

Governance Committee

Thursday, 8th February 2024, 2.30 pm
Council Chamber, Town Hall, Chorley and [Youtube](#)

Agenda

- 1 **Apologies for Absence**
- 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 **Minutes of meeting Wednesday, 17 January 2024 of Governance Committee** (Pages 3 - 8)

To agree the minutes of the last meeting, held on Wednesday 17 January 2024, as an accurate record for signing by the Chair.
- 4 **Chorley Audit Findings Report 2022/23** (Pages 9 - 60)

To receive and consider the report of the External Auditor, Grant Thornton.
- 5 **Auditor's Annual Report 2022/23** (Pages 61 - 106)

To receive and consider the report of the External Auditor, Grant Thornton.
- 6 **Statement of Accounts 2022/23** (Pages 107 - 112)

To receive and consider the report of the Director of Finance.
- 7 **RIPA Application Update**

The Monitoring Officer will present a verbal report at the meeting.
- 8 **Work Programme** (Pages 113 - 114)

To receive and consider the work programme for the Committee.

9 **Any urgent business previously agreed with the Chair**

Chris Sinnott
Chief Executive

Electronic agendas sent to Members of the Governance Committee Councillor Alan Platt (Chair), Councillor Mark Clifford (Vice-Chair) and Councillors Gordon France, Christine Heydon, Samantha Martin, Dedrah Moss, Jean Sherwood and Neville Whitham.

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Minutes of **Governance Committee**

Meeting date **Wednesday, 17 January 2024**

Members present: Councillor Alan Platt (Chair), Councillor Mark Clifford (Vice-Chair) and Councillors Gordon France, Christine Heydon, Samantha Martin, Dedrah Moss, Neville Whitham and Julia Berry

Officers: Dave Whelan (Head of Legal and Procurement), Dawn Highton (Head of Audit and Risk), Adam Nickson (Head of Property and Development), Hollie Walmsley (Head of HR), Ben Storey (Democratic and Member Services Officer) and Jacqui Murray (Senior Auditor) and attending virtually, Asim Khan (Director of Customer and Digital)

Apologies: Councillor Jean Sherwood, Charlotte Fitch (Independent Person) and Pete Ripley (Independent Person)

Other Members: Councillor Joan Williamson

23.G.49 **Apologies**

Apologies for absence were received from Councillor Jean Sherwood who was substituted by Councillor Julia Berry.

Apologies for absence were also received from the Council's two Independent Persons, Charlotte Fitch and Pete Ripley.

23.G.50 **Declarations of Any Interests**

No interests were declared.

23.G.51 **Minutes of meeting Wednesday, 29 November 2023 of Governance Committee**

Resolved: (Unanimously)

That the minutes of the last meeting, held on Wednesday, 29 November 2023, were agreed as an accurate record for signing by the Chair, subject to a minor grammatical amendment in paragraph 23.G.44 which should read as 'Following further debate, a working group derived *from the Governance* Committee was proposed to explore these issues in greater depth and determine how any documents are set out and published.'

23.G.52 Annual Governance Statement Management Actions Update

The Head of Audit and Risk presented this report which provided an update on agreed management actions in response to risks identified in the Annual Governance Statement.

Members' attention was drawn to three areas specifically that related to non-implementation of agreed audit actions, the quality of the Council's asset inventory and fully embedding risk management throughout the council. In addressing these actions, the Committee heard that progress had been made in achieving targets in completing agreed audit management actions through the use of the council's risk management system, GRACE, and ongoing discussions and monitoring by directorate management teams. A significant piece of work had been undertaken over the last twelve months in logging inventories, utilising new systems to ensure that all the relevant processes were accurately followed, with a subsequent internal audit review completed to provide further assurances. The action concerning the updated Risk Management Strategy would be covered in greater detail in the later agenda item.

The Annual Governance Statement that will be presented to Committee in May would include a final update on the management actions, in addition to any further areas identified and reported in that document.

Responding to a number of questions, the Committee were advised that steps had been taken to better manage the council's contracts, noting that a strengthened procurement team would soon be able to take a more proactive role in supporting teams in this area. Additionally, further clarification on processes around waiving of contract procedure rules was provided to members. Mandatory training was also highlighted within the report with improvements in completion rates of staff training across the organisation since the implementation of a rolling programme of online training now provided and regularly monitored.

The Committee were informed that the deferred audit review into how the council manage any risks of fraud was anticipated to be completed by the end of March 2024.

Reassurance was provided to Committee that no risks had been identified concerning procurement exercises that had been carried during the pandemic.

Resolved – That the update be noted.

23.G.53 Code of Conduct and Associated Social Media Protocol

The Deputy Monitoring Officer presented this report which sought the Committee's recommendation to Full Council for the approval of the Local Government Association Model Code of Conduct and also to agree the terms of reference for a working group to consider the associated Social Media Protocol. Both the Code of Conduct and the Social Media Protocol were debated at the last meeting and a decision deferred to undertake further work and consideration. The proposed Code of Conduct seeks to align Chorley with the county council and other town and parish councils in the local area, providing a consistent approach for any members who may be elected to more than one council.

Members were supportive of adopting the new Model Code of Conduct and recommending its adoption by Full Council.

The Committee heard that there was a current protocol around social media use in place, and whilst it did also apply to members, it was noted that it was primarily directed towards council staff.

Following discussion, the Committee agreed to establish a working group to review the Social Media Protocol with the following terms of reference as suggested within the report:

- a) Authority to review other similar protocols
- b) That the wording should be declarative – “I will”
- c) That a comprehensive document would be preferable
- d) That it include a ‘dos and don’ts’ section
- e) That membership be drawn from the Governance Committee

Members also requested the process of adopting the new protocol be expedited, with a hope that this could be completed prior to the elections in May of this year.

Responding to a query about the complaints procedure and the benefits of a panel, and not just one senior officer, determining whether any complaints about councillors are escalated, the Committee were informed that the current procedure was comparable to most other local authorities with the Monitoring Officer (or Deputy where appropriate) in consultation with one of the Council’s Independent Persons determining how best to handle any complaints received.

Resolved: (Unanimously)

That the Committee recommends to Council the approval and adoption of the Model Code of Conduct; and

That the Committee agree the terms of reference for a working group to be established to consider an updated Social Media Protocol for Members.

23.G.54 Internal Audit Progress Report

The Senior Auditor presented this report which provided an update on the work undertaken and ongoing in respect of the Internal Audit Plan (September 2023 – December 2023)

As outlined within the report, the Committees attention was drawn to the two reviews that had been given a ‘limited’ assurance rating, those being related to the physical security and environmental controls and also staff driving licence checks. It was noted that short deadlines for the completion of audit actions had been agreed to ensure areas of concern were addressed as soon as possible. The Director of Customer and Digital, the Head of HR and the Head of Property and Development were introduced to respond to any technical questions the Committee had.

Regarding the performance of the audit team, the Committee were provided reassurance that they were on track to deliver the Internal Audit Plan and satisfaction survey results remain high.

Questions were asked about the significant concerns around the security of the council’s ICT systems and sought assurances that actions would be completed by the agreed timescales. The seriousness of the issues highlighted within the report were

acknowledged and in response, Members heard that progress had already been made in terms of sourcing specialist contractors to carry out the required work and was expected to be completed by the end of March 2024. Several aspects had already been actioned with regards to protocols around security alarms and building access. Clarification was provided with regards to fire suppression measures mentioned in the report, with additional staff training been arranged. Further work was also highlighted around CCTV which was underway following a new contract being agreed recently. Cost implications were being assessed as part of the project to complete the agreed audit actions with a further progress update at a future meeting welcomed by the Committee. Moving forward, a formal risk register was now in place which could be better monitored and managed, with risk management training undertaken with new starters and teams on an ongoing basis.

Responding to a query whether heat and energy produced from server rooms could be harnessed for use around the building, the Committee were informed that the increased use of cloud based external servers had reduced the overall need for on site servers, and advancements in technology meant that servers were generally much more efficient in their energy consumption.

Responding to queries raised regarding missed quality checks identified in the council tax review, it was noted that staffing changes and a period of transition as the two customer services teams became shared had been a factor but these checks had now been reintroduced.

Members were reassured that no areas of concern had been raised by the checks of staff driving licences, however the review had triggered a review of wider issues to consider such as insurance with updates to policies being made where appropriate. On GDPR compliance it was noted that this was an ongoing process due to staff turnover with acknowledgement there may have been lapses, however improvements in this area had been demonstrated.

Resolved:

That the Committee note the current position with regard to the Internal Audit Plan.

23.G.55 Risk Management Strategy

The Head of Audit and Risk presented this report which sought the Committee's approval of the revised Risk Management Strategy.

Amendments to the document had been highlighted within the report with the key point being setting out the level of risk the Council is prepared to tolerate. Members were advised that any red residual risks that remained after directorate level review would now be escalated to the senior management team who would determine on a case-by-case basis whether to implement further controls or tolerate the risk. If approved, the next steps were for the Head of Audit and Risk to meet with senior managers to review their reports so that they can be regularly monitored.

Members were supportive of the proposed amendments to the Risk Management Strategy.

Resolved (Unanimously)

That the Committee approve the revised Risk Management Strategy.

23.G.56 RIPA Application Update

The Deputy Monitoring Officer confirmed that no RIPA applications had been made since the last meeting of the Governance Committee.

23.G.57 Work Programme

The Committee noted the work programme for the remaining meetings of the 2023/2024 municipal year, with the addition of an item at the March meeting which will consider the proposed new social media protocol that the working group will be reviewing.

23.G.58 Any urgent business previously agreed with the Chair

Members were reminded of the additional meeting of the Governance Committee scheduled for 2.30pm Thursday 8 February 2024.

Chair

Date

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The Audit Findings for Chorley Borough Council

Year ended 31 March 2023



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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 and the Governance Committee.

Georgia Jones

Name: Georgia Jones

For Grant Thornton UK LLP

Date: February 2024

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 - CBC

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 Council's financial statements for the year ended 31 March 2023 for the attention of 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 Council's financial statements give a true and fair view of the financial position of the Council and the 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), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work has been undertaken on site and remotely during August to January. Our findings are summarised on pages 6 to 21.

To date, we have identified adjustments to the financial statements that have resulted in a £0.998m 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 B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

This is our final report including additional adjustments to the financial statements and unadjusted misstatements.

Our work is complete subject to the following outstanding matters;

- final review of the work completed by the engagement lead
- receipt of management representation letter see appendix G; and
- review of the final set of financial statements

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 financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is complete and our commentary on the Council's arrangements is included in our Auditor's Annual Report (AAR).

We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

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 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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

In August 2023, we issued our Auditor's Annual Report 2021-22 which reported the findings and recommendations from our VFM work. We identified a significant weakness in the 2021-22 work in relation to the Council's governance arrangements for procurement with, and, onboarding of external contractors. We updated our risk assessment as we consider this risk is relevant for 2022-23.

We have considered and included references to the Council's actions to address this significant weakness (which have mainly been carried out in 2023/24) in our report. However, because this report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted our 2021/22 report was only issued in August 2023 and the Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Our findings are set out in the value for money arrangements section of this report (Section 3).

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 have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

We have experienced some delays in obtaining sufficient audit evidence to complete the review of IT General Controls, although we acknowledge that this was partially due to limitations of the systems and policies in place during the period under review. We have also encountered difficulties in obtaining the necessary supporting evidence to substantiate the key inputs for property revaluations. We are satisfied we have now obtained the required information but this needs to be supplied in a more timely manner going forward.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Council for their support in working with us to progress the audit.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

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 and the Governance Committee.

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. From this evaluation we determined that an audit of transactions of the leisure company was required
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We are nearing completion of our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance Committee meeting on 08 February 2024, as detailed in Appendix H. These outstanding items are detailed on page 3.

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 CBC



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 benchmarks remain the same as reported in our audit plan in May 2023.

We set out in this table 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 (1.7% of your gross operating expenditure for 2022/23). 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	58,000	58,000	Assessed as 5% of financial statements materiality
Lower materiality for senior officer remuneration	n/a	n/a	The senior officer remuneration disclosure in the Remuneration Report has been identified as an area of focus (with no materiality set) due to the sensitive nature of the balance and the keen interest by users of the financial statements.



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	Relevant to Council and Group
<p>Risk of fraud related to revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>Our testing is completed and our procedures to sample test income have not identified any matters to report and have not identified any matters that would lead to a change in our risk assessment.</p>	
<p>Risk of fraud related to expenditure recognition</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition.</p>	<p>As reported in our Audit Plan, we have considered the risk of improper expenditure recognition and do not consider this to be a significant risk of material misstatement.</p> <p>Whilst not a significant risk, we have performed audit procedures and testing of material revenue items.</p> <p>Our testing is complete and our procedures to sample test expenditure have not identified any matters to report and have not identified any matters that would lead to a change in our risk assessment.</p>	
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. .</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design and implementation 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 <p>We have not identified any changes to accounting policies or the estimation process.</p> <p>Our testing is complete, we have not identified any issues to report.</p> <p>In our prior year audit, we identified that there were 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 reported a recommendation and journal authorisation controls have now been implemented from February 2023 – see appendix C</p>	

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council
<p>Valuation of land & buildings and investment properties</p> <p>The Council revalues its land and buildings on a five-yearly basis to ensure the carrying value in the financial statements is not materially different from current value at the financial statements date. This valuation of £109.9m (£94.5m, 2021-22) represents a significant estimate by management in the financial statements.</p> <p>The valuation of land and buildings is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time. However, the valuation methodology for land and buildings is specified in detail in the CIPFA Code and the sector is highly regulated by RICS, therefore we will focus our audit attention on assets that have large and unusual changes and/or approaches to the valuation of land and buildings, as a significant risk requiring special audit consideration.</p> <p>All investment properties should be valued and reported at fair value under relevant accounting principles. Again, this valuation of £33.4m (£32.8m, 2021-22) represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to Council's materiality and the sensitivity of this estimate to changes in key assumptions.</p> <p>We have identified valuation of land and buildings, including investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 <p>We have made a number of inquiries to the valuer and Council officers in relation to the key data inputs and assumptions applied in the valuations. We observed, in some instances, the supporting documentation was not available and/or not up to date or the information provided to the valuer was inaccurate. For example, when reviewing evidence to substantiate rental income, we identified the Council has several properties occupied by tenants with expired leases. Similarly, following inquiry we noted some floor areas and key information about vacancy rates provided to the valuer was inaccurate or could not be substantiated. Management obtained updated valuations for the applicable properties.</p> <p>We have reviewed the desktop valuation that has been completed for assets not subject to a full revaluation. Upon review we observed some inconsistencies with the desktop review, and our reconciliation to the fixed asset register and draft accounts identified a significant variance of £5.9m. Following inquiry, management confirmed that a land asset had been omitted from the fixed asset register in error. We also identified a misstatement in the Fixed Asset Register as a result of duplication which caused an overstatement of £2.256m. These misstatements have been adjusted in the final accounts.</p> <p>We have reported a recommendations for improvement in Appendix A.</p> <p>We have previously recommended that management reviews the basis of valuation for Astley Hall which was included in heritage assets at a value of £1 in the draft accounts. In November 2023, the Council obtained an updated valuation of Astley Hall. The new valuation has been undertaken on the basis of the property being reclassified as an operational asset, the revised value is a material increase from £1 (31 March 2022) to £2.3m (31 March 2023). The draft accounts have been adjusted to reflect the revised valuation and reclassification.</p>	

