

Governance Committee

Wednesday, 3rd August 2022, 2.30 pm

Council Chamber, Town Hall, Chorley and YouTube

I am now able to enclose, for consideration at the above meeting of the Governance Committee, the following reports that were unavailable when the agenda was published.

Agenda No	Item	
3	External Audit Progress Report and Sector Update	(Pages 115 - 126)
	To receive and consider the report of the External Auditor, Grant Thornton.	
4	External Audit Annual Report 2020/21	(Pages 127 - 152)
	To receive and consider the report of the External Auditor, Grant Thornton.	

Gary Hall
Chief Executive

Electronic agendas sent to Members of the Governance Committee

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Chorley Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2022

July 2022



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

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Introduction

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

The paper also includes:

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

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

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

Progress at July 2022

Financial Statements Audit

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

Our interim fieldwork includes:

- Updating our review of the Authority's control environment
- Updating our understanding of financial systems
- Reviewing Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements
- Early work on emerging accounting issues

In May we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2021/22 financial statements.

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

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously stated their intention to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. This is enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that comes into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 is extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027/28.

Value for Money

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

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

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

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

Progress at July 2022 (cont.)

Other areas

Certification of claims and returns

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

Meetings

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

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

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

Events

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

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

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and to report on the Authority's value for money arrangements in the Auditor's Annual Report</p>	June 2022	Completed
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the November Audit Committee.</p>	November 2022	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2022	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	November 2022	Not yet due
<p>2021/22 Audit-related Deliverables</p>	Planned Date	Status
<p>Housing Benefit Subsidy – certification</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	December 2022	Not yet due

Sector Update

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

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

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

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

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

A teal rectangular button with the text "Public Sector" in white, sans-serif font.

Public Sector

A purple rectangular button with the text "Local government" in white, sans-serif font.

Local
government

Response to local audit consultation – Department for Levelling Up, Housing and Communities (“DLUHC”)

The Department for Levelling Up, Housing and Communities (“DLUHC”) has published its response to the local audit consultation. This follows the “Redmond Review”, which reported in September 2020.

The response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

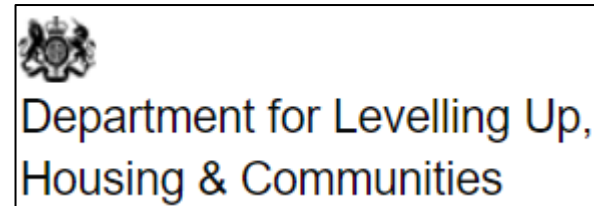
Ahead of ARGA’s establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022.

The consultation response also announces:

- Plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.
- ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice (from the National Audit Office).
- A post-implementation review of the new Value for Money arrangements. The Code is a key part of the local audit system, and it is important to ensure that it helps to facilitate effective local audit. To allow time for the new arrangements to bed in the response proposes this is completed within three years.

The full response can be found here:

[Government response to local audit framework: technical consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/government-response-to-local-audit-framework-technical-consultation)



The Value of Internal Audit – CIPFA

One of the key elements of good governance is an independent and objective internal audit service. Some organisations engage fully and reap significant benefits from the assurance, insight and expertise they bring whilst others pay lip-service to them and see their work as an administrative burden.

CIPFA's recent report, [Internal Audit: Untapped Potential](#), lifts the lid on internal audit in public services. For some chief financial officers and chief executives, this report confirms the value and contribution of internal audit teams with 87% of respondents recognising the contribution internal audit makes to their organisation. However, some leadership teams saw internal audit as providing a basic service at minimal cost.

Getting the most out of the function requires honest conversations and long-term planning. Maintaining appropriate skills and knowledge within the function is necessary to ensure high quality internal audit in public services are retained.

Culture and governance

The Audit Committee should monitor the delivery of internal audit and their output will be a key part of the annual work-plan. However, internal audit is not a substitute for risk management and should enhance the overall assurances received by management. Executives and Officers should engage with internal audit recommendations to ensure the organisation gains maximum value from reviews.

Capacity

Reducing internal audit days can lead to a lack of 'corporate grip' and not identifying issues at an early stage. This report raises concerns over the capacity of internal audit across the public sector. The profession needs to be valued and invested in to make it more attractive to new blood and for bodies to be able to attract the best candidates to their service.

Expectations

To maximise the impact of internal audit, a clear and aligned strategic audit plan and annual audit plan should be in place. This should be agreed with all stakeholders.

Future plans

Internal audit needs to adapt to the changing landscape, including risks such as climate change, digital and technological developments, cyber-security and ongoing financial and service pressures within their planning processes. For financial resilience and medium- and long-term financial strategies internal audit can provide vital independent assurance to decision makers to allow them to take on more risk and be more ambitious. Leadership teams need to be clear on what assurances they will require going forward.

For more information, [Rob Whiteman](#) share his views on this report.



Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

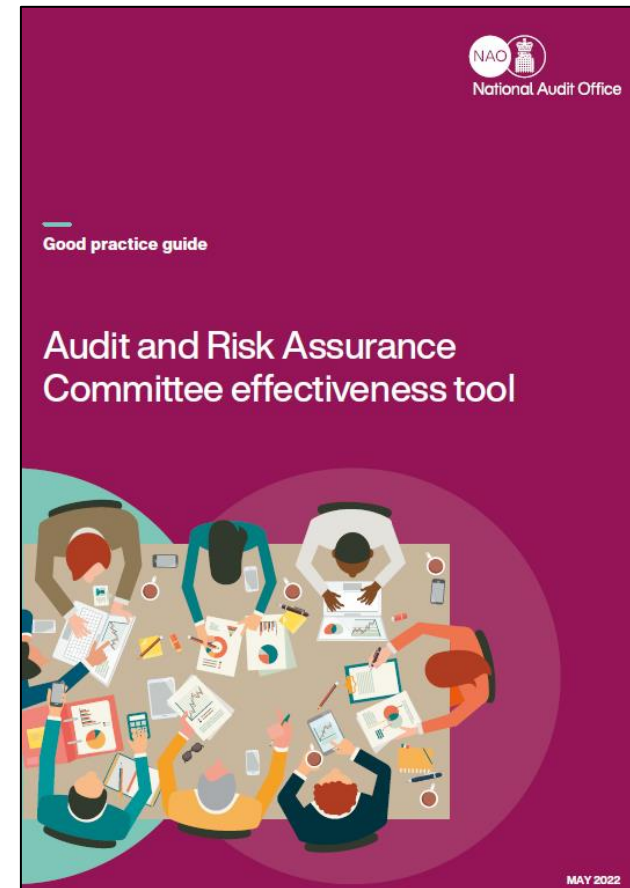
Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:

[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)

Guide for audit and risk committees on financial reporting and management during COVID-19 – NAO

The National Audit Office (NAO) has published this guide which aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak

The NAO comment “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The guide includes sections on:

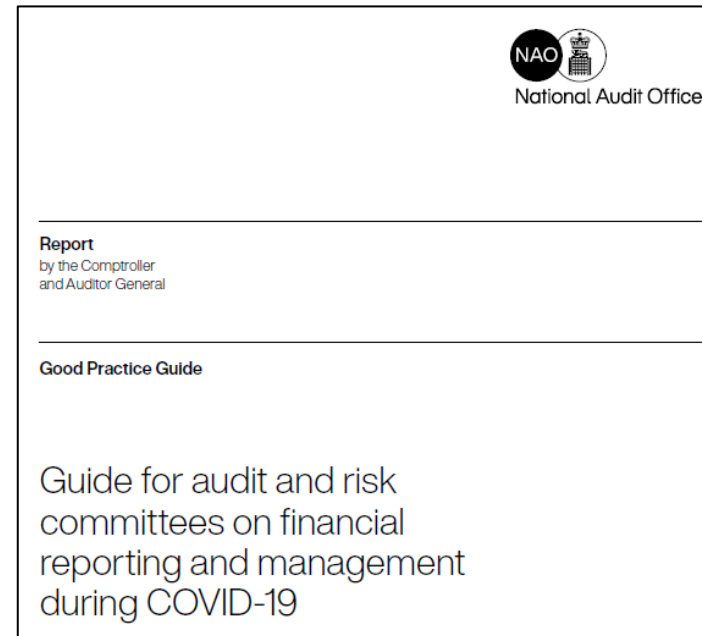
- Annual reports
- Financial reporting
- The control environment
- Regularity of expenditure

The guide can be found here:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>

The guide includes a number of key questions covering areas such as:

- Property valuations
- Pension scheme valuations
- Completeness of liabilities
- Events after the reporting period
- Control environment
- Fraud and error





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Auditor's Annual Report on Chorley Borough Council - Draft

2020-21

July 2022

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. 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.

Executive summary



Value for money arrangements and key recommendations

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. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors 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 specified criteria. 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 identified a risk of significant weakness in respect of governance arrangements in relation to major capital projects.

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	Major capital projects	No significant weaknesses in arrangements identified, but improvement recommendations made on the capacity of Internal Audit.
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified



Overall commentary

We have not identified any significant weaknesses arrangements to secure economy, efficiency and effectiveness in its use of resources, including the Council's response to COVID 19.

We have identified a number of financial management and governance related improvement recommendations to further improve the Council's governance arrangements, which management has accepted and will implement.

Financial sustainability

The Council is operating in an increasingly uncertain financial environment and will need to continue to plan with little certainty over funding in the medium term.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council. However, we have identified improvement recommendations on budget reporting. Further details can be seen on pages 6 to 10 of this report.



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and the progress that has been made to address the existing deficiencies.

Our work has not identified any significant weaknesses in governance arrangements at the Council. We have identified an improvement to further enhance the Council's governance arrangements, in particular on the capacity of Internal Audit.

Further details can be seen on pages 11 to 14 of this report.



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements or key recommendations in relation to delivering economy efficiency and effectiveness.

Further detail can be seen on pages 15 to 16 of this report.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified audit report opinion on the financial statements on 1 April 2022.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 30 March 2022. We have concluded that the other information published with the financial statements, including the Narrative report and Annual Governance Statement, was consistent with our knowledge of the Council and the financial statements we have audited.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We are unable to complete our work in this area as the Council is still awaiting the appropriate guidance and tools from the Department to complete its submissions.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Issues arising from the accounts:

The key issues were:

- Inappropriate accounting treatment for upfront payment of employer pension contributions
- Incorrect recognition of grants income in respect of Covid-19 funding received

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 19. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial performance

The Council's financial planning allows it to be in a position to deliver the priorities set within its Corporate Strategy, within its resources. This is supported by a surplus position for 2020-21, following financial support from central government for income deficits as a result of the impacts of the pandemic.

However future pressures are projected to result in a deficit for future years, of £4.3m cumulatively, to 2023-24. Based on the MTFs (Medium Term Financial Strategy) projections, savings have been identified which reduce the forecast deficit, and the Council has set a balanced budget for 2022-23 after taking into account additional income.

Covid-19 has had a large impact on the finances of the Council with over £4.4m of additional support from the Government in 2020-21 and £41.4m of grant funding to support local businesses. The Council reported additional Covid-19 costs incurred of £3.4m in 2020-21 and a further £1.0m was redeployed from existing resources. Grant funding has also been used to create reserves of £0.8 for Covid commitments and future recovery.

The Council generates substantial income from investment assets; £4.8m forecasted in 2020-21 which is a net contribution to funding of £2.0m after borrowing costs. However, actual income has been impacted by vacancies and reliefs granted due to Covid with income from the Market Walk and Strawberry Fields Digital Office Park underperforming by £0.8m.

