
- Managements consideration of events after the reporting period
- Receipt of management representation letter;

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by February 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our work on this is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in February 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the component of the group based on a measure of materiality considering each as a percentage of the Council's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you in June 2022, to reflect the requirement of the Council to prepare group accounts.

Conclusion

We have substantially completed our audit of your financial statements and subject to the items listed on page 3 being resolved, we anticipate issuing an unqualified audit opinion following the Governance Committee meeting on 23 November 2022, as detailed in Appendix E.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality benchmark levels remain the same as reported in our audit plan in June 2022. However on receipt of the draft financial statements the materiality figure was recalculated using those benchmarks, This was to appropriately reflect the increase in Council expenditure in 2021/22. Materiality at the planning stage was £966k. We have also now assessed group materiality given the Council is required to prepare group accounts.

We detail in the table aside our determination of materiality for Chorley Borough Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,159,000	1,158,000	We have used planning materiality which equates to around 1.9% of your gross operating expenditure for 2021/22. This is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	868,000	868,000	Assessed as 75% of financial statements materiality and based on our knowledge of the Authority and consideration of previous audit findings and adjustments.
Trivial matters	57,900	57,900	Assessed as 5% of financial statements materiality
Materiality for senior officer remuneration	N/A	20,000	The senior officer remuneration disclosures has been identified as an area operating specific materiality due to the sensitive nature of disclosures in this area. This has been assessed as £20k.



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan

Commentary

Management override of controls

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. .

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.

We note that there are previous examples, as highlighted by Internal Audit, where management may have over-riden controls relating to procurement and the appointment of officers.

We have also previously identified weak controls around authorisation of journal postings.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

We have not identified any changes to accounting policies or the estimation process.

Our work in this area is complete and we have not identified any issues in respect of management override of controls.

Our testing of journals identified that there are no automated controls on the Civica finance system to prevent members of staff approving their own journals and there are no limits on authorisation of journals. We have reported a recommendation in Appendix A.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition

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.

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:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Chorley Borough Council mean that all forms of fraud are seen as unacceptable

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Mersey Fire and Rescue, mean that all forms of fraud are seen as unacceptable.

Therefore and as reported in our Audit Plan, we do not consider this to be a significant risk. Whilst not a significant risk, we have performed audit procedures and testing of material revenue items.

Our testing in this area is completed and our procedures to sample test income have not identified any matters to report to date and have not identified any matters that would lead to a change in our risk assessment.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

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

The pension fund net liability of £43.978m (£56,444m in 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.

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.

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

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

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

We have:

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

This work is complete and we have not identified any material issues in respect of the valuation of the Council's pension fund net liability.

We identified a misclassification between actuarial gains and losses in demographic and financial assumptions in the pensions disclosures notes however, this has not resulted in a misstatement of the net liability.

We requested management add an additional disclosure of the Deed of Guarantee in respect of the Chorley Leisure Ltd pension liability which was signed in October 2022. This is a non-adjusting post-balance sheet event.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Land and Buildings and Investment Properties

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation of £95.544m (£84.052m in 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.

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.

Investment Properties: All investment properties should be valued and reported at fair value under relevant accounting principles. Again, this valuation of £32.783m (£32.783m in 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.

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.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- 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.
- Reviewed management's assessment of the risk of impairment of Assets Under Construction

We identified that the Council had not commissioned a full valuation of the Whittle GP Surgery as required by the CIPFA code when a land and building asset is brought into use. This valuation has now been obtained.

Our work in this area is complete and we have not identified any issues in respect of valuation of land and buildings and investment properties. However, we have identified some misstatements in the accounting for the revaluation of Whittle GP Surgery which is included on page 31 as an unadjusted misstatement and All Seasons Leisure centre which has been adjusted – see page 29 for details.