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council
Valuation of land & buildings and investment properties	<p>The Council incurred capital expenditure and recognised an associated asset under construction of £11.252m in 2021-22 in relation to the Tatton Gardens and Community Centre development. In 2022-23, the Council incurred further capital expenditure of £5.694m increasing the asset under construction to £16.946m.</p> <p>The Tatton Gardens and Tatton Community Centre have been completed and brought into use during 2022-23 and been subject to a full revaluation as expected for assets reclassified from Assets Under Construction. The revaluation has resulted in a significant impairment of £10.294m from the carrying value which was based on historic cost. We recommended that management undertake an assessment of whether there is any indication that the impairment should have been recognised earlier.</p> <p>Management's assessment determined that a proportion of the impairment is attributable to the asset under construction value brought forward at 1 April 2022 and therefore, £6.835m of the impairment expense should have been recognized in the CIES in the 2021-22 accounts and the value of asset under construction brought forward reduced.</p> <p>The audit team's review of the accounting for revaluations in 2022-23 identified that valuation movements had been allocated incorrectly between the CIES and revaluation reserve. Upon review, it was identified this was a result of a formulae error in the asset register which also affected the 2021-22 workings. Management recalculated the valuation movements for both 2021-22 and 2022-23 and determined the overall impact is a misclassification of valuation increases between the revaluation reserve and CIES (reversal of previous impairment) to the value of £1.265m.</p> <p>As these two issues are material to the financial statements, this has been corrected retrospectively and the 2021-22 accounts have been restated. The adjustments are included in Appendix D.</p> <p>The letter of representation requested from management has been updated in relation to the prior period adjustment.</p> <p>Our work is complete and, to date, we have not identified any other matters in respect of valuation of land and buildings and investment properties.</p>	

2. Financial Statements: Significant risks -

Risks identified in our Audit Plan	Commentary	Relevant to Council and Group
<p>Valuation of pension fund net surplus</p> <p>The Council's pension fund net surplus, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net surplus is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>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). However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.</p> <p>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.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>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. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> - 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. <p>The Council recognised the full pension surplus and a net pension asset of £9.898m in the draft accounts presented for audit. We recommended that the Council undertook or obtained an IFRIC 14 assessment to determine the extent to which the pension surplus should be recognised as a net pension asset.</p> <p>In October 2023, the Council commissioned the actuary to undertake an IFRIC 14 assessment of the pension surplus and this determined that an asset ceiling should be applied to reduce the net asset to nil. There is an unfunded defined benefit liability of £2.822m that should have been recognised under IAS19 in the draft 2022-23 accounts. This relates to termination benefits made on a discretionary basis upon early retirement in respect of members of the pension scheme. Previously this balance had been included within the overall pension fund liability amount. With the move to a pension fund asset position this amount should have been accounted for separately as a liability on the Authority's balance sheet</p> <p>The draft accounts have been updated to include the two adjustments and additional narrative disclosure added to the pensions notes.</p> <p>We have received final assurance letter from the pension fund auditor. Our work is now complete, we have no further matters to report.</p>	

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>Cyber Security</p> <p>We note that the Council does not have a formal policy covering cyber risk.</p>	<p>1 in 3 UK entities suffer from a cyber breach every month, so it's more a case of 'when' an attack happens, not 'if'.</p> <p>High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and consumer trust. Over 80% of the cyber-attacks we read about could have been prevented through good simple cyber hygiene. Understanding and managing cyber risk is fundamental to any business's growth journey.</p>	<p>Auditor view</p> <p>We recommend that the Council proactively looks at its cyber preparedness and puts in place appropriate policies/safeguards.</p> <p>Management response</p> <p>Cyber Security officer recently hired and working on implementing and improving security policies. Information Security Framework and Patching Policy have been completed and further changes planned to improve user creation and deletion.</p>
<p>IT Control deficiencies</p> <p>We have reviewed the IT General Controls for the in-scope financial systems. Our review identified some deficiencies in the processes in place during the period under review:</p> <ul style="list-style-type: none"> Evidence of requests and approvals of changes to privileged user access is not retained for more than 30 days There are no periodic reviews of user access Our review identified cases where user access was not removed on a timely basis The Council did not have a formal change management policy in place until March 2023 and details of changes to IT applications implemented during the period under review was not readily available 	<p>We have encountered some delays in obtaining sufficient audit evidence to complete this review.</p> <p>We have included summary of IT controls findings in Appendix J</p>	<p>Auditor view</p> <p>We recommend that the Council reviews the security & access management procedures and change management processes and and puts in place appropriate policies and controls in line with best practice.</p> <p>Management response</p> <p>Cyber Security officer recently hired and working on implementing and improving security policies. Information Security Framework and Patching Policy have been completed and further changes planned to improve user creation and deletion.</p>

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 03 October 2023</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 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 	Our work is complete. We have no findings to report to date

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £109.9m</p> <p>Investment Properties – £33.4m</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 2023 on a five yearly cyclical basis. 76% of total assets were revalued during 2022/23.</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 2023. 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>Management's assessment of assets not revalued (£25.907m) has identified no material change to the properties value as at 31 March 2023.</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>As reported on page 9, we encountered some difficulty in obtaining evidence from the estates team to substantiate the key inputs to the valuations and identified some inaccuracies in the information that had been supplied to external valuer. We have reported a recommendation for improvement in Appendix B.</p> <p>An assessment of assets not revalued in year by management has been undertaken, to provide assurance that the carrying value is not materially different to the current value at year end. The assessment indicated that there is difference of £0.740m between the current value and carrying value.</p> <p>We have also undertaken our own procedures in this area including comparison with industry indices and a substantive review of the desktop valuations. We are also satisfied that there is not a risk of material misstatement at 31 March 2023 in relation to this issue.</p> <p>Our work is complete and we have not identified any other matters in respect of valuation of land and buildings and investment properties.</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																								
<p>Net pension surplus – £9.898m</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>The Council's [total] net pension surplus at 31 March 2023 is £9.898m comprising the Lancashire Pension Fund Local Government Scheme and £2.822m 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.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements.</p> <p>There has been a £57.2m net actuarial gain during 2022/23.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 – use table to compare with Actuary assumptions <table border="1" data-bbox="1077 671 1888 1031"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.8%</td> <td>4.7 - 4.8%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.8%</td> <td>2.8%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.2%</td> <td>3.2 - 5.2%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>22.8 / 21.5</td> <td>22.4-24.3 / 21.0-22.6</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>25.6 / 23.8</td> <td>25.3-26.6 / 23.5-24.7</td> <td>●</td> </tr> </tbody> </table> <p>We have also reviewed:</p> <ul style="list-style-type: none"> the completeness and accuracy of the underlying information used to determine the estimate the impact of any changes to valuation method Reasonableness of the Council's share of LPS pension assets. Reasonableness of increase/decrease in estimate Adequacy of disclosure of estimate in the financial statements <p>We have also obtained assurances from the auditor of the Local Government Pension scheme.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.8%	4.7 - 4.8%	●	Pension increase rate	2.8%	2.8%	●	Salary growth	4.2%	3.2 - 5.2%	●	Life expectancy – Males currently aged 45/65	22.8 / 21.5	22.4-24.3 / 21.0-22.6	●	Life expectancy – Females currently aged 45/65	25.6 / 23.8	25.3-26.6 / 23.5-24.7	●	Light purple
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.8%	4.7 - 4.8%	●																								
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Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £1.038m	<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 2022-23 of approximately 3.6 per cent. The provision has decreased £0.265m from 31 March 2022.</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>A revaluation of the rateable value of business properties came into effect on 1 April 2023. Appeals in regards to the 2017 rating valuation list had to have been submitted by 31 March 2023; the list was "closed" after this date and further appeals are only possible by exception.</p> <p>We recommended the Council reviews the calculation of the appeals provision to ensure it adequately reflects this change. The revised provision has decreased by £0.165m. This has not been adjusted in the final accounts on the basis of materiality and is included in the unadjusted misstatements in Appendix D.</p>	Light purple
Heritage assets - £3.384m	<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>The £0.647m additions to Astley Hall in 2022-23 had been adjusted to revalue the asset to a valuation of £1 at 31 March 2023.</p>	<p>Astley Hall reopened to the public in May 2022.</p> <p>As the restoration works have been completed and the asset is in use, the 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>In November 2023, the Council obtained an updated valuation of Astley Hall. The new valuation has been undertaken on the basis of the property being reclassified as an operational asset, the revised value is a material increase from £1 (31 March 2022) to £2.3m (31 March 2023).</p> <p>The draft accounts have been adjusted to reflect the new valuation and reclassification.</p>	Light purple

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £1.293m	<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 £1.293m, a net decrease of £0.142m from 2021/22.</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 2023, the Council's MRP was £1.293m. At 31 March 2022 the MRP was £1.435m. The MRP represents 1.26% of the Council's overall Capital Financing Requirement. This has decreased from 1.46% at 31 March 2022.</p> <p>We have recommended that the Council review its MRP policy to ensure the provision continues to be prudent and is sufficient to finance capital expenditure that has not previously been finance through the application of capital receipts, capital grants or direct revenue charges. See Appendix B for this recommendation.</p> <p>Across the sector, 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. This is still being reviewed and government will issue a full response to the consultation in due course</p>	Blue

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: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Civica	ITGC assessment (design and implementation only)	●	●	●	●	Management override of controls	
iTrent	ITGC assessment (design, implementation only)	●	●	●	●	No significant risk identified	

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

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 other incidents in the period and no issues have been identified during the course of our audit.
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, including specific representations in respect of the Group, which is set out at Appendix G
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 experienced some delays in obtaining sufficient audit evidence to complete the review of IT General Controls, although we acknowledge that this was partially due to limitations of the systems and policies in place during the period under review. We have also encountered difficulties in obtaining the necessary supporting evidence to substantiate the key inputs for property revaluations. We have not encountered any other significant difficulties during the audit.

2. Financial Statements: other communication requirements



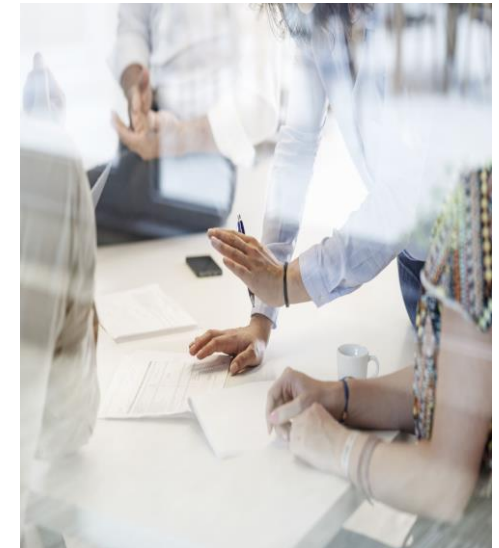
Our responsibility

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 H</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/es. <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>Detailed procedures are not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Chorley Borough Council when we issue the audit report.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

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. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix H.

Risk of significant weakness	Conclusion	Outcome
In 2021-22, we identified a significant weakness in the Council's governance arrangements in relation to capacity of the procurement function, ensuring compliance with procurement procedure, onboarding of contractors onto the Council network and providing access to information.	We have considered and included references to the Council's actions to address this significant weakness (which have mainly been carried out in 2023/24) in our report. However, because our report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23.	We have repeated the key recommendations we made in our 2021/22 Report. Our Auditor's Annual Report for 2021/22 was issued in August 2023 and the Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

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 and consider that an objective reasonable and informed third party would take the same view. 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 E.

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 [Grant Thornton International Transparency report 2023](#).

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 which were charged from the beginning of the financial year to November 2023, 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 2021-22	26,580	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 £26,580 in comparison to the total fee for the audit of £75,684 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, we consider sufficient safeguards are 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.
Certification of Housing Benefit Claim 2022-23	43,000	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 £43,000 in comparison to the total fee for the audit of £75,684 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, we consider sufficient safeguards are 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.

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.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council, senior management or staff

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work
- J. IT control environment

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified three recommendations 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 of these recommendations during the course of the 2023/24 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
<p>Medium</p>	<p>Management quality review of asset valuations and supporting documentation for key inputs</p> <p>We observed, in some instances, the supporting documentation was not available and/or not up to date or the information provided to the valuer was inaccurate. For example, when reviewing evidence to substantiate rental income, we identified the Council has several properties occupied by tenants with expired leases. Similarly, following inquiry we noted some floor areas and key information about vacancy rates provided to the valuer was inaccurate or could not be substantiated. We understand that a new property management system has been implemented in 2023-24.</p> <p>The desktop valuation was undertaken by the external valuer for assets not subject to a full revaluation. Upon review, we observed some inconsistencies with the desktop review and the instructions issued to the valuer when commissioning the work. For example, following inquiry we confirmed that the review had highlighted some assets as high risk inaccurately.</p>	<p>Review the arrangements for managing property information to ensure that appropriate supporting documentation is retained for review, renewed on a timely basis and made available to the external valuers as necessary.</p> <p>Review the quality assurance processes to ensure adequate management review of valuations work is undertaken to check the work produced is in line with the agreed scope of work, incorporates the most up to date information and make sure any key judgements are appropriately documented.</p> <p>Management response</p> <p>The management team agree with the recommendation. Action has already been taken to provide appropriate repositories for all supporting documentation required to undertake asset valuations.</p> <p>The Council has recently procured Civica Property Management, a Property/Asset Management system. The system is in the process of implementation, through this process all property information for each asset is being captured and uploaded onto the cloud-based system. Once live, the system will provide a one central repository for asset information which will be reviewed and renewed when required; information will be easily accessible and made available to external valuers.</p> <p>Following a recent procurement exercise, a new Property Valuer for the 2023/24 accounts has been appointed and a project group convened with nominated representatives across the Finance and Estates teams to work with them to deliver a more efficient and accurate valuation of PPE for 2023/24. The Estates team is now fully resourced and will review the valuation work to ensure that the work is undertaken in line with the scope of work.</p>

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	<p>IT control environment</p> <p>Our review of the IT General Controls for the Council’s IT network and key finance applications identified several areas where we observed deficiencies in the processes in place or the expected control is ineffective or missing.</p> <p>This relates to the three areas of security management, management of changes to IT applications and management of schedule jobs and monitoring.</p> <p>We have included a detailed summary of findings in Appendix I.</p> <p>In addition, we note that the Council does not have a formal policy covering cyber risk.</p> <p>Maintaining robust and effective IT controls, supported by appropriate policies, is critical to protect the integrity of IT network and financial applications.</p>	<p>Review the Council’s IT and cyber security policies and procedures to ensure the appropriate IT general controls are implemented effectively.</p> <p>Management response</p> <p>Cyber Security officer recently hired and working on implementing and improving security policies. Information Security Framework and Patching Policy have been completed and further changes planned to improve user creation and deletion.</p>
Medium	<p>Minimum Revenue Provision</p> <p>At 31 March 2023, the Council’s MRP was £1.293m. At 31 March 2022 the MRP was £1.435m. The MRP represents 1.26% of the Council’s overall Capital Financing Requirement. This has decreased from 1.46% at 31 March 2022.</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 Department for Levelling Up, Housing and Communities statutory guidance states that the useful life of assets should not be assumed to exceed 50 years when used as the basis for calculating MRP. This is equivalent to a benchmark of 2%.</p>	<p>Review the Council’s MRP policy to ensure the provision continues to be prudent and is sufficient to finance capital expenditure that has not previously been finance through the application of capital receipts, capital grants or direct revenue charges.</p> <p>Management response</p> <p>The management team agree with the recommendation. The MRP policy is reviewed each year as part of the Treasury Management Strategy that is presented to the Council for approval, alongside the Budget and Medium-Term Financial Strategy for the following financial year.</p> <p>The details of the MRP policy are covered in the report with a clear statement that the policy will be kept under continual review to ensure the Council maintains a prudent approach; the current approach is fully compliant with government (DLUHC) requirements.</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, that MRP should be applied to all unfunded capital expenditure and that restrictions should be tightened on the types of assets that can be excluded from the MRP calculation. Although the results of the consultation are still being considered, and government will issue a full response to this in due course, the Council has reviewed its current MRP policy against the proposals and are fully compliant with these.</p>

