

# AUDIT AND STANDARDS COMMITTEE

Thursday, 16th March, 2023  
6.30 pm





# AUDIT AND STANDARDS COMMITTEE

## ROOMS 2 & 3, TOWN HALL

Thursday, 16th March, 2023 at 6.30 pm

Members are reminded that if they have detailed questions on individual reports, they are advised to contact the report authors in advance of the meeting.

Members of the public may ask a question, make a statement, or present a petition relating to any agenda item or any matter falling within the remit of the committee.

Notice in writing of the subject matter must be given to the Head of Legal & Democracy by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website <https://bit.ly/2BWX7d2>

Whilst we have returned to holding meetings in person we have limited space for members of the public to attend due to Public Health guidance. Should you wish to attend you are advised to contact [democracy@burnley.gov.uk](mailto:democracy@burnley.gov.uk) in advance of the meeting.

## **AGENDA**

### **1) Apologies**

To receive any apologies for absence.

### **2) Minutes**

5 - 10

To approve as a correct record the minutes of the previous meeting held on 26<sup>th</sup> January 2023.

### **3) Additional Items of Business**

To determine whether there are any additional items of business which, by reason of special circumstances, the Chair decides should be considered as a matter of urgency.

### **4) Declarations of Interest**

To receive any declarations of interest from Members relating to any item on the agenda, in accordance with the provisions of the Code of Conduct.

### **5) Exclusion of the Public**

To determine during which items, if any, the public are to be excluded from the meeting.

## **6) Public Question Time**

To consider questions, statements or petitions from Members of the Public.

### PUBLIC ITEMS

#### **7) Regulation of Investigatory Powers Act - Annual Return** 11 - 12

To receive an update of authorisations issued under the Regulation of Investigatory Powers Act 2000 (“RIPA”).

#### **8) External Audit Progress Report 2022/23** 13 - 22

To consider the External Auditor’s progress report.

#### **9) Internal Audit Progress Report 2022/23 Q3** 23 - 30

To consider Internal Audit’s progress report 2022/23 Q3.

#### **10) External Review Report** 31 - 52

To consider a report on the external review of Internal Audit against the Public Sector Internal Audit Standards.

#### **11) Annual Accounts 2022/23 Arrangements** 53 - 72

To consider a report on Annual Accounts 2022/23 arrangements.

#### **12) External Auditor Appointment - Update** 73 - 74

To receive an update on the External Auditor appointment.

#### **13) Terms of Reference of Audit and Standards Committee - Refresh**

To receive a verbal update.

#### **14) Work Programme** 75 - 76

To consider the Work Programme for the current year.

### PRIVATE ITEMS

## **MEMBERSHIP OF COMMITTEE**

### **Councillors**

Councillor Lord Wajid Khan of Burnley  
(Chair)  
Councillor Howard Baker  
Councillor Charlie Briggs  
Councillor Shah Hussain  
Councillor Karen Ingham

Councillor Alun Lewis  
Councillor Gordon Lishman (Vice-Chair)  
Councillor Mark Townsend  
Councillor Andy Wight

### **Co-opted Members**

Councillor Kathryn Haworth, Habergham  
Eaves Parish Council  
Vacancy, Parish Council representative  
David Swift, Independent Member

### **External Auditor**

Helen Stevenson, Grant Thornton-External  
Auditor  
Georgia Jones, Grant Thornton-External  
Auditors

Stuart Arnfield, independent Member

Published: Wednesday, 8 March 2023



## AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Thursday, 26th January, 2023 at 6.30 pm

### PRESENT

### MEMBERS

Councillor Lord Wajid Khan of Burnley, In the Chair.

Councillors C Briggs, S Hussain, K Ingham, A Lewis, G Lishman (Vice-Chair), M Townsend, A Wight and H Baker

### OFFICERS

Lukman Patel	– Chief Operating Officer
Howard Hamilton-Smith	– Head of Finance and Property
Ian Evenett	– Internal Audit Manager
CJ Walmsley	– Democracy Officer

### CO-OPTED MEMBERS

Councillor Kathryn  
Haworth  
David Swift

### EXTERNAL AUDITORS

Georgia Jones – Grant Thornton-External Auditors

#### 24. Apologies

Apologies for absence were received from Stuart Arnfield.

#### 25. Minutes

RESOLVED – That the minutes of the last meeting held on 16<sup>th</sup> November 2022 be approved as a correct record and signed by the Chair.

The Chair extended thanks to the outgoing Vice Chair, Councillor Baker, and welcomed the new Vice Chair, Councillor Gordon Lishman.

#### 26. Additional Items of Business

There were no additional items of business.

## **27. Declarations of Interest**

There were no declarations of interest on any items on the agenda.

## **28. Exclusion of the Public**

There were no items of business where members of the public needed to be excluded from the meeting.

## **29. Public Question Time**

No questions, statements or petitions had been received from members of the public.

## **30. External Audit Progress Report 2021/22**

Georgie Jones gave an overview of the audit progress report and sector update, which included the financial statements audit, accounting for infrastructure and value for money.

Progress also included an update on the Authority's annual Housing Benefit Subsidy claim, for which the certification work for 2021/2022 began in December 2022. The DWP had extended the deadline for reporting the findings of this work to 31<sup>st</sup> January 2023, but this had been delayed. It was expected that the findings would now be complete by the end of March, and the DWP was aware of this.

It was further reported that Officers had been invited to an Accounts Workshop scheduled to be held in February 2023.