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

Component	Component auditor	Findings	Group audit impact
Chorley Borough Council	Grant Thornton	<p>The Group accounts were provided for audit on 21 October 2022</p> <p>We reviewed the Council’s procedures and consolidation calculations for the consolidation of Chorley Leisure Ltd with the Council’s accounts. No issues were identified.</p> <ul style="list-style-type: none"> We have obtained sufficient assurances over any material balances and transactions outside the group boundary. We completed a review of the group consolidation process and there are no issues identified that need reporting to the Governance Committee. 	<ul style="list-style-type: none"> Our group audit work is now completed and we have not identified any issues to report as a result of our findings. We are satisfied that the Group accounts after taking account intercompany transactions, are not materially misstated.
Chorley Leisure Ltd	Not applicable	<p>Risks identified as per our audit plan addendum were:</p> <ul style="list-style-type: none"> Management override of controls Valuation of Pension Fund Liability <ul style="list-style-type: none"> We have completed a review of the group consolidation process and there are no issues identified that need reporting to the Audit Committee. We have substantively tested a sample of the income and expenditure transactions in the leisure company <p>Our work in this area is ongoing, pending completion of the income and expenditure testing</p>	Our work is completed. We have no findings to report.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £95.544m</p> <p>Investment Properties – £32.783m</p>	<p>Other land and buildings includes specialised assets such as leisure centres which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Lea Hough & Co to complete the valuation of properties as at 31 March 2022 on a five yearly cyclical basis. 63% of total assets were revalued during 2021/22.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2022. This has been supported by a desktop review of assets by Lea Hough & Co. Management identified material changes to the valuation of properties. Where applicable, the identified assets were subject to a full revaluation.</p>	<p>We have</p> <ul style="list-style-type: none"> undertaken an assessment of management's experts reviewed the completeness and accuracy of the underlying information used to determine the estimate reviewed the impact of any changes to valuation method checked the consistency of estimate against near neighbours agreed the reasonableness of the increase/decrease in estimate reviewed the adequacy of disclosure of estimate in the financial statements. <p>The valuation method remains consistent with the prior year.</p> <p>The Valuer has prepared their valuations in accordance with RICS Valuation – Global Standards.</p> <p>Our work in this area is completed and we have not identified any issues in respect of valuation of land and buildings and investment properties</p> <p>We expected to obtain sufficient and appropriate audit assurance to conclude that:</p> <ul style="list-style-type: none"> the basis of the valuation of land and buildings and investment properties is appropriate the assumptions and processes used by management in determining the estimate of valuation of property are reasonable. the valuation of land and buildings disclosed in the financial statements is reasonable. management's approach to this significant estimate is appropriate management's assessment of assets not revalued is reasonable 	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £43.978m

The Council's [total] net pension liability at 31 March 2022 is £43.978m comprising the Lancashire Pension Fund Local Government Scheme and £3.128m of unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

We have:

- Undertaken an assessment of management's expert
- Assessment of actuary's approach taken, detail work undertaken to confirm reasonableness of approach
- Use of PwC as auditors expert to assess actuary and assumptions made by actuary

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.8%	2.7-2.8%	●
Pension increase rate	3.5%	3.0-3.5%	●
Salary growth	4.9%	4.3-5.0%	●
Life expectancy – Males currently aged 45 / 65	23.7 / 22.3	22.2-24.8 / 20.7-23.3	●
Life expectancy – Females currently aged 45 / 65	26.8 / 25	25.7-27.5 / 23.8-25.5	●

We have also reviewed:

- the completeness and accuracy of the underlying information used to determine the estimate
- Impact of any changes to valuation method
- Reasonableness of the Authority's share of LPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements

We have also obtained assurances from the auditor of the Local Government Pension scheme in order to conclude our work in this area.

Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for {NNDR appeals} - £1.303m	<p>The Council are responsible for repaying a proportion of successful rateable value appeals. Chorley's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) for the 2010 listing and previous success rates.</p> <p>Whilst earlier outstanding appeals have fallen, the Council has included an estimate for appeals in from 2017-18 to 2021-22 of approximately 4.0 per cent. The provision has increased £0.095m from 31 March 2021.</p>	<p>We have:</p> <ul style="list-style-type: none"> reviewed the appropriateness of the underlying information used to determine the estimate reviewed the impact of any changes to valuation method checked the consistency of estimate against industry practice agreed the reasonableness of the increase in estimate reviewed the adequacy of disclosure of estimate in the financial statements. <p>Our work in this area is completed and we have not identified any findings to report.</p>	Light Purple
Heritage assets - £2.530m	<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>During 2021-22 further capital expenditure of £0.864m has been incurred and this has been recognised in the Property, Plant and Equipment Assets Under Construction.</p>	<p>At 31 March 2022, the restoration works were substantially complete. Astley Hall reopened to the public in May 2022. The £0.864m additions to Astley Hall has been adjusted to be included in the Heritage Assets.</p> <p>As the restoration works have been completed and the asset is in use in 2022-23, the current valuation basis will no longer be appropriate.</p> <p>We have previously recommended that the Council reviews the basis of valuation for Astley Hall going forward to ensure the value is not materially misstated.</p> <p>See Appendix B for this recommendation.</p> <p>Additionally, the value of Astley Hall contents has been adjusted to reflect the updated insurance valuation obtained.</p>	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £46.028m	<p>The Council receives a number of grants and contributions and must determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income.</p> <p>The Council is acting as the principal and credited the following grants, to the Comprehensive Income and Expenditure Statement:</p> <ul style="list-style-type: none"> • Covid-19 funding • Benefits related grants • Business rates reliefs • Developer contributions <p>The Council is acting as an agent and does not recognise grant income in respect of £6.959m of Covid-19 funding to support local businesses.</p> <p>The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.</p>	<p>Our audit work included consideration of:</p> <ul style="list-style-type: none"> • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • Completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • Impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. • Adequacy of disclosure of judgement in the financial statements <p>Our work in this area is complete and we have not identified any findings to report. We have completed our procedures on the grant funding where the Council is acting as an agent. We have not identified any issues to report.</p>	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £5.623m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The Council's policy for MRP for pre 2008 borrowing is a charge at the rate of 4% in accordance with the Regulatory Method.</p> <p>In the case of all capital spend finance by Prudential Borrowing; this is subject to MRP under the Asset Life Method – equal instalments charged over the estimated useful life of the asset. MRP is based on the estimated life of the assets, in accordance with the regulations.</p> <p>The year end MRP charge was £5.623m, a net increase of £3.910m from 2020/21.</p>	<p>We have examined:</p> <ul style="list-style-type: none"> whether the MRP has been calculated in line with the statutory guidance whether the Council's policy on MRP complies with statutory guidance. Assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council Reasonableness of the increase/decrease in MRP charge <p>At 31 March 2022, the Council's MRP was £5.623m. At 31 March 2021 the MRP was £1.713m. The MRP represents 5.72% of the Council's overall Capital Financing Requirement. This has increased from 1.92% at 31 March 2021.</p> <p>Government have consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. Government will issue a full response to the consultation in due course.</p> <p>Our review identified inconsistencies in the presentation of capital adjustments to apply S106 contributions to capital financing. The Council has reclassified capital contributions to revenue and provide for additional MRP of £4.188m. However, this is not compliant with the CIPFA code as the contributions have been previously recognised as capital grant income in the 2020-21 Statement of Account. The S106 contributions used to fund capital expenditure should be reported in the capital adjustment account as applied to capital financing. The statutory MRP is £1.435m</p> <p>See adjusted misstatements in Appendix C.</p>	Light Purple

Assessment

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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bankers. This permission was granted and the requests were sent and were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	We have not encountered any significant difficulties during the audit.

2. Financial Statements - other communication requirements



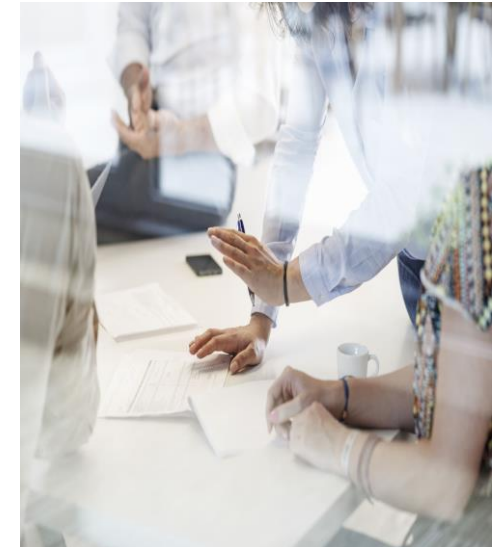
Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness <p>We have nothing to report on these matters.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>However, the Group Instructions in relation to the work have not yet been issued by the NAO. We expect the Council to be below the threshold as has been the case in previous years.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of Chorley Borough Council in the audit report, as detailed in Appendix E, due to VFM work being incomplete and WGA.</p>

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its 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 the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by January 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any risks of significant weakness to date.