C. Follow up of prior year recommendations

We identified the following issues in the audit of Chorley Borough Council's 2021/22 financial statements, which resulted in two recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<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>Our review of the cash to bank reconciliation identified there remains to be a population of historic reconciling items dating back to November 2018. The total reconciling items were £0.944m of which £0.135m relate to prior years.</p> <p>We consider that further review should be undertaken to clear historic reconciling items and ensure the cash to bank reconciliation operates effectively as a control.</p> <p>Management confirmed that all Bank Reconciliation processes were fully reviewed in early 2023/24 and all accounts are now covered in the monthly reconciliations in 23/24 and monthly review meetings held to confirm this and to discuss any current issues arising. All of the historical reconciling items have now been processed.</p>
✓	<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>Journals authorization controls were activated in February 2023. Therefore, the expected controls have now been implemented, albeit this was only active for part of the period under review and this has been considered as part of our journals testing strategy.</p>

Assessment

✓ Action completed

X Not yet addressed

D. 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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Misclassification of the Energy Rebate payments	-	Short term creditors 6,329 Short term debtors (6,329)	-	-
Misclassification of short term borrowing as long term borrowing	-	Long-term borrowing 10,000 Short term borrowing (10,000)	-	-
Misclassification of Council Tax refunds at 31 March 2023	-	Short term debtors 192 Cash & cash equivalents (192)	-	-
Pension surplus asset ceiling and recognition of unfunded liability	Remeasure of defined benefit liability/asset 12,720	Unfunded pension liability (2,822) Pension net asset (9,898)	12,720	12,720
Updated revaluations and adjustment of misclassification of revaluation movements including: - restatement of impairment Tatton development £6,835k - omitted land asset reinstated £5,925k - revaluation and reclassification of Astley Hall £2,331k	Surplus/Deficit on revaluation of PPE 1,009 Depreciation and impairment through CIES (12,906) Loss on disposal 175	Land & buildings 4,886	(11,722)	(4,886)
Overall impact	998	(7,834)	998	7,834

D. 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 prior year 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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Impairment of asset under construction in relation to Tatton development	Impairment expense 6,835	Land & Buildings – AUC (6,835)	6,835	(6,835)
Misclassification of revaluation movements between CIES and revaluation reserve	Surplus/Deficit on revaluation of PPE (1,265)	Revaluation reserve 1,265	-	-
Overall impact	5,570	(5,570)	6,835	(6,835)

D. Audit Adjustments (continued)

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

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/issue/Omission	Details	Adjusted?
Accounts consistency	Updates made to references in the accounts and minor amendments to ensure consistency.	✓
Group accounts	The group financial statements and supporting notes have been added to the updated Statement of Accounts	✓
Cashflow Statement	The cashflow statement and relevant disclosure notes have been amended to incorporate the adjustments to debtors and creditors.	✓
Financial instruments	The disclosures have been updated to reflect the adjustments to debtors and creditors.	✓
Prior period adjustment	Narrative disclosures have been added to explain the basis of the prior period adjustment to the 2021-22 accounts.	✓
Pension surplus asset ceiling	The disclosures have been updated to explain the application of the asset ceiling to the net pension asset.	✓
Audit fees	Updates made to disclose the full external audit costs in the accounts.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 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	Impact on general fund £'000	Reason for not adjusting
Business rates appeals provision is overstated following the revised calculation	Provision expense (165)	Provisions 165	(165)	165	Not material
Misclassification of technical overdraft		- Cash and cash equivalents 501 Short term creditors (501)	-	-	Not material
Overall impact	(165)	165	(165)	165	

D. Audit Adjustments (continued)

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 2021/22 financial statements

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	

E. Fees and non-audit services - CBC

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

	Proposed audit fee
Scale fee published by PSAA 2022/23	£41,684
<i>Issues not included in the above</i>	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540	£2,100
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Additional procedures to address other local risk factors (VFM significant weaknesses)	£6,000
Group audit procedures	£4,500
Enhanced audit procedures for Infrastructure	£2,650
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
Increased audit requirements of revised ISAs 315/ 240	£3,000
Lower materiality	£2,500
Total proposed audit fees 2022/23 (excluding VAT)	£75,684

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Certification of Housing Benefit Claim 2022-23	43,000	tbc
Total non-audit fees (excluding VAT)	£43,000	tbc

The fees reconcile to the financial statements.

• fees per financial statements	£42,000
• Audit fee variation to PSAA scale fee	£34,000
• Housing Benefit Claim 2022-23	£43,000
• total fees per above	£119,000

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

Chorley Borough Council Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Chorley Borough Council and its subsidiary undertaking, Chorley Leisure Ltd, for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings, valuation of investment property and the valuation of the net pension surplus. We are satisfied that the material judgements used in the

preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

G. Management Letter of Representation

- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
- a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.
- We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements
- xv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.
- xvi. We have considered the year end value of land and building assets which have not been subject to external valuation and we are satisfied that the basis of valuation remains appropriate and assets are not materially misstated. We have not identified any material changes to the properties.
- xviii. We have reviewed the status and related accounting requirements for Chorley Borough Council Property Ltd and are satisfied that group accounts are not required in relation to the company as it has returned dormant accounts to Companies House and no transactions have passed through the company. We confirm it is our understanding that although a lease was signed on 7 April 2021 between Chorley Borough Council and the Property company the lease dates were incorrect and the lease was not enacted. All transactions have continued to be between Chorley Borough Council and the leasee of Logistics House directly, rather than via the Property Company.
- Information Provided**
- xix. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xx. We have communicated to you all deficiencies in internal control of which management is aware.
- xxi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

G. Management Letter of Representation

- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Governance Committee at its meeting on 29 November 2023

H. Audit opinion

Our 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 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, 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 2022/23.

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 2023 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 2022/23; 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's 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 group and the Authority'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 2022/23 that the Authority's 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 2022) 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.

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.

H. Audit opinion

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 and 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.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

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. The Director of Finance is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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, 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 and the Director of Finance

As explained more fully 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.

H. Audit opinion

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 2022/23, 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.

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 they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management 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 management, 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 management's 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.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management 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, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

H. Audit opinion

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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, 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. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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 in which the group and Authority operates
- 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 considered whether there were instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified.

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.

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 2023.

We have nothing to report in respect of the above matter except that on 30 January 2024 we identified and reported significant weaknesses in the Authority's arrangements for governance and for improving economy, efficiency and effectiveness. We reported the significant weaknesses in our audit report for the year ended 31 March 2022 issued on 07 September 2023. The significant weaknesses affect the Authority's arrangements for the year ended 31 March 2023.

This was in relation to:

the onboarding of contractors onto the Council network and providing system access. We recommend that due consideration be given to the extent of access required and risk management in relation to system access, including regular reviews of system access and documentation of that review.

H. Audit opinion

- a failure of the Council's governance framework. We recommend the Council considers what organisational architecture needs to be in place to ensure that the appropriate safeguards, checks and balances operate effectively to provide the assurance that officers acting improperly will be detected by Council systems.
- Non-compliance with the procurement procedures. We recommend the Council ensures that employees are aware of contract procedure rules and where there are invitations to tender/quote that all bidders have access to the same information with no bidder having an unfair advantage
- The lack of capacity of the current procurement function is putting the Council at significant risk of failure to achieve value for money in its procurement and contract management arrangements. We recommend that the Council renews and enhances the procurement strategy, prioritise the appropriate resourcing of its procurement function and appropriately those officers and set out clear responsibilities for procurement staff versus service line leads to ensure the procurement function operates in line with regulations and internal policy.

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.

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 January 2023. 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 – Audit Certificate

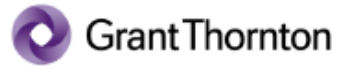
We certify that we have completed the audit of South Ribble Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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 44 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.

I. Audit letter in respect of delayed VFM work

Commercial in confidence



Chair of Governance Committee
Chorley Borough Council
Civic Offices
Union St
Chorley
PR7 1AL

Grant Thornton UK LLP
Liver Building
Liverpool
L3 1PS

28 September 2023

Dear Councillor Alan 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 can 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 expect to publish our report no later than three months after the date of issuing the opinion on the financial statements.

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

J. IT Control Environment

This section provides commentary on the deficiencies in IT control environment identified during the course of the audit which are referenced in the Action Plan in Appendix B and on page XX of the report. The table outlines the areas of the IT general controls where we consider the processes in place are not in line with best practice or the expected control has been observed as ineffective or missing.

IT General Controls category	Illustrative control	Auditor view and management response
Security management (including managing IT access rights and privileged access)	Initial access and changes to access to the applications and supporting infrastructure is documented and approved.	<p>Our review of the processes found that documentation on user access requests and approvals is not retained for more than 30 days after the change is implemented. As a result there is no documentation available for review.</p> <p>Management response</p> <p>Access is provided via Microsoft Entra ID and this has a history of 30 days for sign-in, audit and user activity. To implement further history would require implementing a SEIM system which is being explored.</p>
	Changes to access and/or removal of access is actioned on timely basis.	<p>Our review and checks of a sample of users who had left employment at the Council found that access had not been removed for several months after the leaving date.</p> <p>Management response</p> <p>ICT make changes to users' permissions once made aware of their leaving via the helpdesk. However, a review of the user removal process has been started to improve this and work closely with other departments.</p>
	User and IT personnel access rights are periodically reviewed and approved by management.	<p>We observed that that there is no regular control in place; there are no periodic reviews of user access rights across the Council's IT network. There are periodic reviews of user access within the finance team.</p> <p>Management response</p> <p>ICT has begun a process to review the AD structure and permissions inside the councils but due to the large quantity of users and permissions this is taking considerable time but once completed will allow for the improvement of the user creation and deleting process.</p>

J. IT Control Environment

This section provides commentary on the deficiencies in IT control environment identified during the course of the audit which are referenced in the Action Plan in Appendix B and on page XX of the report. The table outlines the areas of the IT general controls where we consider the processes in place are not in line with best practice or the expected control has been observed as ineffective or missing.

IT General Controls category	Illustrative control	Auditor view and management response
Management of program or IT environment changes	Management is aware of, and performs, an appropriate level of review of the activities performed by users with privileged access.	<p>We observed that that there is no regular control in place; there are no periodic reviews of activities performed by users with privileged access, although audit logs are available to review.</p> <p>Management response</p> <p>Cyber Security Officer reviews alerts in Microsoft Defender that highlight administrator roles provided and receives alerts when new privileged roles are granted. The review of a SEIM system is also tied in to improving this requirement.</p>
	Change requests are properly logged, documented and approved by appropriate personnel	<p>During the period under review, the Council had no formal change management policy in place. There is no formal log of changes to IT applications with records of requests and approval.</p> <p>Management response</p> <p>Change Management is to become part of the new Helpdesk system which is still awaiting implementation. Once this is in place then Change Management and Change Approval will be better managed and controlled.</p>
Information processing (including job scheduling and monitoring)	Changes to the financially significant scheduled jobs and associated execution schedules are properly logged, documented, tested and approved.	<p>During the period under review, the Council had no formal change management policy in place. There is no formal log of changes to financially significant scheduled jobs with records of requests and approval.</p> <p>Management response</p> <p>Change Management is to become part of the new Helpdesk system which is still awaiting implementation. Once this is in place then Change Management and Change Approval will be better managed and controlled.</p>



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Auditor's Annual Report on Chorley Borough Council

2022/23

January 2024



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Agenda Item 5



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.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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Executive summary



Value for money arrangements and key recommendation(s)

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 required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The weaknesses were therefore still in place in 2022/23 and so are re-reported. The Council has made substantial progress in addressing these weaknesses in 2023/24.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No significant risks identified prior to carrying out our work.	A No significant weaknesses in arrangements identified, but improvement recommendations made to support the Council in improving arrangements for capital plans, management of commercial investments and net zero plans.	A No significant weaknesses in arrangements identified, but improvement recommendations made.	↔
Governance	In 2021-22 we identified significant weaknesses in procurement which were potential significant weaknesses in 2022-23.	R Significant weaknesses in arrangements identified and two key recommendations made relating to contractor access to council systems and contractor safeguards.	R Significant weaknesses in arrangements identified and two key recommendations made.	↔
Improving economy, efficiency and effectiveness	In 2021-22 we identified significant weaknesses in procurement which were potential significant weaknesses in 2022-23.	R Significant weaknesses in arrangements identified and two key recommendations made relating to contractor access to contract procedure rules and the procurement function.	R Significant weaknesses in arrangements identified and two key recommendations made.	↔

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

The Council has a structured and effective approach to making and reviewing its financial plans. We are satisfied that the assumptions underpinning the Council's financial planning and strategy for the 2022/23 revenue budget and the medium-term were appropriate and sustainable. Capital schemes were linked to corporate priorities. There was a planned capital programme of £32 million but an outturn of £13.5 million in 2022/23 so we have made an Improvement Recommendation about the Council's approach to planning capital expenditure. The Council's Capital Financing Requirement (CFR) has risen significantly since 2017/18 which was attributed to six major capital schemes. The Council has developed a financially significant commercial property portfolio through borrowing and we have made an improvement recommendation that the Council should manage and monitor the performance and risks associated with its investments through an appropriate range of commercial investment tools. The Council bridges its budget gap through a strategy based on: investments that benefit residents and business whilst providing additional income to the Council; savings through procurement of contracts, including joint contracting with South Ribble Borough Council; efficiencies in infrastructure, ICT and alternative delivery models. A programme of de-carbonisation has begun but we have made an improvement recommendation that it should develop a long-term plan to achieve net-zero emissions.



Governance

In our 2021/22 Auditor's Annual Report we reported on additional risk-based work undertaken following an Internal Audit Review into the Council's Commercial Services Directorate. Our findings were that the Council was exposed to risks through its failure to have proper controls and processes in place in respect of contractors working in the Council and that this represented a significant weakness in the Council's arrangements. We made two key recommendations in relation to governance systems to address this significant weakness. The first related to the extent of system access granted to contractors and the documentation and review of access. The second related to the organisational architecture required to ensure effective safeguards, checks and balances.

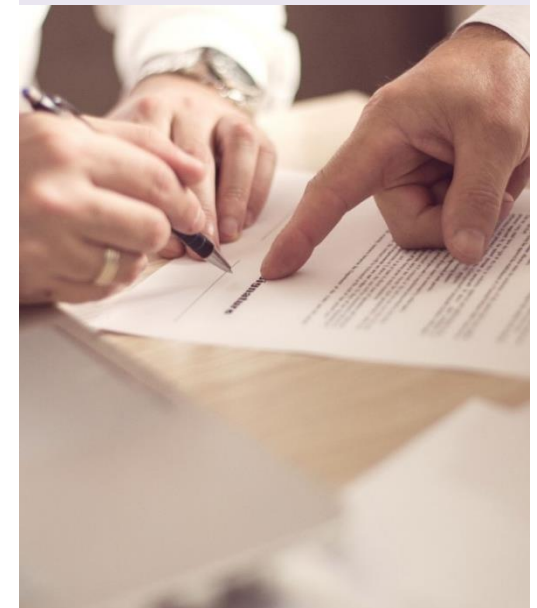
We have considered and included references to the Council's actions to address this significant weakness (which have mainly been carried out in 2023/24) in our report. However, because this report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Our work has not identified any evidence which leads us to conclude that there are additional significant weaknesses, other than those identified above, present in the Council's governance which require further recommendations to be raised.



Financial Statements opinion

We are progressing the audit of your financial statements and expect to issue an unqualified audit opinion.



Executive summary (continued)

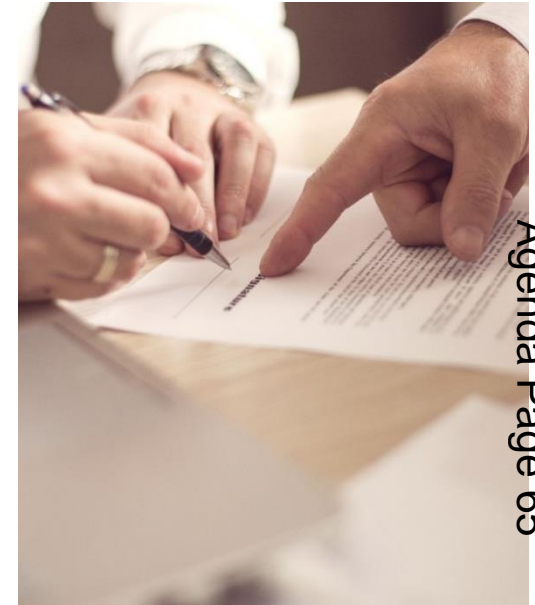


Improving economy, efficiency and effectiveness

In our 2021/22 Auditor's Annual Report we reported on additional risk-based work undertaken following an Internal Audit Review into the Council's Commercial Services Directorate. Our findings were that the Council was exposed to risks through its failure to have effective procurement processes together with a properly resourced procurement function and that this represented a significant weakness in the Council's arrangements. We made two key recommendations in relation to the economy, efficiency and effectiveness of the Council to address this significant weakness. The first related to awareness of and compliance with Contract Procedure Rules. The second related to the resourcing and responsibilities of the procurement function .