The Council and its future financial plans are reliant on its commercial related income to fund services and this is forecast modest growth over the longer term.

Financial planning

From our review of the Council's financial planning it is robust and there is evidence of it being well scrutinised at Cabinet, Council and Governance Committee. It is clear that financial risks in the Council are being managed in the short term. This is supported by there being no evidence of the Council making significant use of capital resources to relieve short term revenue pressures.

Overall, the Council is good at recognising, assessing, and re-evaluating the impact of changes in expenditure drivers, including pay inflation. These are reflected in the budget and other financial plans, and the assumptions behind expected pay or contractual uplifts are explained.

Cash flow forecasting is done at a high level as part of the MTFs process and refined during the detailed budget setting process, so by April each year there is a detailed one year cash flow forecast. This feeds into the Treasury Management Strategy in terms of levels of cash that are available for investing.

The level of investment through capital receipts, earmarked capital reserves and borrowing in the 2020-21 capital programme has been maintained at a level that does not require any unexpected borrowing, although borrowing has increased by a further £7.6m to support the planned investments including affordable housing and the Alker Lane development. Projects are consistent with the Council's capital strategy.

Financial sustainability

We are satisfied there is a clear linkage between the Medium Term Financial Strategy and the priorities set out in the Council’s strategy. The annual treasury management strategy incorporates financing costs based on the capital programme projections.

Whilst discretionary spending is subject to close scrutiny when spending and savings plans are being considered, these two types of spending (discretionary and non-discretionary) are not clearly differentiated in the financial planning reports, which underpin the budget and MTFP (Medium Term Financial Plan). We have identified the area of reporting on discretionary and non-discretionary spend as an improvement recommendation.

Funding challenges and savings

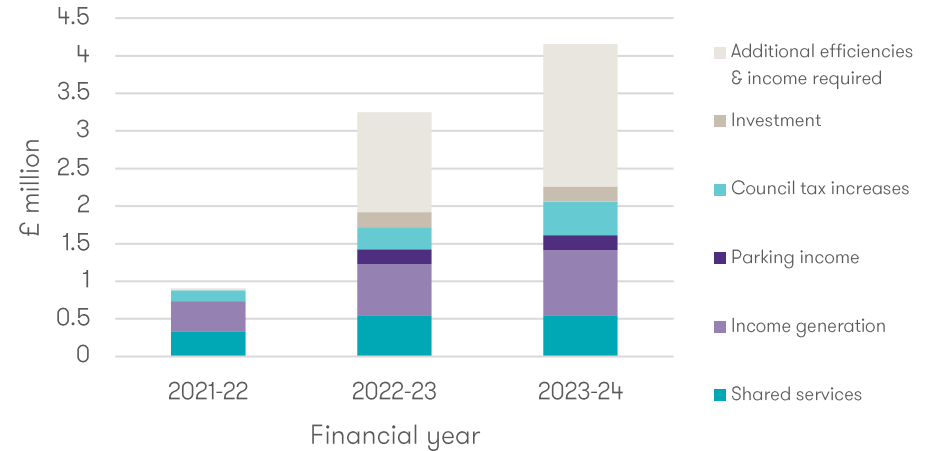
The financial position over the medium term shows a projected deficit of £0.9m for 2021-22, a projected deficit of £3.3m for 2022-23 and then rising to £4.3m by 2023-24.

It should be noted that the majority of the budget deficits for future years are directly linked to assumptions around withdrawal of Government support. Funding to the Council is forecast to fall from levels of over £17.0m in 2016-17 to £11.5m by 2023-24. The level of future savings required to balance the budget is dependant on potential Government changes in funding such as the Fairer Funding Review and Business Rate Reset, but also on recovery of the leisure services and continued performance of capital investments. We appreciate that the outcome of these are uncertain and feel the Council is being prudent with their assumptions.

The Council has a good track record of meeting its savings targets. We understand managers work closely with the finance team and understand the overall financial position. The implementation of the first phase of the shared services programme with South Ribble Borough Council delivered savings of £0.3m in 2020-21, primarily as result of implementing a joint management team across the two Councils. The next phase of the programme was forecast to deliver further savings in 2021-22, although this has slipped to 2022-23 due to delays with completing the shared service reviews of ICT and Customer Services.

However, the MTFS does suggest that the size of the budget gap will not be bridged by savings driven by the shared services programme alone, further efficiencies and income generation will be required in 2022-23 and 2023-24. The Council is pursuing a strategy of investment within the borough which generates additional income and this has been successful to date. The financial plans include a target of further additional annual income of £0.4m from such investments by 2023-24. The Council does need to do further work on this to ensure a balanced position can be achieved over the medium term.

Bridging the budget deficit



A summary of proposals for prioritisation for bridging the budget gap was presented to the Senior Leadership Team in November 2021. These proposals are rated on the impact on service delivery and savings return. This was accompanied by the expected future cost pressures over the medium term which demonstrates the Council has a good understanding of the risks anticipated from scenario planning.

The Council is taking action to identify and narrow the budget gap with a focus on achieving savings, primarily through efficiencies driven by the ongoing transformation programme.

Financial sustainability

Managing risks to financial resilience

Risks are incorporated into the MTFs which explains how the Council intends to address the financial challenges through the transformation strategy. The overall objective is to embed the process by which the Council continually strives to generate efficiency savings and where possible generate additional income.

The assumptions within the financial forecasts are well documented and supported however, we have identified the opportunity for further improvement through the use of sensitivity analysis to illustrate the risk associated with the key assumptions. This will provide transparency on the wider uncertainties the Council is subject to and potential impact on financial sustainability.

We have not identified any evidence of the Council failing to update financial plans regarding changes in Government policy or that the Council has not considered the financial impact of legal or regulatory proceedings against it.