Our work on the value for money key criteria and our conclusions will be reported in our Auditor's Annual Report.

4. Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Home England Compliance Audit Checklist 2021-22	5,500	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 £5,500 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.

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

Appendices

A. Action plan – Audit of Financial Statements

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

Assessment	Issue and risk	Recommendations
Medium	<p>Cash to bank reconciliation</p> <p>Our review and testing of the year-end reconciliation of cash balances in the accounting ledger to the bank account has identified some deficiencies.</p> <p>The reconciliation only includes the Council's main bank account however, there are other bank accounts which should also be reconciled and reviewed at year-end.</p> <p>The accounting ledger contains several reconciling items which could not be substantiated with supporting evidence. The total net value is £38k however, the gross value is £46k.</p> <p>As part of our procedures we have reconciled the cash balances to the bank account, obtained direct confirmations from the banks and verified items that cleared in the bank after the reporting date. Therefore, we are satisfied the cash balance is not materially misstated.</p>	<p>Management should review the cash to bank reconciliation process to ensure it covers all applicable cash balances in the account, remove any historic or erroneous reconciling items and ensure it is fit for purpose as an effective check on the year-end balance.</p> <p>Management response</p> <p>Management fully agree with the recommendation made and will ensure it is implemented as quickly as possible (by 31st December 2022)</p>
Medium	<p>Journals</p> <p>Our testing of journals identified that there are no automated controls on the Civica finance system to prevent members of staff approving their own journals and there are no limits on authorisation of journals.</p> <p>As such there is a risk that errors, or inappropriate journal entries are not identified on a timely basis.</p>	<p>Management should consider implementing a preventative and/or detective control to ensure that journals are appropriately authorised.</p> <p>Management response</p> <p>Management will contact the Finance System Provider to investigate the options available to introduce automated controls to prevent members of staff approving their own journals and for the introduction of limits on levels of journal authorisation. (by 30th April 2023)</p>

Controls

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

B. Follow up of prior year recommendations

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

We have followed up on the implementation of our recommendations and note one is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Valuation of heritage assets</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 2021 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>At 31 March 2022, the restoration works were substantially complete. Astley Hall reopened to the public in May 2022.</p> <p>As the restoration works have been completed and the asset is in use in 2022-23, the current valuation basis will no longer be appropriate.</p> <p>We have previously recommended that the Council reviews the basis of valuation for Astley Hall going forward to ensure the value is not materially misstated.</p>
✓	<p>Minimum Revenue Provision</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>The Council has increased the Minimum Revenue Provision to 5.72% of the Capital Financing Requirement via a transfer of £4.188m from capital receipts unapplied reserve in line with the 2021-22 budget and capital strategy.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement		Impact on total net expenditure	
	£'000	Statement of Financial Position	£'000	£'000
Misclassification of actuarial gains and losses between changes in demographic assumptions and changes in financial assumptions.	Actuarial gains and losses from changes in demographic assumptions (£1,297)	-	-	-
	Actuarial gains and losses from changes in financial assumptions £1,297	-	-	-
Capital expenditure for the renovation of Astley Hall has been classified as Property, Plant & Equipment instead of Heritage assets	-	Property, plant & equipment (£864)	-	-
		Heritage assets £864	-	-
Astley Hall contents amended to reflect updated valuation	Revaluation of heritage assets (£642)	Heritage assets £642	(£642)	(£642)
Duplication of "plant" component of All Seasons Leisure centre	Reversal of upwards revaluation £2,443	Property, plant & equipment (£2,443)	£2,443	£2,443
S106 contributions have been incorrectly reclassified from Taxation & Non-Specific Grant Income to Cost of Services	Cost of services £4,188	-	-	-
	Taxation and Non-Specific Grant Income (£4,188)	-	-	-
Capital Adjustment Account - The S106 contributions have been incorrectly transferred to revenue as additional Minimum Revenue Provision instead of being applied to capital financing.		Statutory & voluntary provision for the repayment of debt £4,188	-	-
		Application of grants to capital financing from Capital Grants Unapplied (£4,188)	-	-
Overall impact	£1,801	£1,801	£1,801	£1,801