We have considered and included references to the Council's actions to address this significant weakness (which has mainly been carried out in 2023/24) in our report. However, because this report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing this significant weaknesses and implementing the recommendations in 2023/24.

Our work has not identified any evidence which leads us to conclude that there are additional significant weaknesses, other than those identified above, present in the Council's Governance which require further recommendations to be raised.



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Agenda Item 5

Use of auditor's powers

We bring the following matters to your attention:

	2022/23
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p>Public Interest Report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	<p>We did not issue a public interest report.</p>
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	<p>We did not make an application to the Court.</p>
<p>Advisory notice</p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful. 	<p>We did not issue any advisory notices.</p>
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	<p>We did not make an application for judicial review.</p>

Key recommendations



Key Recommendation 1

When onboarding a contractor onto the Council network and providing system access, due consideration must be given to the extent of the access required in order for that individual to effectively perform their role. The Directorate responsible for the contractor and IT must communicate to ensure that appropriate system access is provided, tailored to the specific needs of that individual. Each contractor added to the Council system must be treated on a case-by-case basis with consideration of the risks involved. This consideration must also be appropriately documented and an audit trail maintained to ensure appropriate risk management.

Consideration of system access must also be regularly reviewed throughout periods of employment. The circumstances of that individual's employment or engagement with the Council can change during their time with the organisation. Their system access must therefore be reviewed regularly in order to re-consider the risks.

Identified significant weakness in arrangements

Following an Internal Audit Review and additional risk-based work we carried out as part of our 2021/22 Auditor's Annual report we identified the absence of effective processes to control and document the access to IT systems of Contractors working in the Council, together with weak procurement processes, exposed the Council to risk. We acknowledge that the Council has made significant progress in addressing this significant weaknesses and implementing the recommendations in 2023/24 by, among other things, strengthening the process to control access to its systems, carrying out regular checks of contractors and ensuring staff are briefed about new processes.

Summary findings

1. A failure to control and review access to IT systems 2. Breaches of procurement rules including failure to formally extend or renew contracts 3. An under-resourced procurement function. 4. Failure to disclose conflicts of interest 5. Breaches of financial procedure rules. 6. Under-resourcing within the Commercial Services Directorate

Criteria impacted by the significant weakness

Governance

Auditor judgement

This report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Management comments

See next page

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

Key recommendations

Management comments

The council has undertaken significant work since the issues were first identified. This has included:

- changes to the process to create access to the council network to explicitly identify the type of access being granted (for example, contractor, permanent employee, fixed term employee)
- the agreement of a Director, documenting necessity and extent of access required.
- introduction of a regular check of network access for contractors.

The roll out of the new file saving system using Microsoft Teams has continued, and is now being used by all teams across the organisation. This brings a number of advantages:

- limiting the requirement for external users to have network access
- providing greater ability to provide limited access to files
- allow easy reporting of external access to council systems and files
- greater integration with staff attendance management system iTrent for automated reporting on starters and leavers

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

Key recommendations



Key Recommendation 2

The Council must consider what organizational architecture needs to be in place to ensure that the appropriate safeguards, checks and balances operate effectively to provide the assurance that officers acting improperly will be detected by Council systems. This will ensure appropriate protection for both officers and the organisation.

The Council also need to ensure they carry out a more comprehensive exercise to assess whether any similar cases to that identified in relation to Contractor A exist elsewhere in the Council.

Identified significant weakness in arrangements

Following an Internal Audit Review and additional risk-based work we carried out as part of our 2021/22 Auditor's Annual Report we identified that the absence of effective processes to control and document the access to IT systems of Contractors working in the Council, together with weak procurement processes, exposed the Council to risk. We acknowledge that the Council has made significant progress in addressing this significant weaknesses and implementing the recommendations in 2023/24 by, among other things, strengthening governance through a Corporate Governance Group and carrying out a review of creditors over £50,000 in the last three years.

Summary findings

1. A failure to control and review access to IT systems 2. Breaches of procurement rules including failure to formally extend or renew contracts 3. An under-resourced procurement function. 4. Failure to disclose conflicts of interest 5. Breaches of financial procedure rules. 6. Under-resourcing within the Commercial Services Directorate

Criteria impacted by the significant weakness

Governance

Auditor judgement

This report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Management comments

The strengthened Corporate Governance Group continues to monitor the Council's internal governance, with agenda items including Annual Governance Statement actions, ICT Programme updates and rotational updates from Heads of Service. This work will continue, with the Annual Governance Statement. A comprehensive check of expenditure incurred with all suppliers that totalled more the £50k in the 3 years to June 2023 has been completed in 2023/24, and did not identify any new issues.

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

Key recommendations



Key Recommendation 3

The Council must ensure that employees are aware of the requirements of the Contract Procedure Rules.

This includes:

- The requirement to activate formal extensions of contracts if further engagement with a contractor is desired
- The need for fee proposals at the commencement of works in order to ensure that there is sufficient control and knowledge of costs from the outset of a project
- The requirement to document how contracts are awarded/procured
- Compliance with the 2015 Public Contracts Regulations, including the need to publish award notices on Contracts Finder for all awards above £25,000
- Compliance with the Transparency Code, including the need to publish details for all contracts in excess of £5,000 on the Transparency Register

The Council must ensure that in the submission of an invitation to quote/tender, the bidders are privy to the same information and no one bidder is able to secure an unfair advantage from another. If there is evidence that one bidder would be able to secure an unfair advantage, this bidder must be prohibited from submitting a bid for that particular contract.

Identified significant weakness in arrangements

Following an Internal Audit Review and additional risk-based work we carried out as part of our 2021/22 Auditor's Annual Report we identified that weak procurement processes and an under-resourced procurement function exposed the Council to risk. We acknowledge that the Council has made significant progress in addressing this significant weaknesses and implementing the recommendations in 2023/24 by, among other things, introducing governance essential training for the leadership team in 2022/23 and officers undertaking procurement and strengthening the process for requesting waivers.

Summary findings

1. Breaches of procurement rules including failure to formally extend or renew contracts 2. An under-resourced procurement function. 3. Failure to disclose conflicts of interest 4. Breaches of financial procedure rules. 5. Under-resourcing within the Commercial Services Directorate

Criteria impacted by the significant weakness

Improving economy, efficiency and effectiveness

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

Key recommendations

Auditor judgement

This report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Management comments

In response to the issues identified, the Council has put in place:

- Governance Essentials Training for the Leadership Team, including a specific module on procurement and the Contract Procedure Rules(CPRs)
- training for Officers undertaking procurement
- strengthened the waiver request process, to ensure that it is consistently documented and well recognised. This has included the implementation of a new electronic waiver request form to replace the interim arrangement that was put in place.
- the Procurement Team proactively owning the completion of Contracts Finder and Transparency Register

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

Key recommendations



Key Recommendation 4

The Council must consider the role of the procurement function in respect of the whole organisation. The Council should outline the responsibilities of procurement versus service line leads in contract management and procurement and document this delineation in its Constitution. The Council must seek to renew and enhance its procurement strategy. The Council must prioritise the appropriate resourcing of its procurement function, particularly with respect to the shared services arrangement. The lack of capacity of the current procurement function is putting the Council at significant risk of failure to achieve value for money in its procurement and contract management arrangements. The Council must seek to appropriately train the employees in the procurement function. There was evidence of a limited advisory and supervisory function of the procurement team throughout this review. The procurement function is also lacking in appropriately qualified personnel. The procurement team must be aware of their responsibilities as an advisory and monitoring function and must perform this role effectively.

Identified significant weakness in arrangements

Following an Internal Audit Review and additional risk-based work we carried out as part of our 2021/22 Auditor's Annual Report we identified that weak procurement processes and an under-resourced procurement function exposed the Council to risk. We acknowledge that the Council has made significant progress in addressing this significant weaknesses and implementing the recommendations in 2023/24 by, among other things, appointing a qualified senior procurement officer and developing a business partnering approach.

Summary findings

1. Breaches of procurement rules including failure to formally extend or renew contracts 2. An under-resourced procurement function. 3. Failure to disclose conflicts of interest 4. Breaches of financial procedure rules. 5. Under-resourcing within the Commercial Services Directorate

Criteria impacted by the significant weakness

Improving economy, efficiency and effectiveness

Auditor judgement

This report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Management comments

The Council has put in place arrangements to strengthen the procurement function. This includes using external support from Blackburn with Darwen Council, employing a qualified senior procurement officer and, more recently, agreeing further strengthening of the procurement function following a review. That strengthened team will be implemented during 2024. The procurement strategy will also be refreshed during 2024, taking into consideration changes in legislation.

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

Securing economy, efficiency and effectiveness in the Council's 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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 16 to 32.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

Chorley Borough Council (the Council) was formed on 1 April 1974 as part of a wider reorganisation of local government in England undertaken at that time. It is a district council in south Lancashire with its largest town being Chorley. It is bordered by the Lancashire districts of South Ribble to the north and West Lancashire to the west. The Metropolitan Boroughs of Wigan and Bolton in Greater Manchester lie to the south and Blackburn with Darwen Borough is on Chorley's eastern side. Chorley Borough covers 230 square kilometres with almost a third of the population living in rural areas.

Chorley's population was estimated at just under 118,000 in the Office for National Statistics 2021 Census. The population grew by 9.9% over the previous decade, which was higher than the rate for England (6.6%) and for Chorley's neighbouring areas. At 9.9% Chorley's population growth over the decade was the second-highest in the North-West region. 34.7% of Chorley's population change was in people aged over 65 and there were also significant rises in the 50-59 and the 25-35 age groups. There was a 10.2% increase in the number of children aged under 15.

The percentage of those economically active in the borough is higher than the North-West average and the areas good communication links and proximity to Greater Manchester means that 42.3% of the working population are in managerial, professional and technical occupations. At 3.3%, unemployment is lower than the regional and national levels.

The Council has 42 elected members representing 14 wards, each ward electing three members. Elections are held every four years. The Labour Party is currently in control of the Council and the current political balance is: Labour 37, Conservative 5.

The Council's 2023/24 Corporate Strategy sets out the Council's vision which is "Enabling strong communities, a resilient economy, excellent services, a greener future and successful people." The Council's commitments under this vision are set out in four priorities:

- *Housing where residents can live well*
- *A green and sustainable borough*
- *An enterprising economy with vibrant local centres in urban and rural areas*
- *Healthy, safe and engaged communities.*

The Council has established a partnership with South Ribble Borough Council through which it has a shared management team and a number of shared service arrangements.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Short and medium-term financial planning

The Council has a structured and effective approach to making and reviewing its financial plans.

When the Council set its 2022/23 budget in February 2022, it identified the financial challenges it faced over the next three years in the Medium-Term Financial Strategy (MTFS) 2022/23 to 2024/25. The MTFS highlighted the uncertainty around the national policy context, including the Fair Funding Review which had been the subject of a consultation in February 2019. Similarly, the Government's review of the Business Rates Scheme identified the need for more frequent revaluations (every three years) and a requirement to review the level of business rate retention, as a result of which the Council concluded that the quantum of business rates available to it in future was uncertain.

The MTFS also identified that the *Levelling-Up The United Kingdom* White Paper included a potential shift in the way local government may operate in the future but concluded that this would not have an imminent impact on the finances of the Council.

Assumptions

The MTFS 2022/23 to 2024/25 set out assumptions about reductions in central government funding, including a reduction in New Homes Bonus to £0.866 million in 2022/23 with this income stream expected to cease in 2023/24. Key planning assumptions also included a 1% council taxbase increase. The Council assumed no increase in growth of retained business rates because of revaluations, appeals and possible changes to the baseline. However, it anticipated that it would continue to benefit from additional income from the Lancashire Business Rates Pool which was expected to be £0.849 million in 2022/23, £0.881 million in 2023/24, rising to £0.915 million by 2024/25.

Assumptions around income and expenditure growth over the forecast period to 2024/25 were based on a prudent but realistic view. For example, the Council's largest contract was its Waste Contract and it anticipated inflationary increases of 5%, 4% and 4% over the three years of the MTFS period. The Council had brought its leisure services contract back in-house during 2020/21 and its recovery of income levels was expected to require a continuing contribution over budget of £0.331 million in 2022/23 and to result in a break-even position by 2023/24.

Pay awards of 1.75% relating to the unresolved 2021/22 pay negotiations and 2% in 2022/23 and pensions contributions of 16.4% were incorporated over the period. General assumptions included forecasts for Council Tax base growth based on housebuilding projections of 1% and Council tax increases of 1.99%.

Overall, the Council's funding from all sources was forecast to fall to £13.5 million by 2024/25. The MTFS set out the challenge and uncertainty the Council faced in bridging the budget gap over the three-year period, with an initial deficit of £1.736 million for 2022/23, £3.359 million in 2023/24 and 3.567 million in 2024/25. In order to achieve a balanced budget, the MTFS identified additional income from the Council Tax increase, increases in Green Waste charges, and increased income from investment sites in 2022/23. This reduced the budget gaps for 2023/24 and 2024/25 to £1.117 million and £1.178 million respectively.

We are satisfied that the assumptions underpinning the Council's financial planning and strategy for the 2022/23 revenue budget and the medium-term were appropriate.

Financial sustainability (continued)

Short and medium-term financial planning (continued)

Capital Strategy and Treasury Management

When the Council approved the Capital Strategy on 23 February 2022, capital expenditure of £32 million was approved for 2022/23. This was subsequently amended to £32 million following the 21/22 outturn and then revised down to £15.8 million in December 2022. The capital outturn for 2022/23 was reported as £13.5 million to Cabinet on 15 June 2023.

Some variation within capital programmes is inevitable and often attributable to unforeseen delays or changes to plans. However, the difference between a planned programme of £32 million and an outturn of £13.5 million in 2022/23 may indicate poor planning or delivery. In the light of this variation we have made a Recommendation (**improvement recommendation 1**) that the Council should review the inclusion of projects within the first two years of its capital programme to ensure that schemes can be planned and delivered within an appropriate timescale.

Capital schemes were linked to corporate priorities and the Council had a clear description of governance processes which apply to capital schemes. Proposed new schemes were required to follow standard project management methodology with business cases which were scrutinized by the finance team. External expertise was brought in where required. New capital schemes were considered by the Senior Management Team before going through Cabinet and Council approval processes.