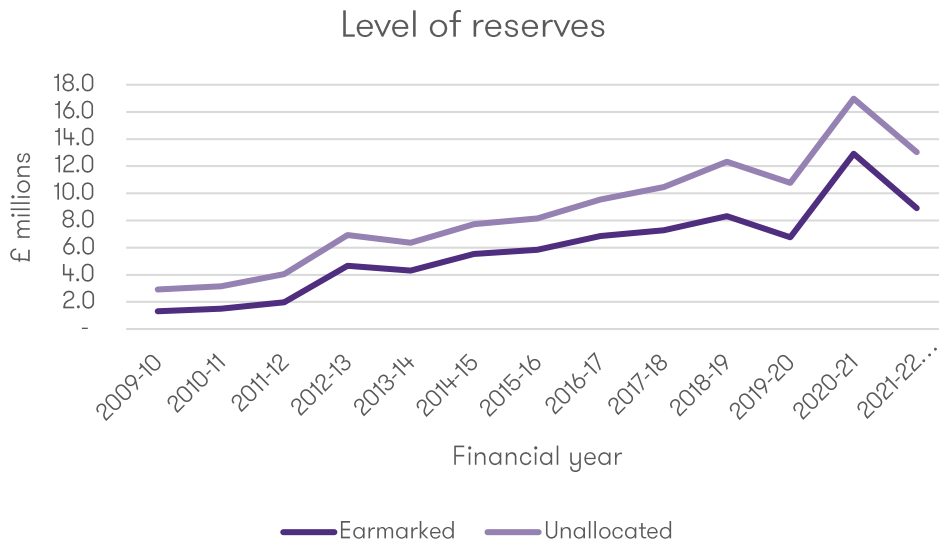
The Council’s investments are forecast to contribute £2.0m net additional funding annually over the period 2020-31 which provides a stable revenue stream. To mitigate any fluctuations or volatility in future periods, income equalisation reserves have been established for the Logistics House and Market Walk investments.

The MTFs sets out the Council’s reserve strategy, which aims to ensure a prudent and affordable approach to delivering medium-term financial strategies. The Council operates a risk averse strategy to managing its reserves which have been built up significantly since 2012-13 to over £17.0m at the end of 2020-21. Note that in 2020-21 the total reserves balance is particularly high due to the receipt of Section 31 Covid-19 related grants held as business rates temporary surplus. The Council held reserves of £16.3m at the end of the year.

The Council demonstrates a pragmatic approach by establishing earmarked reserves to manage risks arising from the uncertainty around future funding levels, recover from the impacts of the pandemic and to support future commitments such as maintenance of assets and supporting the leisure services.

Conclusion

The Council’s finances are well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues reported on a timely basis to those charged with governance. We have identified two opportunities for improvement on the development of sensitivity analysis and budget reporting which distinguishes between discretionary and non-discretionary spend.



Improvement recommendations



Financial sustainability

1 Recommendation Refine formal reporting to members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFS.

Why/impact Regular review of MTFS assumptions will help to ensure ongoing accurate financial forecasting and allow for appropriate timely action. Reporting of MTFS assumptions with sensitivity analysis and scenario planning to members will provide the opportunity for challenge, scrutiny, oversight and improved accuracy of forecasting.

Auditor judgement Greater agility on financial management is required given the current financial uncertainties, regular review and challenge of MTFS assumptions to help ensure financial forecasts remain accurate and illustrate the financial risks.

Summary findings MTFS assumptions are updated annually as part of the annual budget setting process.

Sensitivity analysis and scenario planning is undertaken as part of the development of the budget however, analysis is not formally presented to members.

Management comment Sensitivity analysis and scenario planning will be undertaken as part of the Budget and MTFS development process.

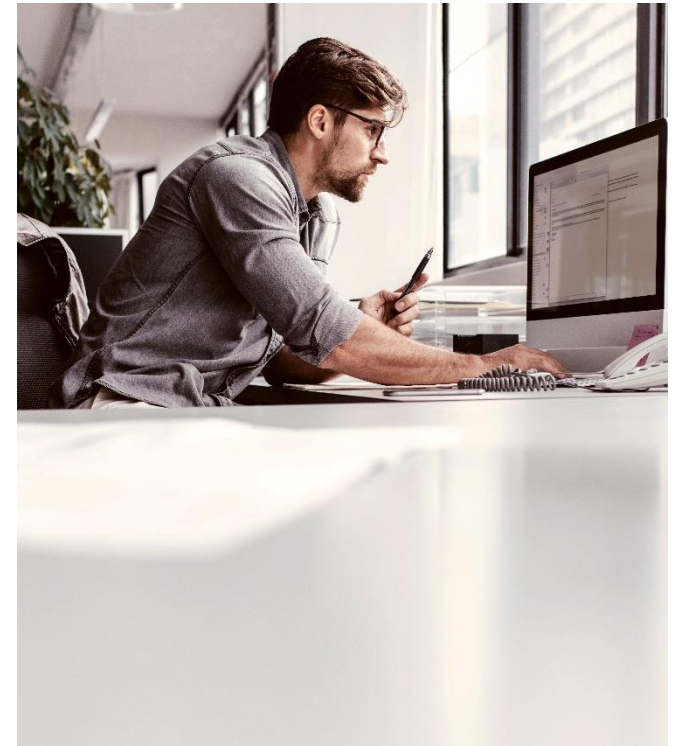


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Financial Sustainability

2 Recommendation	Provide a clear distinction between discretionary and non-discretionary spending in the budgetary information to members and ensure it is published on the website.
Why/impact	This would help residents to understand the difference between these types of spending and would help inform them as to any spending which is made as a result of manifesto pledges or following a decision by the Council to undertake a specific project outside or in addition to its statutory obligations.
Auditor judgement	The different categories of spending could be made clearer. Currently it is not apparent what elements if any of the Council's spending is discretionary.
Summary findings	No distinction is made in the financial information reported to TCWG between statutory and discretionary spending.
Management comment	The council does not separately code or distinguish between discretionary and non-discretionary expenditure when entering individual transactions on the financial system; to do so would be very difficult for example whilst some council services are statutory, there are elements of both discretionary and non-discretionary expenditure incurred as part of the day to day delivery of these services. In response to the recommendation however, where possible where costs can be distinguished between the two headings, this will be identified in the budgetary information reported to Members and published, the default being that expenditure will be categorised as 'discretionary'.