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure	Details	Adjusted?
Prior year comparatives	The Council made some amendments to the prior year comparative figures which had been brought forward into the draft accounts inaccurately.	✓
Accounts consistency	Updates made to references in the accounts and minor amendments to ensure consistency.	✓
Narrative report	Updates to the narrative report to explain the change in group structure	✓
Remuneration disclosures	The Council made some amendments to the disclosures in the Officers Remuneration note. We identified some inaccuracies in the disclosures of exit packages paid during the year.	✓
Related parties	Additional disclosures of related parties in respect of the subsidiary Chorley Leisure Ltd	✓
Interest in subsidiary	Additional disclosure of the Council's interest in the subsidiary Chorley Leisure Ltd	✓
Critical judgements & uncertainty	The Council has amended the disclosures in note 4 to remove unnecessary narrative around the group accounts.	✓
Exit packages	Updates to correct the prior year disclosures	✓
Financial instruments	Updates made to disclosures of financial instruments	✓
Audit fees	Updates made to disclosure the full external audit costs in the accounts.	✓

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The current account cash balance in the trial balance is (£242k) at 31 March 2022, reflecting uncleared payments initiated period to the year end which cleared the bank account in April 2022. As a technical overdraft, this represents a liability and should be presented within the creditors balance in the Statement of Financial Position.		- Cash & cash equivalents £242 Creditors (£242)	-	Not material
Incorrect recognition of revaluation of Whittle GP Surgery	Revaluation decrease £82	Property, plant & equipment (£82)	£82	Not material
Overall impact	£82	(£82)	£82	

C. Audit Adjustments



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
The reconciliation of employee benefits expenditure reported in the Comprehensive Income and Expenditure Statement to the supporting payroll data identified an unresolved difference indicating an overstatement of expenditure.	Employee benefits expenditure (£85)	General reserve £85	(£85)
Grant income and other service expenditure in the Comprehensive Income and Expenditure Statement are understated by the same amount due to the incorrect allocation of grant monies received for Covid-19 classified as agency income	Taxation and non-specific grant income (£675) Other service expenditure £675	-	-
Overall impact	(£85)	£85	(£85)

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

The fees reconcile to the financial statements.

Audit fees	Proposed fee	Final fee
Council Audit	63,322	tbc
Total audit fees (excluding VAT)	£63,322	tbc

Non-audit fees for other services	Proposed fee	Final fee
Certification of Housing Benefit Claim	£22,080	tbc
Homes England Compliance Audit Checklist 2021-22	£5,500	£5,500
Total non-audit fees (excluding VAT)	£27,580	tbc

E. Draft audit opinion

Our draft audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Chorley Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Chorley Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical

responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

E. Draft audit opinion

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

E. Draft audit opinion

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012 .

- We enquired of senior officers and the Governance Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries that impacted income and expenditure or posted during the accounts production

- potential management bias in accounting estimates; and

- transactions outside the normal course of business.

- .

E. Draft audit opinion

- Our audit procedures involved:
- evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
- journal entry testing, with a focus on journals which impacted income and expenditure or posted during the accounts production;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings, the valuation of investment property and defined benefit pensions liability valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

• The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, the valuation of investment property and defined benefit pensions l•

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority and group including
- the provisions of the applicable legislation
- guidance issued by CIPFA, LASAAC and SOLACE
- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

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

E. Draft audit opinion

- Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
- We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
- We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:
- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.
- We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Chorley Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

Date:

F. Audit letter in respect of delayed VFM work

Chair of Governance Committee
Civic Offices, Union St, Chorley PR7 1A

23 November 2022

Dear Councillor Debra Platt, Chair of Governance Committee

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our 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.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than January 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Georgia Jones

Engagement Lead



Report of	Meeting	Date
Director (Governance)	Governance Committee	Wednesday, 18 January 2023

Annual Governance Statement Management Actions Update

Is this report confidential?	No
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Purpose of the Report

- To update members on the progress of the implementation of the Management Actions supporting the Annual Governance Statement for 2021/22.

Recommendations

- That members note the progress in the report.

Reasons for recommendations

- The management actions were agreed to manage identified failings or areas for improvement, it is important for members to be assured that the actions are being implemented.

Other options considered and rejected

- None.

Background to the report

- Members will recall approving the Annual Governance Statement for the year 2021/22 in May 2022. Whilst no significant governance failings were identified, members approved a number of improvement actions to be undertaken. The table below contains the actions and works done to date to progress them.