Local Government External Audit Procurement was highlighted in terms of the 5 year External Audit appointment from 2023/24. It was reported that the External Auditors had changed and a report would be submitted to the March meeting of the Committee.

The Chair thanked the External Auditors for their work.

RESOLVED - (1) That the report be noted;  
(2) That a report on the External Audit Appointment from 2023/24 be submitted to the March meeting of the Committee.

## **31. Arrangements for 2022/2023 Annual Governance Statement**

A report was submitted that informed the Committee of the arrangements to provide assurance for an Annual Governance Statement for the financial year 2022/2023, which will accompany the Council's Statement of Accounts.

The assurance gathering process remained the same, and clarification was given regarding which Members are requested to complete a statement of assurance supported by a governance questionnaire.

RESOLVED – That the proposed process be approved.

### **32. Internal Audit Progress Report 2022/2023 Quarter 2**

A report was submitted on the work undertaken by Internal Audit for the period 1<sup>st</sup> July to 30<sup>th</sup> September 2022.

Concerns were raised with regards the reduced size of the revised Internal Audit Plan 2022/23 appended to the report. It was explained that the main change was a reduction in resources from 331 days to 210 days. The two main reasons for this were the appointment of Auditors only occurred in the second quarter and the appointment of a part time temporary Auditor to cover the leave of a full time Auditor. Lower risk planned audits had been removed, where they had not yet commenced.

It was acknowledged that resources were stretched, however audits were risk based across all strategic priorities, with close liaison with project leads to identify risks. Management had recommended a separate Data Protection and Procurement Officer, which would enable more resources for Internal Audit.

It was queried if it was possible to increase audit resources in the current financial year. However, due to difficulties in recruiting and the level of training and experience required, it was felt that this wouldn't be achievable in the time remaining of the financial year. Due to the difficulty nationally in recruiting, it was reported that trainee posts were being considered to address the issue.

It was questioned how detrimental write offs were to the Council, given the current financial climate. The Committee was advised that a proportion of bad debt was accounted for and had been sufficient thus far. It was regularly reviewed and would be flagged if it became an issue.

RESOLVED – That the report be noted.

### **33. Fraud Risk Assessment 2022/2023**

A report was submitted that informed Members of the current fraud trends that affect the public sector.

Council Tax fraud, in relation to Single Person Discount (SPD) was highlighted. SPD data was currently matched with the Electoral Roll and anomalies referred to Revenues and Benefits for investigation. Work was also being done with Liberata, with regards specialist software that can check Experian.

With regards to Council Tax for long term empty properties, Councillor Townsend queried the discrepancies with the figures, compared with the Annual Monitoring Report. A detailed response to clarify the position would be circulated.

RESOLVED – (1) That the report be noted; and  
(2) That a detailed response be sent to clarify the figures in relation to Council Tax for long term empty properties.

### **34. CIPFA Audit Committee Guidance**

The Committee considered the revised Chartered Institute of Public Finances and Accountancy (CIPFA) Audit Committee guidance documents. The documents included: -

- CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022.
- The Audit Committee Member in a Local Authority 2022 edition.
- Guiding the Audit Committee – Supplement to the Audit Committee Member guidance 2022 edition.
- Interactive Appendix E – Self-assessment of good practice.
- Interactive Appendix F – Evaluating the impact and effectiveness of the Audit Committee.

RESOLVED - (1) That the report and guidance be noted; and  
(2) That the use of Interactive Appendices E and F to assess the performance and effectiveness of the Committee in the delivery of the Council's and Committees objectives be approved.

### **35. Code of Conduct Review**

A report was submitted on the Code of Conduct Review. Members were asked to consider the Borough Council's Code of Conduct (existing Code) for Members and associated Complaints Procedure, following the publication of the Local Government Ethical Standards report produced by The Committee on Standards in Public Life (CSPL) and the Local Government Association's (LGA) Model Code of Conduct (LGA's Model Code).

It was reported that the LGA's Model Code had received a lukewarm response from local authority Monitoring Officers and concerns had been raised over the wording in relation to interests.

RESOLVED - (1) That the Audit and Standards Committee recommends to Full Council to make the proposed changes to the Council's existing Code and associated Complaints Procedure, as set out in Appendix B in response to the Best Practice recommendations contained in the Local Government Ethical Standards report produced by the CSPL as abstracted in the LGA's Model Code; and  
  
(2) That the decision to adopt the Model Code be deferred for 12 months due to the perceived ambiguities in the LGA's Model Code at this moment in time and review the situation when the position is clearer of the LGA produces an updated code.

### **36. Local Government (Disqualification) Act 2022 Changes to Disqualification Criteria for Councillors**



A report was submitted that updated the Committee on the new grounds for disqualification from being elected to, or being a member of, a local authority that had been introduced by the Local Government (Disqualification) Act 2022.

A concern was raised with regards Elected Members only requiring a standard DBS check. It was explained that there was no requirement under law for an enhanced check unless engaged in functions relating to children or vulnerable adults. Furthermore, a DBS check was carried out per role and was not transferrable, and it wouldn't necessarily highlight anti-social behaviour. It was felt that the position could be reviewed at the Member Structures and Support Working Group.

Information on the cost of enhanced DBS checks was requested by Councillor Baker.

RESOLVED - (1) That the report be noted and forwarded to Full Council; and  
(2) That following Full Council the Monitoring Officer be requested to forward a copy of the report to Parish and Town Councils in the Borough for information along with a recommendation that the report be considered and noted at their next Parish and Town Council meetings.