The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The Council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership of each risk. The Section 151 officer and the Chief Executive jointly have overall responsibility for risk management throughout the Council. The Council embeds risk management in its corporate business processes including strategic planning, financial planning, policy making and review, performance management and partnership working. Risk Management approach and corporate risks are well understood across all levels of management at the Council.

All Members receive risk management awareness training in relation to their role. The risk management process and risk register ensure a consistent approach to risk management across the Council. Each department has its own risk register and is required to consider risk at each departmental management meeting. All staff are given appropriate training and guidance to enable them to take responsibility for managing risk within their own working environment. Risks are reviewed each quarter by Senior Management Team as part of quarterly performance reporting arrangements. Risk management reports, including a summary of the strategic risk register, are also presented at each Governance Committee meeting and are reported to full Council at least annually.

The Council annually update their Anti-bribery Fraud and Corruption Policy and the policies are distributed to both employees and members. The Council has an in-house Internal Audit service who provides annual assurance and ad-hoc support when matters arise updates to the Governance Committee. Through our ongoing discussions with Internal Audit, they have no knowledge of any actual, suspected or alleged fraud affecting the entity during 2020/21.

Internal audit

During 2020/21 the Internal Audit service was not operating to capacity. A number of officers had left and temporary staff were used but this impacted on capacity. COVID-19 and lockdowns also impacted the service as officers were redeployed to other areas of the Council to assist with the Council's response. When Internal Audit returned to their roles, other services were still affected and so Internal Audit's ability to carry out planned reviews was reduced.

Although Internal Audit were able to complete a program of work over the year, at the year end the Head of Internal Audit concluded that the work carried out was not sufficient to support an annual opinion on the overall adequacy and effectiveness of the organisation's framework of control. Internal Audit did give an adequate opinion for risk management and governance. We have identified a recommendation for improvement for the Council to ensure the Internal Audit function is adequately resourced to deliver the work programme.

Governance

The Council undertake an annual review of the effectiveness of Internal Audit. In 2020/21, the Council has reviewed Internal Audit against the checklist for assessing compliance with the governance requirements of the CIPFA statement on the role of the Head of Internal Audit. The assessment demonstrates the service is compliant with the standards with exception of one area of non-compliance and seven areas of partial compliance. An action plan has been established to address the identified areas. This internal review is encouraging to see and represents good practice by the Council.

Since the appointment of a permanent Head of Internal Audit there has been an improvement. At September 2021, the plan was behind but further recruitment has taken place and the Internal Audit team are now fully staffed. We have included a recommendation (page 14) that the Council needs to ensure the internal audit function is staffed appropriately and continue to monitor the delivery of the internal audit plan going forward.

Budgetary Setting process & monitoring

The budget setting process is multi-layered and thorough, with several stages. The Council has regular monitoring of key income and expenditure drivers and then reflect these within the MTFS and budget setting.

The budget and MTFS are considered concurrently, drawing on information from other strategies such as the treasury management and capital strategies. There is also a quarterly review of budget to outturn position by Cabinet. The MTFS and budget are considered at Scrutiny Budget and Performance Panel, then Cabinet and then approved at Council. Members are asked to consider the range of options for savings put forward.

The statutory public engagement with the budget setting process is also observed, giving residents the opportunity to interact with the Council and this process, and to feed back on the budget, on priorities and on plan. There is also a consultation survey online for stakeholders to contribute their views and ideas.

We identified an area in which the Council could enhance their sensitivity analysis within the MTFS and budget forecasting. The MTFS and annual budget clearly set out the key assumptions incorporated into the forecasts and there is clear narrative information on the impact of uncertainties, such as Covid-19 impacts, EU Exit etc. This could be enhanced further by including sensitivity analysis and scenario planning in the reporting to members to illustrate the impacts of risks and uncertainties on the financial performance and position. The Council could also include wider considerations such as linking with specific Council priority services, and the sensitivity analysis making references to impacts on reserves. We have included an improvement recommendation on page 9.

Major capital projects

The 2019-20 Audit Findings Report illustrated a number of deficiencies in the Council's arrangements. We considered that adequate arrangements were not in place to support informed decision making for the acquisition of Logistics House. The process was not sufficiently robust and the risks not fully considered in line with the Council's own risk management framework for a transaction of this value.

We have assessed what the Council is doing to strengthen compliance with its own policies and procedures/decision making processes. Our VFM team have reviewed these areas and formed an assessment over whether the improvements made are sufficient to mitigate the risks noted.

Our review found that the Council has developed a template to support major business cases for projects with a value of £500,000 or above. The Outline Business Case template, covers the areas we would expect to be included and includes a 'do nothing' option under options appraisal.

Risk Management arrangements have been strengthened and promoted during the current financial year. These arrangements include:

- The provision of mandatory risk management training for all staff (ongoing);
- An updated Risk Management Strategy;
- Risk Registers reported to Senior Management Team with further updated if there are significant changes of major new risks are identified;
- Risk Management updates to members annually via the Governance Committee (with increased frequency proposed if required); and
- Risk framework and GRACE system guidance on the Council Intranet

Overall arrangements appear to have been strengthened although the Council should continue to monitor their effectiveness in practice, especially in respect of escalation and timely reporting of emerging risks.