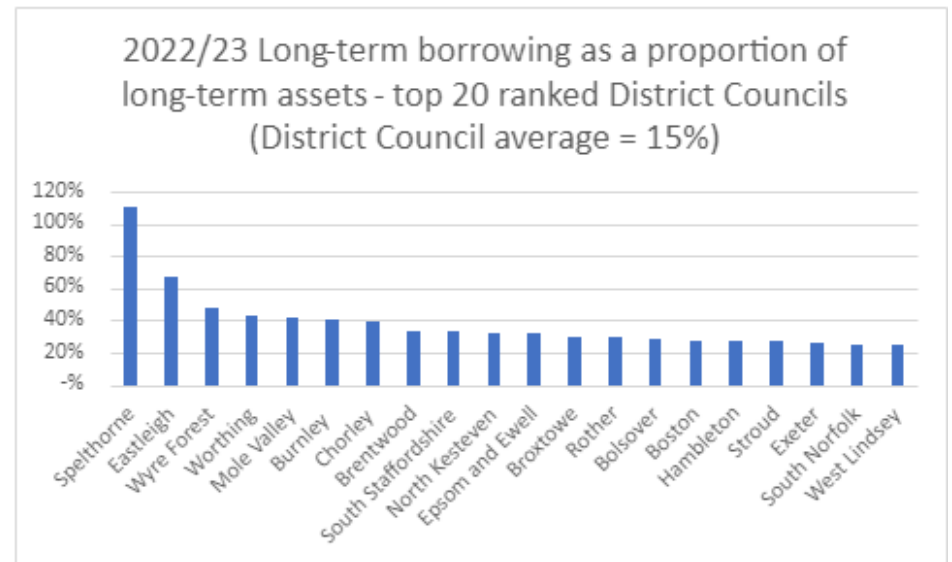
The Capital Strategy used a modified affordability indicator when comparing its capital financing costs to the net revenue stream. Net income generated through income generating assets was included. The closing capital financing requirement in the capital strategy for 2022/23 was £116.8 million and the opening capital finance requirement in the capital strategy for 2023/24 approved in February 2023 was £102.7 million. The Council's Capital Financing Requirement (CFR) has risen significantly since 2017/18 when it was £41 million. This was attributed to six major capital schemes, including the £33 million purchase of Logistics House, which is primarily a commercial investment.

The Council's income from commercial investments rose in parallel with the costs of borrowing. The income in excess of interest and MRP costs was projected to be £2 million in 2023/24. It was proposed to use the gap between borrowing and investment income as a performance indicator and this approach was included in the capital strategy. This is a positive step in the light of the Council's increased CFR and dependence on its income from commercial investments. However, because the Council has now developed a financially significant commercial property portfolio through borrowing it should consider adopting a wider range of commercial investment tools and indicators. This would help the Council to manage and monitor the performance and risks associated with its investments. We have made an improvement recommendation about this (**improvement recommendation 2**).

The Council's Treasury Management Strategy 2022/23 to 2024/25 set out prudential indicators for capital expenditure and financing, the forecast level of external borrowing and investments. It also amended the policy for Minimum Revenue Provision (MRP) following a review. This change in MRP policy involved adopting an annuity basis for all post 2008 debt and an asset life of 50 years for all income generating assets.

On 28 February 2023 the Council approved the revised Treasury Management Strategy which was set out in an Appendix to the MTFS 2023/24 to 2025/26. The MRP policy approved as part of the Treasury Management Strategy was consistent with the changed policy approved in 2022. The Council's Treasury portfolio at the end of 2022/23 estimated that the Council's gross debt position was approximately £26 million lower than its capital financing requirement which represented the level of under-borrowing. The Council's Operational Boundary was set at £79 million to take account of the current CFR and the impact of capital schemes over the next three years. Long-term borrowing as a proportion of long-term assets is now at 40% and places the Council in the Top 20 ranked District Councils (see Fig. 1 below). This highlights the higher level of risk resulting from the Council's borrowing to fund its commercial investments.

Fig 1 long-term borrowing as a proportion of long-term assets



Financial sustainability (continued)

Short and medium-term financial planning (continued)

Monitoring progress

The MTFS was reviewed as part of the annual budget setting process. In February 2023, a revised MTFS 2023/24 to 2025/26 set out new assumptions on key income and expenditure issues, including recognising the impact of higher inflation rates of 5% on anticipated pay awards in 2023/24 and 2024/25. The budget gap of £0.537m in 2024/25 was to be closed by increasing investment income, realising procurement savings and further efficiency savings through investment in infrastructure, ICT and exploring alternative delivery models for its services.

The assumptions and variables within the Council's financial model were updated during the year to enhance the financial planning and assess the impact of known changes and potential changes. Regular monitoring reports were made at departmental and Cabinet level to ensure there was a strong control environment. A report under Section 25 of the Local Government Act 2003 was included as Appendix B1 to the Revenue Budget and MTFS Report. The report forecast a balanced budget for 2022/23 and a General Fund Reserve Balance of £4 million. The Section 151 Officer confirmed their belief that the level of reserves was robust.

The 2022/23 draft outturn was published to Cabinet in June 2023 and reported a provisional underspend of £0.131 million for 2022/23 after taking into account the unbudgeted element (£0.597 million) of the cost of the 22/23 pay award. The provisional outturn for total net expenditure was therefore £14.362 million compared to the original £14.553 million budget. The outturn report included details of key variances by directorate.

Planning and delivering savings

The MTFS set out a cumulative budget gap of £3.567m for the 3-year period. The Council's budget had fallen from £17.6 million in 2016/17 to a projected £13.5 million by 2024/25 and the budget deficit had been bridged by a combination of cost controls, efficiency savings and income generation. This included an increase in garden waste subscriptions and an increase in Council Tax of 1.99%.

The key challenge was therefore anticipated as finding efficiency savings of £1.116 million in 2023/24 and £1.178 million in 2024/25 which was broadly similar to the scale of savings anticipated in 2022/23 and 2021/22 (see Fig 2). The proposed strategy would focus on: investments that benefit residents and business whilst providing additional income to the Council; savings through procurement of contracts, including joint contracting with South Ribble Borough Council; efficiencies in infrastructure, ICT and alternative delivery models. Savings amounting to £600k were targeted through the Transformation Strategy.

Fig 2. Planned spending and savings 2022/23 and 2021/22

£ 000	2022/23	2021/22
Planned revenue expenditure	£14,587	£ 14,596
Actual revenue expenditure	£14,362	£ 14,474
Planned capital spend	£24,235	£38,116
Actual capital spend	£13,500	£23,900
Planned savings/increased income target	£1,749	£1,228
Year-end cash position	£1,250	£ 9,317

Financial sustainability (continued)

Planning and Delivering savings (continued)

The Council owns a number of investment sites which it forecast would generate income of £133k in 2022/23 and £335k in 2023/24. The MTFS identified that around 16% of gross directorate budget would be funded by income from assets.

However, the MTFS 2022/23 to 2024/25 acknowledged that further savings would be required to address the budget gaps in 2023/24 (£1.117m) and 2024/25 (£1.178m). The Council's Transformation Strategy aimed to bridge that remaining funding gap through productivity savings. They included service modernisation, digitalisation, staffing savings, contract savings, income generation through investment, exploring alternative service delivery models and making best use of assets.

The Transformation Board met regularly with Directors and Service Leads to scrutinise savings and income generation proposals. This included the feasibility of the proposals, timelines and any additional budget pressures that might result. The Transformation Board's purpose was to monitor the progress in project delivery and ensure that the overall objectives of the Transformation Strategy were met and that anticipated savings were achieved. A review of assets identified a target of £350,000 in savings through sales, redevelopment or rental. And a further £335,000 additional income from investments was included. Finally, it was considered that a further £350,000 of savings could be achieved through alternative delivery models including further shared services.



Financial planning and strategic priorities

The MTFS was part of a framework which aligned the use of resources and activities to deliver the Council's priorities. Those priorities were set out in the Corporate Strategy and monitored through the corporate performance framework. A refreshed Corporate Strategy was approved on the 15 November 2022 which set out four new priorities:

- Housing where residents can live well
- A green and sustainable borough
- An enterprising economy with vibrant local centres in urban and rural areas
- Healthy, safe, engaged communities.

The Transformation Strategy was the third element of the framework and this coordinates the Council's change programmes and includes the workforce plan. There is a clear read-across between the priorities set out in the corporate strategy, the MTFS and the Transformation Strategy. The workforce plan provides an organisation-wide framework to develop the workforce to achieve the Council's priorities. The Council's strategic risks include the risk of insufficient staffing capacity and skills to deliver its priorities. The Council's People Strategy was also aligned to support recruitment, retention and staff development.

The Council maintained a £500,000 reserve to support its ambition to become carbon neutral by 2030. Its intention was to replenish the reserve as schemes were funded and delivered. In identifying 'A green and sustainable borough' among its four key priorities, the Council identified activities including habitat improvement, sustainable energy for business, improvements to council buildings, green energy and transport improvements. The Council's commitment to supporting the green agenda has gained significant momentum, with a focus on early-stage decarbonisation efforts and engagement with residents. Carbon calculations have been conducted on council vehicles and assets, providing a critical baseline for green initiatives.

Whilst the Council has made impressive efforts to plan and resource decarbonisation, it has not yet developed a long-term plan to achieve net-zero emissions, setting out how it will achieve this including an estimate of the cost of achieving net-zero which could be factored into its financial plans. It will be important for Chorley Borough Council to plan how it will achieve net zero by or before 2050 and to consider an assessment of the investment which will be required over a sustained period. We have made an improvement recommendation about this (**improvement recommendation 3**)

Financial sustainability (continued)

Managing risks to financial resilience

Managing reserves

The Council planned to retain a general reserve of £4 million when it set the 2022/23 budget and maintained this planned level of general reserve when the MTFs was revised in February 2023. The general reserve was set at a level to help the Council cope with unpredictable financial pressures

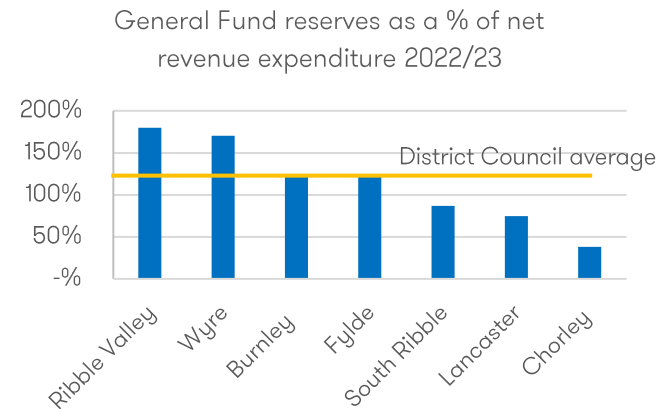
The MTFs 2023/24 to 2025/26 stated that the Council did not rely on the use of the general reserve but that it is available to help manage the potential risks in the budget. These potential risks included volatility in the funding system relating to business rates retention, the profile of savings and income generation proposals including

In addition to the general reserve the Council held earmarked reserves of £7.7 million at the beginning of 2022/23 which fell to £6.7 million by the end of 2022/23. Earmarked reserves were held for specific purposes including a reserve set aside to support the Council’s ambition to become carbon neutral by 2030 which totalled £615,000 at the end of 2022/23. A further £0.9 million was set aside to support residents, communities and business in the continuing recovery from the pandemic and the cost-of-living crisis. The total level of reserves therefore fell from £11.8 million to £10.8 million.

The useable reserves balance at end of 2022/23 was 74% of the outturn net revenue expenditure (£14.4m) which compared with an average of 106% for district councils (see Fig. 3 General Fund reserves as a percentage of net service revenue expenditure). This decreased from 88.6% in 2021/22.



Fig 3 General Fund Reserves as a percentage of net service revenue expenditure



Reporting

Balance Sheet monitoring was reported alongside the Capital Programme. Changes in interest rates impacted on investment income and debt interest payable and the outturn on 31 March 2023 showed that interest income, interest payable and MRP were £3 million, which was £0.6 million lower than the budgeted total for these items.

No new investments were made during the year. Total borrowing rose by £8 million. This included an increase in short term borrowing.

Reporting also included the total outstanding debt at the end of the year which indicated a small improvement in the Council Tax collection rate and a small fall in business rates collected. The balance outstanding on Commercial Sundry Debts was 32% higher at the end of the year which reflected agreements on deferred rents during the pandemic and new lease agreements.

Financial governance

Annual budget setting

The Council's process for setting its 2023/24 annual budget and reviewing its MTFS built on the previous year's budget and factored-in changes including new grants, Council Tax base data and Business Rates. The budget process also took into account savings delivery, service pressures and changes to service fees and charges.

There was council-wide involvement of officers and members during the preparation of the budget which considered capital and revenue plans, risks, cost pressures and savings. The 2023/24 budget setting preparations included consideration of factors such as the cost-of-living crisis, rising utility costs, increasing interest rates and recovery from the Covid 19 pandemic. A budget consultation exercise for the 2023/24 budget was carried out between the 24 January and 6 February 2023 and received 73 responses via an online survey and 60 responses through social media. The Council analysed responses by grouping them into positive, negative and neutral groups and considered that responses were broadly supportive of its investment priorities.

The Cabinet considered and approved the budget on 19 January 2023 prior to the Council approving the budget on 28 February 2023. The MTFS set out forecasts over the three-year period and the context for the annual budget. The framework for budget setting was set out within the Council's Constitution and in its Budget Strategy. The potential impact of changes of various estimates and assumptions was discussed as part of the briefing process in the development of the budget.

Budgetary control

The Finance Department engaged regularly with budget holders. Budgets were monitored at senior management team meetings, at departmental level and in briefings with Executive Members. Budget accountability for Heads of Service (who were the majority of budget holders) was built into quarterly reporting at Directorate Management team and then onto Senior Management Team. There was challenge within these processes.

Quarterly budget monitoring reports were taken to Cabinet and included outturn against budget and explanations for underspends and overspends against budget at a directorate level. Any proposed revisions to the budget were also communicated through this report. There was clear reporting on the forecast outturn and the impact on useable reserves. An update was also provided against the Capital Programme, with revisions also communicated.

The MTFS report in February 2023 for the period 2023/24 to 2025/26 included a Treasury Management Statement setting out policies for borrowing and debt management, investment strategy and Minimum Revenue Provision. Financial monitoring reports and minutes demonstrated that in-year forecast variances were being picked up promptly, and budget holders were being held to account for delivering to budget. On 10 November 2022 a report to Cabinet set out the revenue and reserves forecasts at six months (September 2022) indicating a provisional overspend of £0.287 million and setting out the main variances from the original budget. Additional cost pressures including staffing (pay and use of agency staff) and utility costs were identified.

Financial Sustainability and Financial Governance Conclusions

We are satisfied that the Council had adequate financial planning arrangements which were scrutinised at Cabinet, Council and Governance Committee and that risks to the Council's financial sustainability were identified reflecting the Council's awareness of the significant challenges it continued to face.

The Council had an adequate level of reserves and did not plan to use reserves in order to balance its budget. Its reserves position was strong enough to be able to deal with any unforeseen problems arising during the year if it became necessary.

The Council successfully bridged its funding gap through a combination of savings and additional income. The Council's income has been boosted through significant commercial investment funded by increased borrowing over the last five years.

We did not identify any significant weaknesses in arrangements to ensure financial sustainability at the Council. We have made recommendations about how the Council plans its capital spending, manages and monitors its commercial investments and develops its approach to planning for Net-Zero (**improvement recommendations 1-3**).

Improvement recommendations

Improvement Recommendation 1

The Council should review the approach it takes to inclusion of projects within the first two years of its capital programme to ensure that schemes can be planned and delivered within an appropriate timescale.


Improvement opportunity identified

The Council should carefully appraise the credibility of plans to deliver a capital scheme before including it in the first two years of its capital programme.

Summary findings

There are significant variations between the Council's planned and actual capital spending which is symptomatic of poor planning or delivery.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Since the appointment of the Head of Property and Development in April 2023, processes have been reviewed and regular meetings are held between the Estates and Finance teams to review the profile of expenditure on each capital scheme, utilising both the knowledge of the Officers involved and Quantity Surveyor reports. Any required adjustments to the spend profile are reflected in the Quarterly Capital and Balance Sheet Monitoring reports presented to the Executive Cabinet. In addition, a consultant partner has been procured to provide Development Management services and who will provide support in informing the capital programme and timescales for delivery, based on available resource and funding timescales.

It must be noted however that whilst action has been taken to improve the accuracy of forecast spend within the capital programme once the scheme is underway, slippage can sometimes occur between the time the initial scheme and profiled budget are approved and added, to the actual timing of start on site; there can be several reasons for this, for example further design and detailed specification work required, possible consultation, and then the procurement process itself.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2

The Council should develop an appropriate range of commercial investment tools to manage and monitor the performance and risks associated with its significant commercial investment portfolio and associated debt.