### **37. Member Complaints Statistics 2022/2023 Municipal Year - Interim Report**

A report was submitted that provided an interim update regarding complaints made about the conduct of Members during the 2022/23 municipal year.

Frustrations were voiced at the lack of sanctions and powers available when dealing with complaints.

RESOLVED – That the report be noted.

### **38. Work Programme**

RESOLVED – That the work programme be noted.

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## Regulation of Investigatory Powers Act – Annual Return<sup>[Title]</sup>

### REPORT TO AUDIT AND STANDARDS COMMITTEE



<b>DATE</b>	<b>16th March 2023</b>
<b>PORTFOLIO</b>	<b>Resources and Performance Management</b>
<b>REPORT AUTHOR</b>	<b>Catherine Waudby</b>
<b>TEL NO</b>	<b>01282 477198</b>
<b>EMAIL</b>	<b>cwardby@burnley.gov.uk</b>

#### PURPOSE

1. To provide members with an update of authorisations issued under the Regulation of Investigatory Powers Act 2000 (“RIPA”).

#### RECOMMENDATION

2. To note the update on authorisations issued under RIPA.

#### REASONS FOR RECOMMENDATION

3. To ensure the Council’s RIPA powers are operated lawfully.

#### SUMMARY OF KEY POINTS

4. RIPA regulates the Council’s use of covert surveillance to prevent and detect criminal activity.
5. The Council is subject to regular inspection by the Investigatory Powers Commissioner’s Office (“IPCO”) to ensure that its policies and procedures are operated in a lawful manner.
6. One of the recommendations made by the IPCO was that a report on RIPA activity (or lack of it) be made periodically to elected members.
7. In 2022 there was no surveillance activity by the Council necessitating authorisation under RIPA.

**FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

8. None

**POLICY IMPLICATIONS**

9. None

**DETAILS OF CONSULTATION**

10. None

**BACKGROUND PAPERS**

**FURTHER INFORMATION**  
**PLEASE CONTACT: CATHERINE**  
**WAUDBY**  
**ALSO:**

# Burnley Borough Council Audit Progress Report and Sector Update

**Year ending 31 March 2023**

March 2023

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Agenda Item 8

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

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# Introduction

## Your key Grant Thornton team members are:

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

The paper also includes:

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

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

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

# Progress at March 2023

## Financial Statements Audit 2021/22 and 2022/23

We reported the findings from our audit in our Audit Findings Report in November 2022, and issued an unqualified opinion on 29 November before the deadline of 30th.

The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) came into force on 22 July 2022 extending the deadline for publishing audited local authority accounts for 2021/22 to 30 November 2022. From 2023/24 the audit deadline changes to 30 September for years up to 2027/28.

We are due to commence our 2022/23 interim audit work this month in advance of the final accounts audit work later in the year.

We will bring our 2022/23 audit plan to the July committee meeting. This will set out the risks we have identified in relation to the audit and our response to those risks.

## Value for Money

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

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

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

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

We have been unable to meet the three month extended timetable. Although the work is substantially complete we are awaiting some final information from the Council before we can issue the Auditor’s Annual Report 2021/22. The information was requested some time ago and this delay has meant we are outside the 3 month extended deadline.



# Progress at March 2023 (cont.)

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2021/22 claim began in December 2022 and is currently in progress and due to be completed this month.

### Meetings

We hold ongoing meetings with key officers during the year and recently met with Finance Officers to discuss emerging developments as part of our value for money work and to ensure the audit process is smooth and effective. We also met with your Chief Executive in January to talk over the Authority's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in February 2023, where we covered the financial reporting requirements for local authority accounts and gave an insight into elements of the audit approach.

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

# Audit Deliverables

## 2022/23 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to report on the Authority's value for money arrangements in the Auditor's Annual Report

July 2023

Not yet due

### Interim Audit Findings

We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.

March 2023

Commencing this month

### Audit Findings Report

The Audit Findings Report will be reported to the November Audit and Standards Committee.

September 2023

Not yet due

### Auditors Report

This includes the opinion on your financial statements.

September 2023

Not yet due

### Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

December 2023

Not yet due

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## 2021/22 Deliverables

### Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

February 2023

Delayed – awaiting information

### Housing Benefit Subsidy – certification

This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.

January 2023

Delayed and due to complete in March 2023

# Sector Update

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

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

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

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

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

Public Sector

Local  
government

# Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

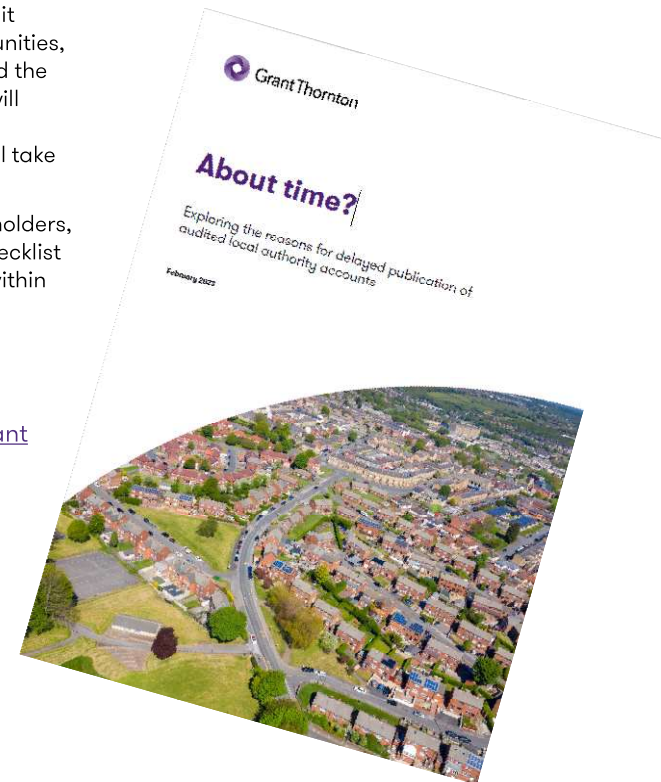
- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)