Furthermore, management have undertaken to provide Members with information required to enable informed decision making with the minimum of redaction and where possible for Full Council to have access to redacted information; and the Council's Monitoring Officer has undertaken to seek independent external advice where necessary.

We have also reviewed the governance arrangements for other recent development projects and investments and we have not identified any indication of significant deficiencies in the procedures.

Governance

Leadership and committee effectiveness

Appropriate leadership is in place. The Council operates an appropriate ‘tone from the top’ in respect to decision making and good governance. The Council operates through its various committees, some being Council, Cabinet, Governance, and Scrutiny & Performance. Senior officers attend the Governance Committee to present reports and are open to questions during Committee meetings. The Committee demonstrates appropriate challenge of financial and non-financial items

The work of the Council’s committees is governed by the constitution. The constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council’s website. The Annual Governance Statement needs to be read alongside the Council’s constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure these are efficient, transparent and accountable to local people.

We have assessed whether the codes of conduct and the expected policies for ethical governance were up to date and how adherence to those was monitored. From our assessment, we are satisfied that policies have been appropriately reviewed and monitored.

Monitoring and ensuring appropriate standards

The annual governance statement is compliant with the CIPFA code. The Council’s Local Code of Corporate Governance states that it has adopted the CIPFA/SOLACE framework Delivering Good Governance in Local Government. An appropriate level of care is taken to ensure the Council’s policies and procedures comply with all relevant codes and legislative frameworks.

There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established anti-fraud culture. All key policies are reviewed on an annual basis by Scrutiny Committee. After a review by Internal Audit the Council has updated key policies around procurement, performance management and the Constitution.

Conclusion

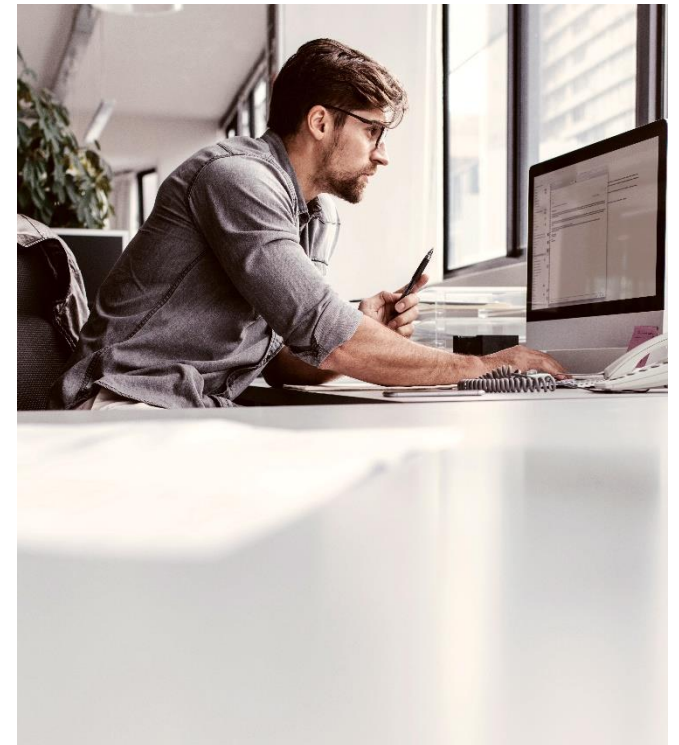
Overall, we are satisfied the Council has appropriate arrangements in place to and actions are being taken to address previous recommendations and strengthen arrangements, but these will need to be monitored to ensure their effectiveness in practice.

We have identified opportunities for improvement in the Council’s arrangements for ensuring the progress of Internal Audit work is monitored.

Improvement recommendations

Governance

3 Recommendation	We recommend that the Council ensures the Internal Audit function is adequately resourced to deliver the work programme and continue to monitor delivery of the audit plan going forward to ensure sufficient assurance is obtained to support the annual opinion.
Why/impact	<p>Internal Audit is responsible for providing assurance on the quality and effectiveness of the system of governance and internal control.</p> <p>Without an Internal Audit function that is able to respond to risks appropriately and operate at the required capacity, it will be difficult for the Council to demonstrate there are adequate governance arrangements in place.</p>
Auditor judgement	Internal Audit are critical component of the governance arrangements in providing third line assurance on the effectiveness of the Council's control environment and risk management procedures.
Summary findings	<p>For 2020-21, the Head of Internal Audit concluded that the work carried out was not sufficient to support an annual opinion on the overall adequacy and effectiveness of the organisation's framework of control. Internal Audit did give an adequate opinion for risk management and governance. We also noted examples of delays between reports being finalised and being presented to members for consideration which threatens the timely reporting of assurances.</p> <p>This was largely due to resourcing constraints within the team, which continues to be an issue at the time of writing, and the impacts of Covid-19 pandemic on Council services thereby restricting Internal Audit's ability to complete the planned programme of assurance work.</p>
Management comment	Agreed



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance monitoring

The Council is committed to delivering high quality and value for money services for its residents and whether this is achieved or not, is evaluated through the performance management framework. In September 2020, the Council launched a revised performance framework based on a review to create a shared approach with South Ribble Borough Council.

Performance monitoring and reporting takes place with the production of quarterly performance reports and the Council's Annual Report. Both of these documents are directly linked to the Corporate Strategy and objectives. Members play a regular role in performance management, and are expected to provide challenge to officers and Cabinet.

The performance information produced for scrutiny is good enabling challenge and questioning. A red, amber, green rating is used to clearly show the status of the action. Performance is tracked against targets, prior year comparatives and milestones with commentary to assess progress of the key action.

The Overview and Scrutiny Performance Panel also reviews the Council's Corporate Strategy, key projects, all directorate and service level business plans and periodic focus reviews of performance of each directorate. The Panel reports annually to all members with a summary of performance for the year.