Improvement opportunity identified

The Council has borrowed and invested significant funds to create an income stream which supports its revenue budget and should therefore develop the extent and sophistication with which it monitors the performance and risks associated with this scale of borrowing and investment. This should include the development of key performance indicators, the use of scenarios for modelling future income and risk, clarity about how the value of investments is projected and measured, and the means by which the Council assesses risk and return in order to inform future investment and divestment decisions.

Summary findings

The Council has increased its borrowing in order to invest in a commercial property portfolio and provide an additional income stream to support its revenue budget. The Council should therefore develop and adopt an appropriate range of investment tools which help it to manage the performance and risks associated with this significant investment.

Criteria impacted

Financial sustainability



Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

Management comments

Action has been taken to provide appropriate tools to manage the performance of the investment estate. The Council has recently procured Civica Property Management, a Property/Asset Management system. The system is in the process of implementation, and once live it will provide a platform to help monitor and manage performance across the investment estate, also identifying risks to income due to upcoming lease expiry. The system also identifies maintenance requirements and spend which will highlight any future liabilities affecting the performance of the investment estate.

Key Performance Indicator (KPI) measures can also be managed through the Civica Property Management system, to monitor performance and highlight areas that need intervention at an early stage.

The Estates Team currently prepare an Investment Estate dashboard report which is presented to Members each quarter; this now provides an overview of income and the return on investment, based on current rent and payback period.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3

The Council should develop a long-term plan to achieve net-zero emissions, setting out how it will achieve this including an estimate of the cost of achieving net-zero which could be factored into its financial plans.

Improvement opportunity identified

The Council should build on its commitment to de-carbonisation by developing its understanding about how it will contribute to the national objective of achieving net zero by or before 2050 which will enable the Council to inform its medium-term financial planning.

Summary findings

The Council has made impressive efforts to plan and resource decarbonisation but has not yet developed a long-term plan to achieve net-zero emissions.

Criteria impacted

Financial sustainability



Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

It's acknowledged that there is a need to develop a SMART action plan to achieve net zero and that this should include details of the necessary financial investment required (and where possible, details of external investment to be targeted). To inform the development of this Pathway to Net Zero, which is required both in terms of our assets and operations, the Council commissioned a large-scale desk top study in January 2024. A similar study was published on behalf of Lancashire County Council in March 2022. Although this study provided a good baseline, in order for it to provide a robust and costed action plan, it requires a more granular level of work, which is what Chorley Council have proactively commissioned. This study will model pathways to net zero for the Council and the borough; there will be multiple pathways with varying degrees of intervention reaching the longer-term government interim and 2050 target to the more ambitious local target of 2030. This work includes action plans of short-, medium-, and long-term implementation factoring in the earliest feasible date which net zero can be reached. This information will form an overall indication of the work the Council will need to complete to be net zero within a dictated timeframe, including the budgetary needs associated with it. The work is expected to be completed by June 2024, after which it will be carefully considered by the Senior Management and Political Leadership including the financial implications, and thereafter will be incorporated into the refreshed Climate Change Strategy, which is expected to be published later in 2024 and will include the trajectory for achieving net zero including a timeline and total cost. It is important to note that for some workstreams within the Carbon Pathway, such as transport, Chorley Council are not the responsible Local Authority and as such the actions included within the borough wide pathway to net zero will not wholly be within the council's control.

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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

Risk Management

The Council's Risk Management System included a Strategic Risk register alongside service level and project risks and operated as a live system which was updated to reflect new or emerging risks. The Strategic Risk register was owned by the Senior Management Team and risks were scored on a risk matrix based on an assessment of the seriousness of each risk and its likelihood. Risks were RAG-rated and allocated to categories such as risks relating to financial controls, regulatory issues, reputational risk, and achievement of corporate objectives. Risks were assessed to indicate the direction of travel. Risk owners were identified for each strategic risk and control measures were identified and described, together with Action Plans and named owners for the Action Plans. The Council had a Risk Management Policy, Process Guide and Toolkit which underpinned its approach to risk management across all Directorates and this approach was supported by training on risk management.

Strategic risks were reported to the Governance Committee. The report the Committee considered on 3rd August 2022 identified 19 strategic risks at that time. The risks were described and shown with the control and mitigation measures which were in place or planned. The highest scoring risks related to the failure to achieve a return on large investments, budget challenges impacting on key public and third sector services, incidents affecting ICT delivery or business continuity, and the risk of cyber attacks.

The reporting highlighted changes to the risk scores, some of which reflected changing risks as the Council emerged from the impact of the pandemic. The reporting also included a specific narrative on action being taken in relation to each risk. For example, in relation to the risk of not achieving a return on large investments, new action as part of the budget planning process involved Finance and service departments revisiting income models to ensure return was being maximised.

Of the nineteen strategic risks reported to Governance Committee in August 2022, four risks had increased scores since the previous report indicating a heightened level of risk. Two of these risks related to the Council's people resources and reflected the risk of being unable to recruit and retain sufficient capacity and skills and the risk around the impact of organisational changes. The report also recognised the increasing risk around the Council's ability to maximise technology to drive organisational change and the risk around budget resources due to uncertainties around funding.

Internal Audit

The Council's Internal Audit Service carried out and reported on an internal assessment against the requirements of the Public Sector Internal Audit Standards (PSAIS) on an annual basis. Reports were made to the Governance Committee on 1 June 2022 and 25 May 2023 setting out the results of the assessments for 2021/22 and 2022/23 respectively. External assessment has been carried out every five years and the last external assessment was in April 2018 and a further assessment is therefore due on 2023/24. The service self-assessed that it was compliant with 125 aspects of PSAIS and partly compliant with one aspect. The Internal Audit service reported annually on the achievement of its plans setting out the Opinion of the Head of Internal Audit on the overall adequacy and effectiveness of governance, risk management and control processes.

Governance (continued)



Risk management and internal controls (continued)

Internal Audit (continued)

Fourteen planned Audit Reviews were completed in 2022/23 together with an unplanned review (compared to sixteen planned audits completed in the previous year). The service awarded limited assurance ratings in three reviews - water management, utilities management and General Data Protection - data deletion (See Fig 4). Management actions arising from audit reviews were monitored through the Council's risk management system and 63% of management actions of Chorley Borough Council due by the end of 2022/23 had been completed. 80% of actions relating to shared services were completed. The completed actions therefore fall short of the 90% completion target set by the Council. The reason for this shortfall is identified as largely relating to the Commercial Directorate.

87.5% of the audit plan was completed and the service received a satisfaction rating of 96%.

The Audit Plan and Opinion were reported to and considered by the Governance Committee. The overall annual internal audit opinion is that the adequacy and effectiveness of the Council's governance, risk management and control processes was adequate for 2022/23. However, the exception to this Opinion was the three limited assurance rated reviews and the unplanned review which represented a significant control weaknesses.

In our Auditor's Annual Report 2021/22 we made a recommendation relating to effective controls in on-boarding and managing contractors, including specific controls where contractors have access to the Council's IT systems. The absence of proper controls and processes exposed the Council to risk and was a significant weakness which was present during 2022/23. We have therefore repeated this recommendation (**key recommendation 1**).

Nevertheless, we recognise that in 2023/24 the council has responded to the key recommendation by putting in place changes to the process to create access to the council network which explicitly identifies the type of access being granted (for example, contractor, permanent employee, fixed term employee). We also note that changes have been made to require the agreement of a Director, documenting necessity and extent of access required. A regular check of network access for contractors has also been introduced and a new file saving system, making use of Microsoft Teams, will enable controlled external access to individual files. The rollout of the new file storage system will allow for meta-data such as tagging where files are confidential and their retention periods.

Fig 4 Internal Audit Report Assurance Levels (source Internal Audit Annual Report and Opinion 2022/23)

Assurance Level	2021/22	%	2022/23	%
Full	0	0	1	8%
Substantial	7	43%	3	21%
Adequate	7	44%	7	50%
Limited	2	13%	3	21%
Totals	16		14	

Governance (continued)



Internal Audit (continued)

We also made a recommendation (key recommendation 2) about the importance of considering the organisational architecture which would provide safeguards, checks and balances to prevent similar occurrences of contractor arrangements which are not properly procured or controlled. This was also a significant weakness which was present during 2022/23 and we have therefore repeated this recommendation (key recommendation 2).

The Council's response to this recommendation was to strengthen the oversight through a Corporate Governance Group which monitors the Council's internal governance, with agenda items including Annual Governance Statement actions, ICT Programme updates and rotational updates from Heads of Service. Heads of service attended on a rotational basis to review internal control issues. A review of total spend with individual Creditors > £50k across the last 3 years has been completed to provide assurance that there were no similar failures to the one identified in the internal Audit report.

We have therefore concluded that the changes made by the Council following the Internal Audit Report and our Auditor's Annual Report 2021/22 represent a robust response and that the completion and embedding of these actions during 2023/24 should provide the Council with assurance that these significant weaknesses will have been addressed.

Governance assurance

The Governance Committee met four times in 2022/23 and considered reports on the internal and external audit plans and progress, the Local Code of Corporate Governance, RIPA, the Statement of Accounts, draft core financial statements, Treasury mid-year review and outturn, the CIPFA resilience index, strategic risks, charities and trust funds, Internal Audit Annual Report, Annual Governance Statement and the external Auditor's Annual Report.

Committee meetings were well-attended and provided opportunities for members to question and challenge. Two independent members are now included on the Governance Committee.

The Council had procedures and policies in place to address the threat of security or cyber-attack, which included an external review. Data breaches in 2022/23 were monitored. The Council carried out cyber penetration testing to ascertain weaknesses.

The draft Annual Governance Statement was considered by the Governance Committee on 24 May 2023. It was prepared in accordance with CIPFA/SOLACE guidance. The statement is under-pinned by work carried out by the Corporate Governance Group. The Statement reported completion of four out of eight actions on governance issues identified in the previous Annual Governance Statement. Ten areas for improvement were identified for 2022/23 (See Fig 5)

	2022/23	2021/22
Annual Governance Statement (no. of areas for improvement)	Ten	Eight
Head of Internal Audit opinion	Adequate	Adequate

Fig 5 The Council's performance against key governance metrics is set out in the table above.

Governance (continued)



Standards and behaviours

The Council set out its governance arrangements in the Annual Governance Statement which included governance issues which it had identified as requiring action and improvement. A corporate governance group oversaw governance arrangements and required service assurance statements which assessed compliance with the governance framework. Senior leaders communicated with staff about the importance of compliance with governance requirements.

The Member Code of Conduct was Appendix 6 of the Council's constitution and it set out the behaviours required of Members, their obligations in respect of declarations of interest, and arrangements for dealing with complaints. The Governance Committee was responsible for Standards and for convening Hearing and Appeals panels where a complaint has been investigated and is to be determined. The constitution also included an Officers Code of Conduct and a protocol for Member / Officer relations.

Gifts and hospitality were recorded in the Register of Interests and regular reminders are issued to Members to ensure they are updated. Details relating to each Member were available on the Council's website and these records provided evidence that gifts and hospitality were being declared. Work is carried out to test the recording of declarations of interest as part of the Annual Governance Statement work.

The Whistleblowing Policy was available on the Council website. It set out how complaints could be raised, arrangements for confidentiality, ways of raising concerns externally and sources of information and advice.

There was evidence of a good tone being set by those at the top of the organisation with an open and accepting approach to the challenges faced by the Council, a collaborative approach at senior levels and clear communications within the organisation about compliance with governance processes. The transition to a new chief executive officer (internal appointment) has progressed well and there has been a strong emphasis on improving staff understanding of governance obligations, particularly in the light of staff turnover in some key areas of management responsibility.

Governance Conclusions

The Council had significant weaknesses in 2022/23 in respect of its management of contractors and safeguards which would prevent controls being circumvented. We identified these weaknesses in our Auditor's Annual Report 2021/22 and they were present during 2022/23. The Council has made significant progress in addressing these significant weaknesses in 2023/24 which we have made reference to in this report.

We are satisfied that, other than these significant weaknesses, the arrangements for Internal Audit, Governance assurance and standards were adequate and effective.



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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

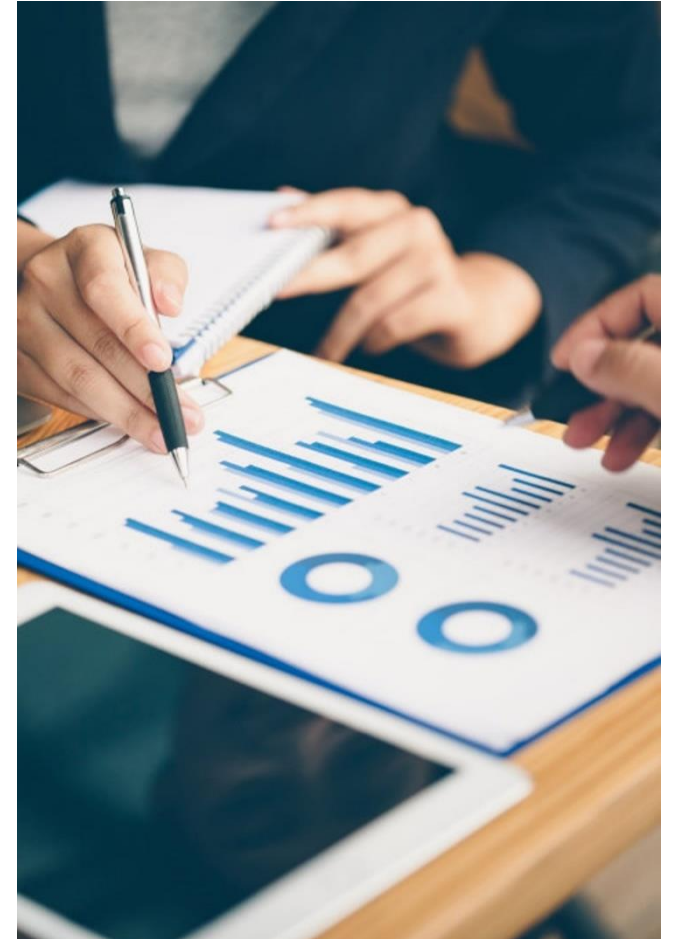
Use of financial and performance information

Quarterly performance reports were provided to Cabinet and to the Overview and Scrutiny Performance Panel. The reports summarised overall performance and provided a narrative of performance for each of the four priorities within the Council's corporate plan. The reports used Red-Amber-Green (RAG) rating to report progress on the delivery of key projects within the Plan. Reports included corporate performance indicators relating to the corporate priorities.

For example, Quarter Two performance reporting in 2022/23 showed a red project status rating for Tatton Gardens Extra Care development due to delays in project completion. The indicator for affordable homes delivered also showed as red because only ten affordable homes were delivered against a target of fifty and performance was worse than the same Quarter in 2021/22. The Council's performance reporting was therefore linked to its corporate priorities and reported performance trends with the use of colours and symbols to interpret performance data.

Regular reports to the Overview and Scrutiny Performance Panel included directorate level performance reporting as well as financial reporting together with corporate and service level indicators. For example, on 15 December 2022 the Policy and Governance Directorate reported on corporate indicator performance including the employment rate and the number of NEET (Not in Education, Employment or Training). Local indicators included the number of visitors to Astley Hall, payment of suppliers within 30 days, the percentage of the audit plan completed, and days lost through long and short-term sickness.

Our benchmarking data identified two areas of relatively high unit costs: - public transport subsidies and open spaces spending. The Council has prioritised Streetscene services in its Corporate Strategy by supporting an efficient service that can deliver environmental improvements. New technology has been introduced to schedule grass cutting, tree and car park inspections and litter bin emptying. The Council is also investing in climate change activity through carbon calculations on vehicles and assets as well as a tree planting strategy.



Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Under its corporate strategy priority of being “an ambitious Council that does more to meet the needs of residents and the local area,” the Council provides funding of £85k to sustain key bus routes and mitigate the impact of county-wide funding cuts. These examples of higher spending than the Council’s comparators are aligned to corporate priorities.