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## Internal Audit Progress Report

### REPORT TO AUDIT AND STANDARDS COMMITTEE

 <p><b>Burnley</b> .gov.uk</p>	<b>DATE</b>	<b>16/03/2023</b>
	<b>PORTFOLIO</b>	<b>Resources and Performance Management</b>
	<b>REPORT AUTHOR</b>	<b>Ian Evenett</b>
	<b>TEL NO</b>	<b>01282 425001 Ext 7175</b>
	<b>EMAIL</b>	<b>ievenett@burnley.gov.uk</b>

#### PURPOSE

1. To inform members of the work undertaken by Internal Audit for the period 1<sup>st</sup> October to 31<sup>st</sup> December 2022.

#### RECOMMENDATION

2. The Committee considers the progress report and comments on its contents.

#### REASONS FOR RECOMMENDATION

3. Members can monitor the performance of the Internal Audit Section.

#### SUMMARY OF KEY POINTS

**Audit Reports**

4. From 1<sup>st</sup> October to 31<sup>st</sup> December 2022 there has been 1 audit report produced. Details of this audit is given in **Appendix 1**

**Performance Statistics**

5. The comparison between actual and planned audits can be seen in **Appendix 2**. Several audits have started, and to date have been completed but due to timing will form part of the annual Audit Opinion report.
6. Performance indicators for Internal Audit are reported in the Finance balanced scorecard. The service currently reports the number of audit reports produced – 11 against an annual target of 22 and the percentage of high-priority actions from audit action plans implemented which was 100% and has a target of 100%.

### **Internal Audit Resources**

7. The resources in the Internal Audit Team for 2023/24 are being agreed, an auditor is returning on a part-time basis after an extended period of leave. The current part-time temporary Auditor has been converted to a part-time permanent Auditor. So, the Audit team will be the Internal Audit Manager, one full time Auditor and two part-time Auditors.
8. Discussions are underway with management to reduce some areas of activity and to carry forward some expenditure to provide additional audit days.

### **Other Activity**

9. The Service provided a Financial Procedure Rules Training session for staff with Accountancy Services.
10. Work continues for the Annual Governance Statement for 2022/23.
11. Planning for 2023/24 Audits have started with consultation with Heads of Service and Management on changes to auditable activities during the past year and their risks.
12. The National Fraud Initiative (NFI) Matches arrived at the beginning of February. These have been provided to service to investigate. We are looking at the Payroll and Creditors matches, especially the high risk matches and the key reports.
13. The service facilitated a Post Covid Business Continuity session for the Council and its partners.

### **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

14. None

### **POLICY IMPLICATIONS**

15. None

### **DETAILS OF CONSULTATION**

16. None

### **BACKGROUND PAPERS**

17. None



**FURTHER INFORMATION**

**PLEASE CONTACT:**

**Ian Evenett (Internal Audit Manager) Ext  
7175**

**ALSO:**

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## Appendix 1

### Summary of Audit reports Issued Quarter 3 2022/23

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score <sup>i</sup>
Creditors	Finance and Property	To review the effectiveness of the controls in place for the payment of creditors.	There is an effective system of internal control for the payment of creditors. No areas of high priority recommendation have been identified. There were no areas requiring urgent action and both the current staffing expertise and the fact that good controls are in place will help provide assurance for payments made through the 'Civica' Creditors system.	<ol style="list-style-type: none"> <li>1. Review and limit the number of high access users</li> <li>2. Temporary removal of authorisation process for Covid grants now reinstated.</li> <li>3. A formal mandate form is created and sent to the Creditor for all new/updated bank detail changes with a copy of the completed form then being scanned onto the Creditor's notes section on Civica.</li> </ol>	<ol style="list-style-type: none"> <li>1. High Access users reviewed and reduced.</li> <li>2. Authorisation process has been reinstated after Covid grants schemes completed. Alternative arrangements were in place to verify Covid Grants payees.</li> <li>3. A revised formal mandate has been introduced from November 2022.</li> </ol>	2

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#### Audit Score Defined

Score	Opinion	Definition of Opinion
1	Comprehensive Assurance	There is a sound system of controls designed to meet objectives and controls are consistently applied in all the areas reviewed.
2	Reasonable Assurance	There is a good system of controls. However, there are minor weaknesses in the design or consistency of application that may put the achievement of some objectives at risk in the areas reviewed.
3	Limited Assurance	Key controls exist to help achieve system objectives and manage principal risks. However, weaknesses in design or inconsistent application of controls are such that put the achievement of system objectives at risk in the areas reviewed.
4	No Assurance	The absence of basic key controls or the inconsistent application of key controls is so severe that the audit area is open to abuse or error.
N/A	Not Applicable	The audit review undertaken did not have as its primary objective an assessment of system, its controls and their effectiveness.

## Appendix 1

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<sup>i</sup> See Audit Score Defined.