We are aware of the Council benchmarking some areas, such as financial performance as part of the CIPFA Resilience Index. This benchmarking of costs and performances against similar bodies, can be used by the Council to identify areas for improvement and also manage financial risks.

These performance monitoring arrangements provide good information to members and management, whilst also supporting the overall objectives of the Council. We have not identified any evidence of failure to meet minimum service standards or failure to review and challenge strategic priorities.

Improving economy, efficiency and effectiveness

Partnerships

Partnership working is clearly embedded within the Council's strategic framework documents, including the Corporate Strategy, and in the way the Council operates on a day-to-day basis.

The Council is an active member of key local partnerships including the Central Lancashire Local Plan, and the Chorley and South Ribble Partnership which is a collective of local organisations across the public, private and third sectors that work towards the shared objectives. Delivering sustainable public services through partnership working is a key area of the Council strategy and this is further supported by the joint procurement approach and action plans which are focused on recovery from the impacts of the pandemic.

The Council is represented on the Integrated Care Partnership with South Ribble and Preston. The Council's contribution includes supporting the development of strategy and policy, advising on funding bids and addressing wider determinants of health such as poor housing and poverty. The integration of health and social care agenda across Lancashire and South Cumbria (LSC) presents significant challenges and opportunities with the creation of the Integrated Care Board and further development of the Central Lancashire place Partnership, including:

- continuing to contribute to the appropriate governance structures, culture, behaviour, trust and stakeholder empowerment arrangements to enable effective use of resources
- agreeing a decision-making framework to collectively agree on what services are best commissioned at a LSC wide and a local level
- working within the financial capital and revenue envelopes.

The Council is currently undertaking programme to develop and implement a shared service approach across many of its operational areas with neighbouring, South Ribble Borough Council. The first phase primarily focused on governance, partnerships and communications and implementing a joint management structure across the two bodies. The business case also approved the sharing of ICT and Customer Services which, following reviews, is due to be implemented in 2021-22. Future work will examine Customer Services, Revenue and Benefits and proposals have been developed along with an internal consultation.

The programme is governed by a Joint Shared Services Committee which provides oversight and scrutiny of proposals, monitors the risks of the transformation impacting on Council services and reviews the delivery of savings and benefits. From June 2021, a shared services monitoring report provides detailed information on the implementation and performance of shared services. The supporting risk register identifies the most significant risks to be organisational disruption impact performance and service delivery and impacts of changes on staff well being.

Procurement

The Council has a joint procurement strategy 2019-2022 with South Ribble Borough Council, which sets out the approach to delivering effective procurement. The aims of the policy are to support the delivery of quality, cost effective services and the Council's corporate priorities. This supports budget-holders, who have responsibility for procurement decisions. Budget-holders are also supported by the Finance Team and Legal to ensure compliance with relevant legislation, professional standards and internal policies.

Social value principles have been incorporated into the procurement process and there is Social Value Policy, which is linked to the priorities of the Corporate Strategy.

The Council has experienced delays in some of its key capital programme items. For example, spend was reprofiled for the Tatton development and Leisure Centres and some delayed into the next financial year. We acknowledge the challenging times faced by the Council but there is scope to improve the profiling of capital spend by closer working with partners to come up with more realistic timeframes and related capital spend profiles.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

COVID-19 arrangements



Since March 2020 COVID-19 has had significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Individuals and business have been significantly affected by the Covid-19 pandemic. We undertook a review of district councils vulnerability to the immediate and medium-term impacts of Covid-19 and how well placed areas are to respond and recover from Covid-19. The vulnerability index considers six socio-economic factors, as shown in the following diagram:

The recovery index focuses on nine indicators:

- year at risk;
- level of reserves as a percentage of gross expenditure;
- house price recovery;
- percentage of businesses in 'at risk' sectors;
- Gross Value Added (GVA) – Covid-19 impact on growth;
- business size (mixture/variance);
- reduction in business rates; and
- net additional dwellings (percentage of total dwellings).



This identified that the Council as highly vulnerable and low on the recovery index. This is due to red/very high vulnerability within the three socio-economics factors – people, social care and economy.

Further analysis shows that Chorley has business in 'at risk' sectors (e.g. accommodation and food services) and self-employment. The borough also has high numbers of children in need, number of child protection plans, looked after children, older adult supported in residential and nursing settings and people in employment with disabilities or long term health conditions. These factors identified create a high vulnerability and a lower recovery index.

COVID-19 arrangements

Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income in the collection rates of Council Tax and Business Rates and cost pressures.

The Council has incurred additional operating and staff costs of £4.4 million and a reduction in its income across fees and charges, investment property rentals, council tax and business rates.

These additional costs are offset by additional grant funding from the Department for Levelling Up, Housing and Communities (DLHC) (Formerly MHCLG) totalling £4.4 million in 2020-21.

The Council has maintained good oversight of its finances and additional Covid-19 expenditure and income losses throughout the pandemic. These were identified early on and were subject to detailed scrutiny and monitoring. Detailed quarterly reporting to Cabinet against budget was maintained throughout the financial year. Covid-19 expenditure and income were separately reported within these reports.

The Medium-Term Financial Strategy (MTFS) was reviewed and updated during the financial year, including the impact of Covid-19. The MTFS 2021-22 to 2023-24 was approved in February 2021 and forecasts that Covid will continue to have an impact on the budget for the next financial years, with the Council receiving further support funding and compensation for loss of fees and charges income.

To mitigate the risks, the Council has established several reserves including Income Equalisation Reserve to manage volatility in certain income streams such as investment property rental and, a Covid-19 recovery fund, from the Government grant funding carried forward, to support local businesses.

The Council will undoubtedly need to maintain its high level of monitoring and scrutiny over its finances in order to continually assess and address any ongoing impact of the pandemic.

Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16th March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding members' meetings online. Appropriate levels of scrutiny and challenge continue to be applied.

The Council responded quickly to the Covid-19 pandemic. Cabinet approved delegated powers to the Chief Executive (in consultation with the Leader) allowing the Council's agile and expedient response to the Covid-19 pandemic emergency.

Regular reports on the impact of Covid-19 were reported to committees including the Cabinet, allowing for oversight and scrutiny. For example, a reports on the executive decisions and changes to the Council's governance and finance arrangements as a result of Covid-19 are presented to the Council Committee, demonstrating good governance arrangements. All committees have maintained a keen interest in the Council's response to the pandemic.

The strategic risk register has been updated to ensure Covid-19 related risks are recorded appropriately, mitigated where appropriate and monitored.

Internal Audit's delivery of the 2020/21 audit plan was significantly impacted by the pandemic. Although Internal Audit were able to complete a program of work over the year, at the year end the Head of Internal Audit concluded that the work carried out was not sufficient to support an annual opinion on the overall adequacy and effectiveness of the organisation's framework of control. Internal Audit did give an adequate opinion for risk management and governance. Internal Audit did not identify any serious weaknesses in internal controls over the course of the year.

Internal Audit has not yet undertaken any reviews in relation to the Council's response to Covid. However, during 2021/22 Internal Audit are due to undertake pre and post payment assurance reviews for the Covid-19 grant schemes.

COVID-19 arrangements

Improving economy, efficiency and effectiveness

The Council maintained its quarterly reporting of performance against the targets throughout the year to monitor delivery of the Corporate Strategy and action plans.

When lockdown restrictions were announced, all staff were requested to work from home where possible. The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. The Workplace Strategy 2021-2024 was developed in September 2021 with the aim of transforming the way the Council works, largely drawing on experience of operating through the pandemic, to ensure it is fit for purpose.

In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services. This is clearly demonstrated through the Council's successful administration of grants totalling £41.4 million of grant funding to businesses and individuals affected by the Covid-19 pandemic.

Conclusion

Our review has not identified any significant weaknesses in the Council's VFM arrangements for responding to the Covid-19 pandemic.

Follow-up of previous recommendations

Recommendation	Year raised	Progress to date	Addressed?
The Council should clearly report the total savings/income required within its annual budget and introduce arrangements to separately monitor the delivery of individual savings and income target.	2019-20	Budget reporting to members includes analysis of budget deficits and forecast income/savings to mitigate the shortfall. This monitored through quarterly budget reporting.	✓
The Council should maintain a record of the attendance and minutes for informal member meetings where key decisions are being discussed.	2019-20	We have reviewed our processes to include taking registers of attendance at such meetings and keeping a record of questions raised and answers provided, as opposed to taking minutes.	✓
The Council should ensure the due diligence for commercial investments considers the likely financial performance in the short to medium term, not just an historical financial perspective.	2019-20	Our review of governance arrangements other recent development projects such as Tatton Gardens and Strawberry Meadows demonstrates the Council has provided adequate analysis of financial performance for members to scrutinise.	✓
The Council should prepare business cases to support its commercial investment projects.	2019-20	The Council has produced an Outline Business Case template which covers the areas we would expect to be included.	✓
The Council should follow its risk management framework and ensure the risks are rated and recorded on its GRACE risk management system.	2019-20	Risk arrangements appear to have been strengthened although the Council should continue to monitor their effectiveness in practice, especially in respect of escalation and timely reporting of emerging risks.	✓
The Council should consider how confidential information can be shared with members without disclosing restricted elements of the information. Wherever possible, Full Council should have access to all relevant information with only a limited amount redacted to enable informed decision making.	2019-20	Management have undertaken to provide Members with information required to enable informed decision making with the minimum of redaction and where possible for Full Council to have access to redacted information.	Ongoing
The Council should ensure that Cabinet and Full Council decisions are supported with legal advice that considers all the possible options, third party advice may be beneficial in supporting these decisions if the specialist advice cannot be provided internally.	2019-20	The Council's Monitoring Officer has undertaken to seek independent external advice where necessary.	Ongoing

Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

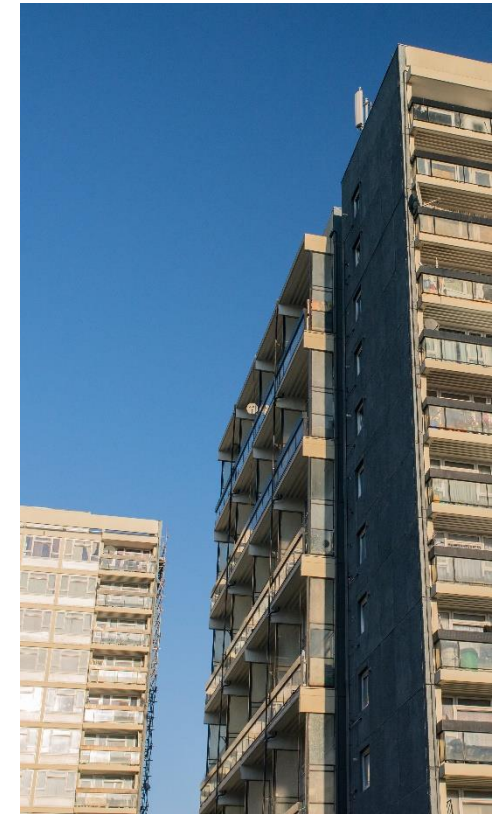
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure 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.



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Major capital projects	We have assessed what the Council is doing to strengthen compliance with its own policies and procedures/decision making processes.	Overall arrangements appear to have been strengthened although the Council should continue to monitor their effectiveness in practice, especially in respect of escalation and timely reporting of emerging risks.	Appropriate arrangements in place

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	Not applicable
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	Not applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	See pages 9, 10 and 14



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