The Council had a deepening relationships with South Ribble Borough Council (SRBC) which was based on shared services but also included mutual support and learning where one council has experience or expertise which the other doesn’t. For example, enforcement and anti-social behaviour challenges at CBC were supported by SRBC. The Council also had collaborative arrangements with neighbouring authorities through the Central Lancashire Local Plan and the Chorley Public Service Reform Board.

On 21 Feb 2023 a report to the Joint Shared Services Board indicated an overall saving of £0.9 million to CBC from the implementation of phases 1 and 2 of the shared service strategy with South Ribble Borough Council. 47% of the workforce for the two councils are now involved in providing services for both councils. New terms and conditions have been adopted by both councils together with a shared Human Resources Framework. Phase 1 of the shared services work brought Governance, Transformation and Partnerships, Communications and Visitor Economy together. Phase 2 added ICT and Customer Services. The Councils now have a shared chief executive and directors.

The Councils are building on this work by looking at Property and Asset functions which is likely to be followed by Business Support and Economic Growth. Further opportunities in Public Protection, Environmental Health and Planning will be considered in the future. The councils use a framework to evaluate shared service potential which considers whether the councils will be able to continue to deliver their own priorities, whether a shared model is possible and whether the two councils have a shared need for the service. The evaluation process also looks at pragmatic issues such as capacity, recruitment issues and opportunities for alignment.

Our financial benchmarking data for 2022/23 identified a relatively high ratio of borrowing over assets for CBC of 40%, compared to a district council average of 15% (See Fig 1 in our analysis of financial sustainability), resulting from the Council’s borrowing to fund its commercial investments. We also identified that general fund reserves were 38% of net service revenue expenditure in 2022/23 where the average for district councils is 129% (See Fig 3 in our analysis of financial sustainability on page 20). The Council reported the CIPFA Resilience Index comparison for 2020/21 to the Governance Committee on 3 August 2022. The use of financial benchmarking information to establish and monitor the Council’s comparative position is a useful addition to understanding overall performance, particularly in the light of the Council’s recent strategy to increase borrowing in order to fund commercial investments.



Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council had an approved key contracts and partnerships framework which identified the key contracts and partnerships which were significant in terms of value or implications in terms of other resources, were a significant commitment over time.

A report on the performance of these key contracts and partnerships was considered by the Cabinet on 14 July 2022. The report covered key contract arrangements with major IT system suppliers, the Council's choice-based lettings partnership, the local plan partnership, Chorley Leisure and the shared services partnership with SRBC. Key risks and objectives were identified for each partnership.

The Council engaged in a range of partnership work which addressed local priorities and savings opportunities including the shared services partnership with SRBC, the local plan partnership with SRBC and Preston City Council and through its Health Scrutiny work which considered social care reform and shared priorities through the Integrated Care Board.



Commissioning and procurement

The Council's Contract Procedure Rules were set out in the Council's Constitution. They set out the processes and approach to procurement and specific requirements for contracts of low value (under £25,000), intermediate value (£25,000 to £100,000) and high value contracts (over £100,000). The Rules made specific provision for their application to the appointment of consultants to the Council.

In our Annual Auditor's Report 2021/22, published in July 2023, we reported on additional risk-based work relating to an Internal Audit Review into procurement in the Commercial Services Directorate. This work identified breaches of the contract procedure rules in respect of procurement of contractor services, a lack of coordination and proper documentation and under-resourcing of the procurement function.

We made a key recommendation (**key recommendation 3**) to address a significant weakness about awareness of and compliance with the Contract Procedure Rules and the need to ensure that contract bidders are treated fairly. In response to our key recommendation and the internal audit report, the Council introduced Governance Essentials training for the Leadership Team (and for other officers involved in procurement). This included the Contract Procedure Rules and procurement processes. The Contracts Finder and Transparency Register are now owned by a strengthened procurement team and stronger approval and documentation processes are in place.

An email form to document approval of contract waivers was put in place after the internal audit report and this has now (in 2023/24) been replaced by an electronic form. The significant weakness we identified in our 2021/22 Auditor's Annual Report was present during 2022/23 and we have therefore repeated the key recommendation relating to strengthening the awareness and compliance with procurement rules. However, we are satisfied that the Council recognised and began to develop its response to this weakness in response to the Internal Audit report during 2022/23 and that our recommendation was therefore partly addressed. We have also considered the further progress the Council has made to strengthen awareness and compliance with procurement rules during 2023/24 which should be sufficient to address this significant weakness.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement (continued)

In our Annual Auditor's Report 2021/22 we also made a key recommendation (key recommendation 4) which addressed a significant weakness in relation to the responsibility for and resourcing of procurement functions. The Council has increased its procurement capacity by employing a senior qualified procurement officer and by drawing on external support from Blackburn with Darwen Council. Procurement needs and future staffing requirements have been reviewed and the Council is developing a business partnering approach. The Contracts Transparency Register is now being maintained and the Council intends to review its Procurement Strategy in early 2024.

This significant weakness which we identified in our 2021/22 Auditor's Annual Report, was present during 2022/23 and we have therefore repeated the key recommendation relating to the procurement function and strategy. However, we recognise the progress the Council is making in 2023/24 by strengthening the procurement team, using external capacity and improving procurement monitoring.

The key recommendations made in our Auditor's Annual Report 2021/22 which are repeated in this report were identified following an unplanned Internal Audit Report into procurement in the Council's Commercial Directorate. A planned Internal Audit Report in 2022/23 into Utilities Management resulted in a Limited Assurance Opinion and identified weaknesses in Utilities management which included failure to undertake a procurement exercise of water supplies since the deregulation of commercial water supplies. This is further evidence of the significant weakness in the responsibility for procurement and contract management which indicates the systemic nature of the significant weakness. We have not made a separate recommendation on this matter because we consider that that this is covered by key recommendation 4.

Conclusions – Improving economy, efficiency and effectiveness

In our Auditor's Annual Report 2021/22 we identified significant weaknesses in relation to compliance with Contract Procedure Rules and the resourcing of procurement functions in the Council. These weaknesses continued to be present during 2022/23 and a planned Internal Audit report highlighted failures in the procurement of water supplies which indicated the systemic nature of these weaknesses.

We have made reference in this report to the Council's substantial progress in addressing these significant weaknesses in 2023/24.

We are satisfied that, other than these significant weaknesses, the arrangements for use of financial and performance information, and partnership working are adequate and effective.



Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>KR1 When onboarding a contractor onto the Council network and providing system access, due consideration must be given to the extent of the access required in order for that individual to effectively perform their role. The Directorate responsible for the contractor and IT must communicate to ensure that appropriate system access is provided, tailored to the specific needs of that individual. Each contractor added to the Council system must be treated on a case-by-case basis with consideration of the risks involved. This consideration must also be appropriately documented and an audit trail maintained to ensure appropriate risk management.</p> <p>Consideration of system access must also be regularly reviewed throughout periods of employment. The circumstances of that individual's employment or engagement with the Council can change during their time with the organisation. Their system access must therefore be reviewed regularly in order to re-consider the risks.</p>	Key	July 2023	<p>In 2023/24 the council has put in place:</p> <ul style="list-style-type: none"> • changes to the process to create access to the council network to explicitly identify the type of access being granted (for example, contractor, permanent employee, fixed term employee) • the requirement for approval of a Director, documenting necessity and extent of access required. • introduction of a regular check of network access for contractors. <p>The Council is introducing a new file saving system making use of Microsoft Teams, which enables controlled external access to individual files. The rollout of the new file storage system has commenced and will allow for meta-data such as tagging where files are confidential and their retention periods. Heads of Service have all been briefed, and service-level briefings are in place.</p> <p>The new file storage system means that external users can be provided with access to specific folders or files without having to access the councils' network. The new system is expected to be complete in January 2024 when the old file storage system will be gradually removed</p>	In progress	The Council has made considerable progress in 2023/24. We have re-raised the recommendation to ensure that the Council continues to focus on delivering improvements.

Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>KR2 The Council must consider what organizational architecture needs to be in place to ensure that the appropriate safeguards, checks and balances operate effectively to provide the assurance that officers acting improperly will be detected by Council systems. This will ensure appropriate protection for both officers and the organisation.</p> <p>The Council also need to ensure they carry out a more comprehensive exercise to assess whether any similar cases to that identified in relation to Contractor A exist elsewhere in the Council.</p>	Key	July 2023	A Corporate Governance Group has been established to monitor the Council's internal governance, with agenda items including Annual Governance Statement actions, ICT Programme updates and rotational updates from Heads of Service. Heads of service attend on a rotational basis to review internal control issues. A review of total spend with individual Creditors > £50k across the last 3 years to check whether similar cases related to Contractor A exist has been completed and no further cases have been identified	In progress	The Council has made considerable progress in 2023/24. We have re-raised the recommendation to ensure that the Council continues to focus on delivering improvements.
<p>KR3 The Council must ensure that employees are aware of the requirements of the Contract Procedure Rules. This includes:</p> <p>The requirement to activate formal extensions of contracts if further engagement with a contractor is desired</p> <p>The need for fee proposals at the commencement of works in order to ensure that there is sufficient control and knowledge of costs from the outset of a project</p> <p>The requirement to document how contracts are awarded/procured</p> <p>Compliance with the 2015 Public Contracts Regulations, including the need to publish award notices on Contracts Finder for all awards above £25,000. (continued on next page)</p>	Key	July 2023	In response to the Auditor's Annual Report for 2021/22 the Council introduced governance essentials training for the Leadership Team which included procurement and the contract procedure rules. Additional training has been provided for other officers who undertake procurement. The waiver request process has been strengthened and the completion of the Contracts Finder and Transparency Register is now owned by Procurement. (continued on next page)	In progress	The Council has made considerable progress in 2023/24. We have re-raised the recommendation to ensure that the Council continues to focus on delivering improvements.

Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>KR3 (Key Recommendation 3 continued)</p> <p>Compliance with the Transparency Code, including the need to publish details for all contracts in excess of £5,000 on the Transparency Register.</p> <p>The Council must ensure that in the submission of an invitation to quote/tender, the bidders are privy to the same information and no one bidder is able to secure an unfair advantage from another. If there is evidence that one bidder would be able to secure an unfair advantage, this bidder must be prohibited from submitting a bid for that particular contract.</p>	Key	July 2023	There is additional procurement capacity (including an agreement to undertake joint contracting with Blackburn with Darwen on property valuations), and a business partnering approach is being introduced. A new electronic form has been introduced for the waiver process (a dedicated email version was in place prior to its introduction to ensure a robust interim solution was in place).		
<p>KR4 The Council must consider the role of the procurement function in respect of the whole organisation. The Council should outline the responsibilities of procurement versus service line leads in contract management and procurement and document this delineation in its Constitution.</p> <p>The Council must seek to renew and enhance its procurement strategy. (continued on next page)</p>	Key	July 2023	A qualified senior procurement officer was in post from 19 June 2023 and the Council continued to draw on advice from Blackburn Council. This has enabled a review of procurement needs and future staffing options which have been approved by the senior management team. This will enable a business partnering approach to be developed and there is now sufficient capacity to review and update the procurement strategy which is timed for early 2024 and will take into account legislative changes. Joint contracting has been undertaken with Blackburn Council for property valuation. The contracts transparency register is being maintained.	In progress	The Council has made considerable progress in 2023/24. We have re-raised the recommendation to ensure that the Council continues to focus on delivering improvements.

Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>KR4 (Key Recommendation 4 continued)</p> <p>The Council must prioritise the appropriate resourcing of its procurement function, particularly with respect to the shared services arrangement. The lack of capacity of the current procurement function is putting the Council at significant risk of failure to achieve value for money in its procurement and contract management arrangements.</p> <p>The Council must seek to appropriately train the employees in the procurement function. There was evidence of a limited advisory and supervisory function of the procurement team throughout this review. The procurement function is also lacking in appropriately qualified personnel. The procurement team must be aware of their responsibilities as an advisory and monitoring function and must perform this role effectively.</p>	Key	July 2023	See previous page.		
<p>IR1 The Council must ensure that council staff are aware of the Financial Procedure Rules. The Council should consider implementing internal controls within the finance system that would prevent staff from raising purchase orders retrospectively or upon receipt of invoices.</p>	Improvement	July 2023	<p>Financial Procedure Rules (FPR) training has been delivered across the organisation. A mandatory training module that must be completed in advance of staff using the finance system. Further training was delivered to Heads of Service on FPR and the Council's constitution in February 2023, alongside dedicated budget holder training.</p> <p>Since the recommendation was made, the S151 Officer has not received any notices requesting to depart from FPR. Council spending is monitored, and no anomalies have been identified.</p>	In progress	No

Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
IR2 The Council must ensure that contractors and new starters are administered a formal induction into the Council and that this is appropriately documented so as to maintain an audit trail.	Improvement	July 2023	All new members of staff undertake formal induction through the Learning Hub and records are maintained of completion. All contractors who have access to the Council's systems are required to complete the induction training.	Yes	No
IR3 The internal audit report was triggered by a routine check on the creditors system indicating the submission of a large volume of invoices to one company which did not have the appropriate procurement documents in place. We recommend that the Council implement an automated interface between the creditors system and the procurement system so as to forgo the need for manual input and upload of the necessary procurement documentation for a supplier. In lieu of the incorporation of an automated interface, the Council should perform a manual exercise to match all suppliers listed on the creditors system with corresponding contracts on the Contracts Register. This exercise would demonstrate if any of the Council's suppliers are operating outside of contract.	Improvement	July 2023	A spot-check has been carried out of contractors and a review of creditors over the last three years has been undertaken to check for anomalies. The Council has re-procured its existing finance system supplier for two years. In procuring a new finance system the Council will explore the possibility of an interface between the Creditors system and the Contract Register.	In progress	No
IR4 The Council must ensure that an individual's role in the Council or with the Council is appropriately defined from the commencement of their engagement with the Council so as to protect the organisation from risks of conflicts of interest. The Council must ensure that declarations of interest are properly obtained.	Improvement	July 2023	Changes have been made the new starter process to ensure that each individual's role is defined and to identify conflicts of interest. Online induction requires declarations of interest (this includes agency staff).	Yes	No

Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>IR5 The Council must appropriately consider risk in the aftermath of reports, such as the Commercial Services internal audit report. The decision not to interview or inform Contractor A resulted in him finding out through informal means. This contributed to stress on the part of Contractor A and put the Council at risk of reputational damage.</p> <p>The Council consideration of risk is also relevant to the decision not to suspend Contractor A pending investigation. Should the internal audit review have found that there was malicious intent on the part of Contractor A and that the Council had suspicion of this but did not suspend his engagement with the Council pending investigation, this would have put the Council at risk of significant reputational damage.</p>	Improvement	July 2023	The Council has acknowledged and accepted the recommendation to consider, record and take action on risks associated with such reports in the future. There have been no further comparable reports.	Yes	No
<p>IR6 The Council must ensure that when major changes to organizational structure are considered (for example, a shared services arrangement) that sufficient impact assessments are performed to provide assurance of the appropriate consideration of risk. This process must be documented.</p>	Improvement	July 2023	The Council has provided recent examples of the way risks and impacts have been considered as part of service reviews and major changes to the organisational structure. These are formally recorded as impact assessments, 1-2-1 discussions on impacts with staff during consultation, and within the report narrative regarding risk.	Partly	No

Follow-up of previous recommendations

Value for Money: Financial Sustainability

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
IR7 (2021/22)	Following up on a previous recommendation made in the 2020/21 AAR report we recommend the Council should refine formal reporting to Cabinet Members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFS.	Improvement	July 2023	Information regarding the sensitivity of assumptions and estimates, and the resulting financial impact of each of these, was provided to the Portfolio Exchange meeting of Executive Cabinet Members as part of the 23/24 Budget Setting process (December 2022). The Council intends to develop this further in 23/24 with a mid-year review of the MTFS, to include a review of the MTFS assumptions, sensitivity analysis and scenario planning, the product of which will be presented to members.	Partly	The Council should develop its approach to using sensitivity analysis and scenario planning
IR8 (2021/22)	To strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by outcomes identified within the Council Plan.	Improvement	July 2023	The Council now reports schemes within the Capital Programme under the Corporate Priority to which they relate.	Yes	No
IR9 (2021/22)	There is scope to increase the Council's risk maturity and duality of risk by formally considering opportunities to exploit as well as a focus on downside risks, in risk registers.	Improvement	July 2023		Partly	The Council should continue to develop its risk maturity as recommended.