## Appendix 2

### Internal Audit Plan Progress Quarter 3

Audit	Started	Report Issued	Audit Score
<b>Corporate</b>			
Annual Governance Statement	Y	Y	N/A
NFI (National Fraud Initiative)	Y		
Debts Write-Off			
Qtr. 1	Y	Y	N/A (1)
Qtr. 2	Y	Y	N/A (1)
Qtr. 3	Y	Y	N/A (1)
Fraud Risk Review	Y	Y	
Strategic Partner Performance Indicators (PI)			
<ul style="list-style-type: none"> <li>Council Tax and Non-Domestic Rates PI's</li> </ul>	Y	Y	2
<ul style="list-style-type: none"> <li>Benefits PI's</li> </ul>	Y	Y	1
<ul style="list-style-type: none"> <li>Sundry Debt PI's</li> </ul>	Y	Y	1
<b>Finance &amp; Property</b>			
NDR			
Covid Grants	Y		
Creditors	Y	Y	2
Budget Monitoring	Y		
Fees and Charges	Y		
General Ledger			
Related Party Interests	Y	Y	N/A
<b>Information Governance</b>			
Website and Digital Services			
MLUCLG Resilience Funding Action Plan	Y		
<b>Housing &amp; Development Control</b>			
Empty Homes Initiatives	Y		
<b>Legal &amp; Democratic Services</b>			
Elections	Y	Y	1
<b>Street Scene</b>			
Out of Hours Response			
<b>Economy &amp; Growth</b>			
Charter Walk Procurement	Y		

## **Appendix 2**

### Internal Audit Plan Progress Quarter 3

<b>Audit</b>	<b>Started</b>	<b>Report Issued</b>	<b>Audit Score</b>
<b>External Clients</b>			
Burnley Leisure – Service Level Agreement	Y	Y	N/A
<b>Incident Reports</b>			
Fuel Vouchers	Y	Y	N/A

## External Review Report

## REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	16/03/2023
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Ian Evenett
TEL NO	01282 425011 Ext 7175
EMAIL	ievenett@burnley.gov.uk

## PURPOSE

1. To inform members of the content of the report from the external review of Internal Audit against the Public Sector Internal Audit Standards.

## RECOMMENDATION

2. The Committee considers the report and comments on the planned actions.

## REASONS FOR RECOMMENDATION

3. Members can monitor the performance of the Internal Audit Section.

## SUMMARY OF KEY POINTS

**Public Sector Internal Audit Standards (PSIAS)**

4. The PSIAS were first introduced as required internal audit practices in 2013. Annually Internal Audit is required to comment on its compliance with the standards and at least once every five years the compliance must be externally assessed. The assessment was undertaken in October and November 2022 by the Heads of Internal Audit in South Ribble and Chorley Councils and Blackburn with Darwen.
5. This peer review process is available from the Lancashire Districts Chief Auditor Group and the process used is a standard for this type of external review. The reviewers are provided with access to officers and evidence from ourselves and they interviewed a range of key officers (Chief Executive Officer, Monitoring Officer, Section 151 Officer, Heads of Service, auditors and auditees). The Vice-Chair and a member of the Audit and Standards Committee were also interviewed.

**Report**

6. The main outcome from the review was that they considered that the Council were partially compliant with the PSIAS requirements (Appendix 1).

### **Actions**

7. There were 21 points for consideration impacting on 12 points of the standards which the Reviewers considered important to bring to the attention of the Council. As the Audit and Standards Committee is an important part of the delivery of an effective internal audit service these actions are reported in the report as an action plan with our responses and plans to improve these areas. These will be included into Internal Audit's Quality Assurance and Improvement programme (QAIP).
8. The proposed actions have been presented to Management Team and the final action plan developed from those responses is presented in the report
9. The actions from the report are important and will take some time to implement and will only be able to be actioned as and when the relevant reports such as the annual Internal Audit Opinion is issued.

### **Thanks**

10. The peer review could not be undertaken without the provision of this service from the Lancashire District Chief Auditor Group and the full co-operation of the colleagues and members who participated.

## **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

11. None

## **POLICY IMPLICATIONS**

12. The provision of an effective internal audit service is a statutory requirement as is compliance with proper practice as defined in the PSIAS.

## **DETAILS OF CONSULTATION**

13. Management Team.

## **BACKGROUND PAPERS**

14. None

## **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Ian Evenett (Internal Audit Manager) Ext  
7175**

**ALSO:**



**BURNLEY COUNCIL**

**PEER REVIEW OF INTERNAL AUDIT AGAINST THE  
UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

**OCTOBER / NOVEMBER 2022**

**Review Team**

*Colin Ferguson – Head of Audit and Assurance, Blackburn with  
Darwen Council*

*Dawn Highton – Head of Audit and Risk, South Ribble and  
Chorley Council.*

## Introduction

1. All principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2015 (amended), the Accounts and Audit (Wales) regulations 2005, section 95 of the Local Government (Scotland) Act 1973 and the Amendment to the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the (CIPFA) Local Government Application Note.
2. A professional, independent and objective internal audit service is one of the key elements of good governance in local government.
3. The PSIAS require that an external assessment of an organization's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organization. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
4. The Lancashire Districts Chief Auditor Group (LDCAG) has established a 'peer-review' process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by 'self-assessment with independent external validation' and this report presents the summary findings of the review carried out on behalf of Burnley Council.
5. "An independent assessor or assessment team" means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs." This review has been carried out by the Head of Audit and Assurance at Blackburn with Darwen Council and the Head of Audit and Risk at South Ribble and Chorley Council. Their 'pen pictures', outlining background experience and qualifications, are included at **Appendix A**.