Theme	Areas for improvement	Suggested improvement	Action
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	To be delivered in quarter 4 (by 31 March 2023)
	Failure to have a system in place to ensure key	Devise and implement a corporate process to ensure	The ideal is to have a digital process of

	<p>corporate policies are regularly reviewed, version controlled and remain up to date and accurate.</p>	<p>all staff revisit key policies so a good level of awareness is maintained across the organisation</p>	<p>review, however, this will need development and other IT priorities need to be delivered first. This risk is being mitigated manually at present and members will be aware a number of policies have been presented to Council and /or Cabinet this year for approval. In addition manual reminders have been sent to all directorates to review Process/ System</p>
	<p>Contract Management System</p>	<p>Directors to ensure all contracts are entered onto the corporate CMS in a timely fashion including current “live” contracts.</p>	<p>This has been developed but is awaiting implementation by IT services.</p>
	<p>Risk Management</p>	<p>A range of reports to be developed to allow Directors to challenge data held with GRACE including partnership, project and operational risks.</p>	<p>Completed. Reports are being used by Directors at Management Team Meetings.</p>
	<p>Cyber Security, use of ICT equipment and system access</p>	<p>Once approved, awareness of the contents of the Shared Information Security Framework should be raised using all communication methods.</p> <p>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.</p> <p>Align where appropriate all IT forms and processes across the shared council environment.</p>	<p>A Shared Information Security Framework has been developed and adopted. Training has been provided to officers and is planned for members</p>
<p>Staff development</p>	<p>Equality</p>	<p>Once approved, the refreshed equality framework should be rolled out including training and updating of EIAs on website</p>	<p>This has been completed and implemented.</p>

	<p>Organisational Development</p> <p>OD Strategy to be developed (May 22) Mandatory training modules to be completed in full</p>	<p>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.</p> <p>All Directors to ensure all mandatory training is completed within the agreed timescales.</p>	<p>This has been completed and implemented with the launch of the learning hub.</p>
Corporate	Constitution	Constitution to be reviewed and updated where applicable.	This is an ongoing process.
	Business continuity	<p>To put forward a business case for the future management of business continuity to standardize and align process across the two authorities.</p> <p>To establish a forward plan of testing to ensure plans are robust, encompass all council activity and are fit for purpose.</p>	<p>The Business Continuity and Emergency Planning Team have been reviewed and a temp member of staff employed to undertake the review.</p> <p>Training exercises have been arranged with further ones planned.</p>
	GDPR	Review data use and retention policies and compliance with RoPA and data destruction policies.	Complete. The policies have been reviewed and the Data Protection Officer sends out regular reminders to Data Controllers to ensure they are complying with obligations.

Climate change and air quality

6. There are no implications.

Equality and diversity

7. Not applicable.

Risk

8. The Management Actions detailed in the report manage risk to the Council.

Comments of the Statutory Finance Officer

8. No comments, there are no financial implications in this report.

Comments of the Monitoring Officer

9. No comments.

Report Author:	Email:	Telephone:	Date:
Chris Moister (Director of Governance/Monitoring Officer)	chris.moister@southribble.gov.uk		10/01/23



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
Treasury Management Annual Report 2021/22 and June Quarter Monitoring report 2022/23	Louise Mattinson
Statement of Accounts for the financial year 2021/22	Louise Mattinson
Audit Progress Report and Sector Update	Grant Thornton

23 November 2022

Report	Officer
Internal Audit Plan October - March	Dawn Highton
Audit and Risk Interim Report	Dawn Highton
Audit Findings Report	Grant Thornton
Audited Statement of Accounts 2021/22	Louise Mattinson
Treasury Management Activity Mid-Year Review 2022/23	Louise Mattinson

18 January 2023

Report	Officer
Audit and Risk Interim Report	Dawn Highton
AGS Update	Chris Moister
Audit Progress Report and Sector Update	Grant Thornton

15 March 2023

Report	Officer
Internal Audit Plan April – September	Dawn Highton
Annual review of probity policies	Dawn Highton



Governance Committee effectiveness review	Dawn Highton
Auditors Annual Report	Grant Thornton
Audit Progress Report and Sector Update	Grant Thornton

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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