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

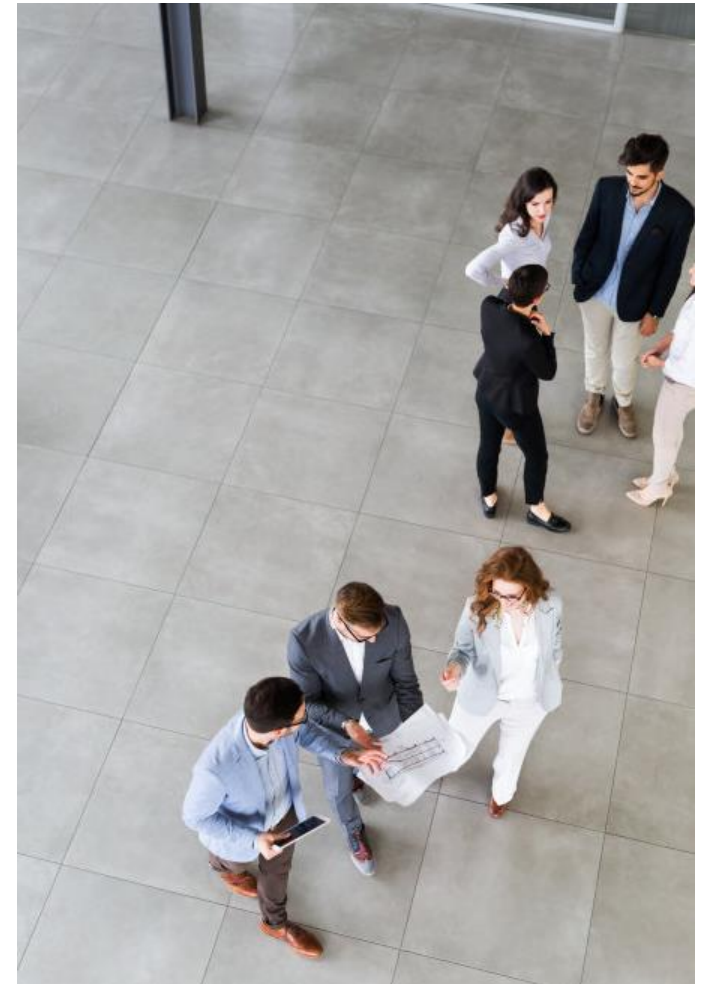
We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

At the time of writing our work is still in progress. We intend to issue issued an unqualified opinion on the Council's financial statements.



Opinion on the financial statements

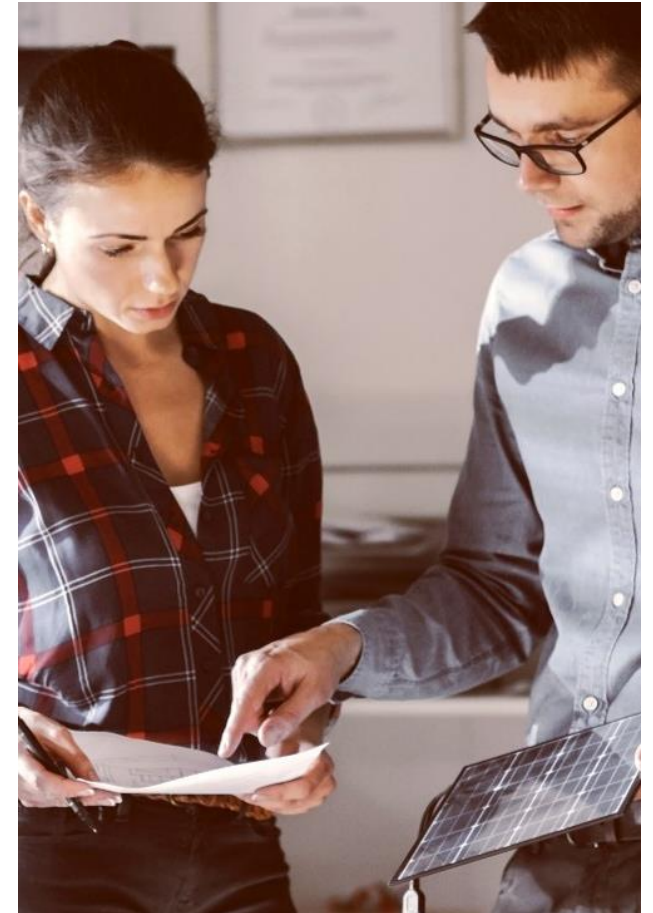


Timescale for the audit of the financial statements

- Our audit plan was issued in May 2023 and presented to the Governance Committee
- The Council provided draft financial statements in August 2023 and we commenced our audit on receipt of those statements.
- At the time of writing our work is still in progress. We intend to issue issued an unqualified opinion on the Council's financial statements.

Findings from the audit of the financial statements

More detailed findings are set out in our Audit Findings Report, which will be presented to the Council's Governance Committee in February 2024. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements



Audit Findings Report

More detailed findings can be found in our AFR, which will be published and reported to the Council's Audit Committee in February 2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The Council is below the threshold which requires any detailed work to be done.



Appendices

Appendix A: Responsibilities of the Council

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.

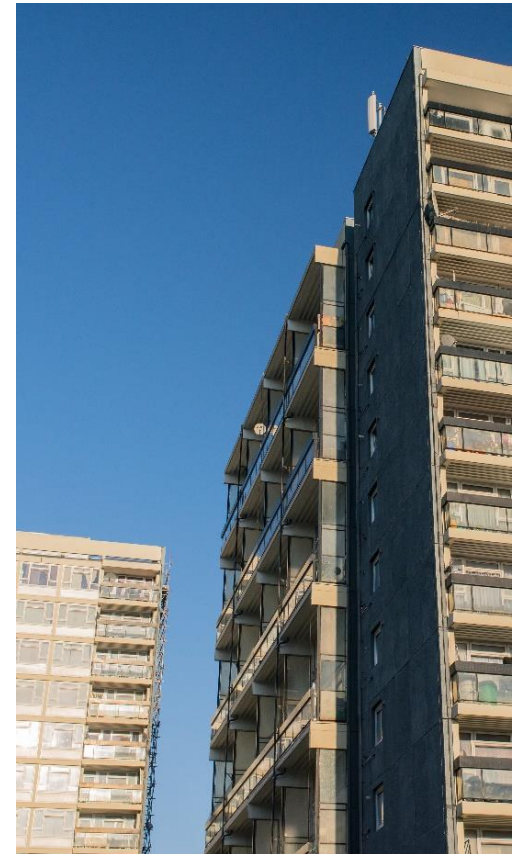
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's 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'.	Yes	7-12
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	22, 23, 24





Report of	Meeting	Date
Director (Finance)	Governance Committee	Thursday, 8th January 2024

Statement of Accounts 2022/23

Is this report confidential?	No
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Is this decision key?	No
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Savings or expenditure amounting to greater than £100,000	Significant impact on 2 or more council wards
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Purpose of the Report

- Further to the approval of the Statement of Accounts for 2022/23 at the Governance Committee meeting on 29th November 2023, the purpose of the report is to update Committee Members on the adjustments made to the accounts since that date, following completion of the external audit by Grant Thornton.

Recommendations

- Further to the approval of the Draft 2022/23 Statement of Accounts at the Governance Committee on 29th November 2023, the Committee is asked to approve the statements which have been amended during the completion of the external audit to include the adjustments detailed in point 12 below.

Reasons for recommendations

- At the November Governance Committee meeting, the Committee approved the 2022/23 Statement of Accounts, subject to any amendments which, in the opinion of the Director of Finance (Section 151 Officer), were minor in nature.
- Delegated authority was given to the Director of Finance, in consultation with the Chair of Governance Committee, to make such minor amendments, however if in the opinion of the Director of Finance any such amendments were found to be material to the financial position of the council, then Governance Committee would be asked to approve the updated Statement of Accounts

Other options considered and rejected

- The Statement of Accounts are prepared in the form to meet professional accounting standards and to comply with statutory regulations. There are therefore no alternative

options that can be adopted. The report complies with the recommendations approved by Governance Committee in November 2023.

Corporate priorities

6. The report relates to the following corporate priorities:

Housing where residents can live well	A green and sustainable borough
An enterprising economy with vibrant local centres in urban and rural areas	Healthy, safe and engaged communities

Background to the report

7. Once the external audit has been completed, the Regulations specify that the responsible Financial Officer must reconfirm on behalf of the authority that they are satisfied that the Statement of Accounts present a true and fair view of the financial position of the authority at the year end, and the income and expenditure for the year.
8. The council is then required to:
 - consider, either by way of a Committee, or by the Members meeting as a whole, the Statement of Accounts;
 - approve the Statement of Accounts by a resolution of that Committee or meeting.
9. Chorley Borough Council delegates the responsibility for the approval of the accounts to the Governance Committee.
10. The Governance Committee approved the 2022/23 Statement of Accounts at their meeting on 29th November 2023 subject to any amendments arising from completion of the external audit which, if in the opinion of the Director of Finance were material to the financial position of the Council, the Governance Committee would be asked to approve the updated Statement of Accounts at a future meeting.
11. As noted in Grant Thornton’s Audit Findings Report on the agenda, they have now completed their audit work. In doing so, since 29th November they have identified 5 adjustments required to the accounts which they have discussed with the Director of Finance and her team; these amendments have been agreed and the 2022/23 Statement of Accounts updated accordingly.
12. The full list of adjustments identified by Grant Thornton to the Draft Statement of Accounts published on 7th August 2023 are set out below; these can also be found in Appendix D of their Audit Findings Report.

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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Misclassification of the Energy Rebate payments	-	Short term creditors 6,329 Short term debtors (6,329)	-	-
Misclassification of short term borrowing as long term borrowing	-	Long-term borrowing 10,000 Short term borrowing (10,000)	-	-
Misclassification of Council Tax refunds at 31 March 2023	-	Short term debtors 192 Cash & cash equivalents (192)	-	-
Pension surplus asset ceiling and recognition of unfunded liability	Remeasure of defined benefit liability/asset 12,720	Unfunded pension liability (2,822) Pension net asset (9,898)	12,720	12,720
Updated revaluations and adjustment of misclassification of revaluation movements including: - restatement of impairment Tatton development £6,835k - omitted land asset reinstated £5,925k - revaluation and reclassification of Astley Hall £2,331k	Surplus/Deficit on revaluation of PPE 1,009 Depreciation and impairment through CIES (12,906) Loss on disposal 175	Land & buildings 4,886	(11,722)	(4,886)
Overall impact	998	(7,834)	998	7,834

13. In relation to each of the points above;

- Misclassification of energy rebate payments: as the energy rebates were processed through the Council Tax system, at 31st March 2023 the balance was on a debtors code rather than a creditors code. Since the year end this has been corrected and the balance repaid over to central government.
- Misclassification of short term borrowing as long term borrowing: this relates to two loans taken out by the Council which were under a year in duration and were therefore reclassified as short-term.
- Misclassification of Council Tax Refunds at 31 March 2023: due to a technical issue, a number of refund payments issued to Council Tax payers were not recorded in the financial systems. This led to the balance due to Council Tax payers, and the bank balance, being overstated.
- Pension surplus asset ceiling and recognition of unfunded liability: accounting for pensions was unusual in 2022/23 due to there being a net surplus on the fund; this position was not unique to Chorley. The fund actuaries were requested to provide an IFRIC 14 assessment which considered the limit to be placed on this defined benefit asset. This was the approach taken by many local authorities across the country who found themselves in the same position. At the time of preparing the accounts it was uncertain how this surplus should be treated. Following the IFRIC 14 Assessment in November 2023, and on advice from the technical team at Grant Thornton, adjustments were identified and actioned in line with the advice received.
- Asset register adjustments: Astley Hall was reclassified from being an Heritage Asset to an Operational Asset which resulted in a change in the method of valuation. The adjustment in relation to Tatton was affected by the impact of the a prior period adjustment to the opening balance which was impaired to reflect 'value in use' rather than the 'cost of construction'. The omitted land asset relates to land at Shady Lane which was removed from the asset register in error.

14. In addition to the adjusted misstatements in the 2022/23 accounts noted above, during the audit it was identified that adjustment needed to be made to the opening balances brought forward from the 2021/22 accounts as follows:

Impact of prior year 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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Impairment of asset under construction in relation to Tatton development	Impairment expense 6,835	Land & Buildings – AUC (6,835)	6,835	(6,835)
Misclassification of revaluation movements between CIES and revaluation reserve	Surplus/Deficit on revaluation of PPE (1,265)	Revaluation reserve 1,265	-	-
Overall impact	5,570	(5,570)	6,835	(6,835)

15. These adjustments relate to:

- Impairment of asset under construction in relation to the Tatton development: see Paragraph 13 above.
- Misclassification of revaluation movements between CIES and revaluation reserve: this relates to Property, Plant and Equipment (PPE) and the incorrect use of the revaluation reserve, rather than the Comprehensive Income and Expenditure Statement (CIES) following an adjustment to the council’s asset register. This has been reviewed and additional checks and balances put in place to ensure correct accounting for 2023/24 and beyond.

16. Misclassification and disclosure changes have been made to the accounts as outlined in page 35 of Grant Thornton’s Audit Findings Report.

17. Two adjustments identified by the auditors that have not been actioned as they are not material to the accounts are detailed in their report on page 36:

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 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	Impact on general fund £'000	Reason for not adjusting
Business rates appeals provision is overstated following the revised calculation	Provision expense (165)	Provisions 165	(165)	165	Not material
Misclassification of technical overdraft	-	Cash and cash equivalents 501 Short term creditors (501)	-	-	Not material
Overall impact	(165)	165	(165)	165	

18. Having considered the position, the council have decided not to adjust for these items as they are not material to the overall position of the accounts. The Provision for Business Rates appeals is reviewed annually and the provision for 2023/24 will be calculated using the methodology that resulted in the revised figure above. The misclassification of the technical overdraft has a net nil impact on the balance sheet and is a presentational issue. However as we strive for the Council’s Statement of Accounts to meet all standards, including best presentation we have noted this requirement for

future years. These unadjusted misstatements will be referred to in the Letter of Representation to be signed by the Chair of the Governance Committee and the Director of Finance.

19. The Annual Governance Statement is unchanged from that approved by the Committee on 24 May 2023.

Climate change and air quality

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

Equality and diversity

21. This report has no implications in respect of equality and diversity.

Risk

22. Risk implications apply in relation to compliance with the Accounts and Audit Regulations 2015 (as amended) 2022, and in preparing financial statements in accordance with the statutory timetable. The accounts must be compliant with the relevant standards and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.

Comments of the Statutory Finance Officer

23. The report meets the statutory accounting requirements for the Statement of Accounts to be produced, which must present a factual statement of the income and expenditure flows over the course of the 2022/23 financial year, and a snapshot of the Balance Sheet position as at 31st March 2023.
24. All financial implications relating to the final budget outturn position have been set out in the Revenue and Capital Outturn Reports 2022/23, and which were considered by Cabinet on 15th June 2023.

Comments of the Monitoring Officer

25. The legal implications are in respect of the Accounts and Audit Regulations 2015 (as amended) 2022, and the requirement that the Accounts must be compliant with the relevant Accounting Standards and Codes of Practice and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty.

Background documents

- Accounts and Audit (England) Regulations 2015 (as amended) 2022
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Report Author:	Email:	Telephone:	Date:
Jean Waddington (Principal Financial Accountant)	jean.waddington@chorley.gov.uk	01257 515151	



Governance Committee Work Programme 2023/24

13 March 2024

Report	Officer
Internal Audit Plan April 24 – Sept 24	Dawn Highton
External Audit Progress Report	Grant Thornton
Key Contracts and Partnerships Framework Refresh	Caroline Wolfenden/ Caroline Winstanley

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