## Approach/Methodology

6. The LDCAG has agreed a detailed Memorandum of Understanding (MoU) ~~that~~ outlines the broad methodology for the conduct of this review. A copy of the MoU is available upon request. However, in summary, the key elements of the process are:
  - The peer review is undertaken in three stages: pre-review; on-site review; post-review and covers audit activity during the period covered in the latest Head of Internal Audit Annual Report and Opinion. For this review the on-site part has been carried out remotely via Microsoft Teams. The Internal Audit Annual Report for the year ending 2021/2022 has been considered and the time scale is from 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022, although evidence demonstrating key points or aspects of the Standards has been considered from examples relating to earlier financial years where

necessary.

- Burnley Council has completed and shared its self-evaluation of the Internal Audit service together with any relevant supporting evidence/documentation in advance of on-site (via Teams) review commencement. The LDCAG has agreed that the self-assessment will use the **CIPFA Local Government Application Note (LGAN)** questionnaire. Typically, supporting evidence will include the Internal Audit Plan and Charter, the Head of Internal Audit Annual Report and Opinion, Quality Assurance and Improvement Programme and examples of final audit reports.
- To support what would have been the on-site review, a customer survey was carried out via Survey Monkey which was issued to key personnel within Burnley Council.
- The review itself comprised a combination of desktop evaluation and a series of meetings via Teams which equates to what would normally be the 'on-site' review.
- The review cannot reasonably consider all elements of the LGAN self-assessment and the review team used the 'desktop' period to determine strengths, weaknesses and subsequent key lines of enquiry in order that the review itself is risk-based, timely and adds real value. Burnley Council's Internal Audit Team has been assessed against the three broad themes of: Purpose and Positioning; Structure and Resources; and Audit Execution. Impact is considered an overarching theme within these areas.
- Upon conclusion, the Review team offers a 'true and fair' judgement and each Authority will be appraised as **Conforms**, **Partially Conforms** or **Does Not Conform** against each thematic area of the LGAN, from which an aggregation of the three themed scores gives an overall Authority score.

### Summary Findings

7. Following a detailed examination process, the review team has concluded the following judgements:

Area of Focus	Judgement
Purpose & Positioning	Does not Conform
Structure & Resources	Partially Conforms
Audit Execution	Partially Conforms
<b>Overall Judgement: Partially Conforms</b>	

Assessment against the individual elements of each area of focus is included in the table at **Appendix B**.

As the judgement awarded for this peer review has significantly changed since the last review undertaken in 2017, the views of the LDCAG Moderation Team were sought to ensure a consistent approach was applied. After considering the findings of the review, they were in agreement that the judgement awarded above was a true and fair reflection.

## Overall Opinion

8. Overall the Peer Review was a positive exercise and there was evidence that the Internal Audit Manager is held in high regard throughout the whole authority with many managers seeking his support and advice. This was particularly noted for the support provided during the COVID pandemic.
9. Whilst there are many benefits to the fact that the advice and guidance of the Audit Manager is sought, there was evidence that his role as Audit Manager is being blurred with his other non-audit roles. All interviewees highlighted support received from the Audit Manger appertaining to his other duties rather than as Audit Manager.
10. The Peer Review report issued in 2017 highlighted the following risk to Burnley Council. The report contained the following statement:  
  
*The Chief Audit Executive (CAE) cannot claim that they are truly independent when responsible for the organisations financial affairs, aspects of which fall with the Internal Audit work remit. It is recognised that this structure has only existed since January 2017. The Peer Review Team must highlight this as a potentially significant area that could impact on the Audit Team’s ability to conform with the Standards in future.”*
11. This risk has now materialized as whilst it is clear that the Internal Audit Manager is experienced and extremely competent in his role, Burnley Council are not conforming with the Standards as the independence of Internal Audit is being significantly compromised with the Section 151 Officer acting as the CAE.
12. Whilst it is understood that there have been resourcing issues, it is the view of the Peer Review Team that for the financial year 2021-2022 there was insufficient coverage of the whole authority to form an accurate opinion on the adequacy and effectiveness of governance, risk management and controls to support the Annual Internal Audit Opinion. No limitations of scope were reported to the Audit and Standards Committee for the 21-22 financial year.
13. It is unclear how embedded risk management is within Burnley Council as there is little or no reference to current risks within the audit engagements. From the evidence reviewed, standard audit programmes appear to be in use without taking into consideration new and emerging risks.
14. The peer review identified 15 points for consideration into the service’s QAIP (Quality Assurance & Improvement Programme).

## **Last Peer Review (2017)**

15. The Peer Review Team considered the 10 recommendations arising from the previous peer review carried out in 2017. It became apparent during the course of the review, that many of the issues identified have not been comprehensively addressed. The issues pertaining to the independence, the QAIP, and audit engagements have been carried forward as part of this review as these are not yet considered to be fully implemented.

## Significant Observations

### Purpose and Positioning

#### 1100 Independence and Objectivity

16. The previous review carried out in 2017, identified the potential for the conflict of interest arising from the Chief Audit Executive also being the Head of Finance and S151 Officer. Whilst arrangements have been put in place to mitigate this risk, these are insufficient to ensure that the independence and objectivity of the CAE is maintained for the following reasons:
- It is unclear how the arrangements for maintaining the independence of the CAE actually work in practice. Responses from senior officers interviewed as part of this process contradict the arrangements set out in the Audit Charter;
  - There is a lack of clarity about how independence is managed when the Finance Manager deputizes for the CAE, as this relates to instances whereby the financial affairs of the authority are reviewed meaning that the deputy CAE is equally conflicted;
  - Reports to Audit and Standards Committee are not presented in the name of the CAE or the Audit Manager in all instances. This dilutes the independence and functional reporting of the service.
17. A key aspect of the Purpose and Positioning Standards is to ensure the Audit Committee can effectively discharge its duties. In order to facilitate the work of the Audit Committee, the CAE should:
- participate in the audit committee's review of its own remit and effectiveness;
  - seek to ensure that the audit committee receives and understands documents that describe how internal audit will fulfil its objectives (eg the risk-based plan, annual work programmes, progress reports).
18. Confirmation was received during the review that the Audit and Standards Committee have not undertaken a review of its remit and effectiveness for a number of years albeit this could be due to the Covid pandemic. In addition, the Peer Review Team interviewed two members of the Audit and Standards Committee, both of whom expressed concern regarding the lack of training provided to the Committee.
19. The Peer Review Team identified that the quality of information presented to the Audit and Standards Committee could be strengthened to ensure there is a comprehensive understanding of how Internal Audit fulfils its objectives. Examples of this are included at paragraphs 21 and 32.

## **2010 Risk Based Plans**

20. It is understood that 2021/2022 was a challenging year for the Internal Audit Team in relation to resourcing, which was highlighted by interviewees and by the submission of evidence for this review. This evidence confirmed that whilst a detailed planning exercise and process exists, it is unclear how the results of this inform the development of the risk-based plan. A large majority of the reviews identified through the planning process failed to appear in the annual plan presented to the Audit and Standards Committee. Furthermore, the planning documentation did not contain sufficient evidence to demonstrate how the plan aligned to the Council's Corporate Plan, Corporate Risk Register and reflects requests from Service Areas based on their assessment of their risks.
21. Due to the issues with resourcing, the Audit plan was only approved by the Audit and Standards Committee in September 2021. The Audit and Standards Committee received quarterly progress reports however the Peer Review team identified errors or omissions between the risk-based audit plan and the progress reports including:
- Significant amendments to the plan. Whilst resourcing issues were highlighted to the Audit and Standards Committee, there is a lack of detail as to the impact on the delivery of the plan and how the reviews will be prioritised based on the level of risk;
  - Reviews which are additional to the agreed audit plan without explanation of why they had been completed or identified for inclusion;
  - Inconsistent reporting of incident reports;
  - Incorrect appendices being attached to reports.

## **2050 Other Sources of Assurance**

22. The Peer Review Team were unable to establish how other sources of assurance were obtained. PSIAS 2050 requires the CAE to make arrangements to share information and coordinate activities with other internal and external providers of assurance to ensure there is adequate coverage and to minimise duplication of effort.

## **Structure and Resources**

### **1200 Proficiency and Due Professional Care**

23. PSIAS 1200 states that the CAE must be professionally qualified and suitably experienced. As highlighted above, the role of the CAE is undertaken by the S151 officer with support from the Internal Audit Manager. Whilst it is acknowledged that the Internal Audit Manager has extensive experience, the S151 Officer confirmed that his knowledge and experience of internal audit was limited.

## **Audit Execution**

### **1300 Quality Assurance and Improvement Programme**

24. The review from 2017 identified that whilst the Quality Assurance and Improvement Programme (QAIP) was technically in existence, it lacked detail and could contain more detail on how issues that do not conform with the Standards would be addressed to enable future compliance. Despite the recommendation being accepted, the Peer Review Team found that key requirements of the Standards 1300 remained absent from the QAIP.

### **2200 Engagement Planning**

25. It is unclear from the documentation provided how risks to the Service are being addressed as the audit programmes provided for review primarily comprise of standard key controls. It is unclear from the Audit Briefs that the approach and key risks have been identified and agreed with Service areas.
26. The Peer Review Team were surprised to note from the interviews conducted that the number of recommendations emanating from Internal Audit reports was low (approx. 12 per annum). This opinion was further compounded by the lack of high priority actions identified for implementation and reported to the Audit and Standards Committee. Given the challenges facing local authorities with budgetary pressures, recruitment and retention issues and key large-scale projects being undertaken, it is even more important that the scope of the engagement is capturing and reviewing key risks relevant at the time of audit.

### **2300 Engagement Delivery & 2400 Reporting**

27. The Peer Review team identified that the quality of working papers should be considered as key components were incomplete. Standard 2310 requires that internal auditors identify sufficient, reliable, relevant and useful information to support the engagement results and so that a prudent, informed person would reach the same conclusion. Whilst some working papers were sufficiently detailed, this was not the case in all instances.
28. It is unclear how effective the Internal Audit quality assurance process is as described in the QAIP. The Peer Review Team noted a range of issues with the reports issued to auditees. These ranged from failure to provide date of issue for final reports, reports still being in draft format despite being finalized, and management actions recorded as pending, again, despite the review being finalized.



## **2450 Overall Opinion**

29. PSIAS 2450 requires that the CAE must provide an annual report to the board timed to support the annual governance statement and that it must include an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework. The Standards further expand to clarify that opinion' means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined.
30. Given the resourcing issues which were reported to the Audit and Standards Committee and the low volume of work completed, the Peer Review team were concerned that an opinion had been provided without highlighting the limitations of scope to form the opinion.
31. The annual opinion contained within the report only concluded on the control environment of the Council and did not reference the adequacy and effectiveness of the organisation's governance and risk management arrangements.
32. The annual report did not contain the following requirements as set out in the Standards:
  - a comparison of the work actually undertaken with the work that was planned;
  - lack of detail regarding work which commenced in quarter 2 but remained incomplete at the year end without explanation;
  - the consideration of all related projects including the reliance on other assurance providers;
  - definitions of assurance scores
  - any other issues that the CAE judges is relevant to the preparation of the governance statement.

## **Minor Observations**

### **Purpose and Positioning**

#### **1000 Purpose, Authority and Responsibility**

33. PSIAS 1000 also requires the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter and should provide information on the accountability, reporting lines and relationships. The current Internal Audit Charter fails to clearly set out the functional reporting relationship of the CAE with the Audit and Standards Committee.

## **2010 Risk based audit plan**

34. Various interviewees confirmed that the advice and guidance of the Internal Audit Manager had been sought in relation to large scale projects ie the procurement of Charter Walk and was invaluable to the organisation, however this consultancy work does not appear in the risk based plan.
35. No evidence was provided to the Peer Review Team of the Risk based plan including resource requirements being communicated to senior management for review and approval. Further, it was unclear how the timings of reviews were established. Whilst the Audit Plan contained a priority rating, these did not appear to be the order in which reviews were undertaken.

## **Audit Execution**

### **2040 Policies and Procedures**

36. The self assessment highlights that the Audit Manual is only partially adapted for PSIAS despite the Standards being introduced some time ago. It is important that audit documentation is up to date and complete to provide clarity and guidance to the audit team in any event of non-availability of the Audit Manager.

## **PSIAS Action Table**

37. This details suggested actions to improve the service, its status or impact and quality of the service provided. The points raised in 15 to 35 above are contained in this action table at **Appendix C**.

## **Thank you**

38. The Peer Review Team would like to express their thanks to Management, members of the Audit and Standards Committee and the Internal Audit Team at Burnley Council for all the help afforded to the Peer Review Team during the course of the review.

**Review Team**

**Colin Ferguson**

Colin is a fully qualified member of the Association of Chartered Certified Accountant with 31 years' experience of internal audit in the local government sector. He is currently Head of Audit & Assurance for Blackburn with Darwen Borough Council. Colin started his finance career working in external audit in the private sector with KPMG. Prior to joining Blackburn Colin worked in internal audit with Lancashire County Council. Colin manages the preparation and delivery of the Blackburn annual audit plan across a wide range of Council services and schools. His responsibilities also include insurance and risk management.

**Dawn Highton**

Dawn is a fully qualified member of the Chartered Institute of Internal Auditors and has over twenty years internal audit experience in the local government sector and is currently Head of Audit and Risk at South Ribble and Chorley Council. Dawn oversees the delivery of the audit plans across the full range of Council services and two wholly owned companies. Her wider portfolio includes responsibility for risk management, insurance, business continuity, emergency planning and health and safety.

# Detailed Assessment

PSIAS Ref		Conforms	Partially conforms	Does not conform	Comments
<b>Purpose &amp; positioning</b>					
1000	• Remit	X			
1000	• Reporting lines		X		
1110	• Independence			X	
2010	• Risk based plan		X		
2050	• Other assurance providers			X	
<b>Structure &amp; resources</b>					
1200	• Competencies	X			
1210	• Technical training & development		X		
1220	• Resourcing		X		
1230	• Performance management	X			
1230	• Knowledge management	X			
<b>Audit execution</b>					
1300	• Quality Assurance & Improvement Programme		X		
2000	• Management of the IA function		X		
2200	• Engagement planning		X		
2300	• Engagement delivery		X		
2400	• Reporting		X		
2450	• Overall opinion			X	

Conforms		Partially Conforms	X	Does Not Conform	
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**Burnley Council Internal Audit Service – PSIAS Action Table**

**Appendix C**

The following points for consideration to develop the Audit Service arise from the review undertaken:

PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
<b>1100 Independence and Objectivity</b>	10,11,16	<p>Burnley Council should consider how they wish to address the non-conformance with the Public Sector Internal Audit Standard 1100 in relation to the independence and objectivity of the Chief Audit Executive.</p> <p>In addition, the Council should also seek the views of their external auditors and gain an understanding of the impact of the non-conformance.</p>	Head of Finance and Property	<p>The Chief Audit Executive will role will be assigned to the Internal Audit Manager as this removes the main risk of independence and objectivity from this role.</p> <p>The views of the External Auditor will be sought and the understanding of this non-conformance will be considered.</p>

PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
<p><b>1100 Independence and Objectivity</b></p> <p><b>1200 Proficiency and Due Professional Care</b></p>	16,23	<p>The Council should ensure that all future arrangements to achieve independence are accurately reflected in the Internal Audit Charter and that all Audit and Standards agenda items and minutes reference the CAE as the author.</p> <p>Furthermore, any future arrangements should ensure that the CAE is professionally qualified and suitably experienced.</p>	Head of Finance and Property	<p>The CAE arrangements will be reflected in the Internal Audit Charter and Strategy.</p> <p>The CAE will be referenced as the author in all items which relate to the roles of the CAE.</p> <p>The Council will work towards an early achievement of this requirement.</p>
<b>1100 Independence and Objectivity</b>	18	In order to comply with all aspects of the purpose and positioning standards, the CAE should participate and ensure that the Audit & Standards Committee undertake a review of its own remit and effectiveness using the latest guidance issued by CIPFA.	CAE and Democracy Team	This process is underway and the CAE will participate in this process, using the latest CIPFA Guidance.

PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
<b>1100 Independence and Objectivity</b>	18	<p>The CAE should also assist the Audit and Standards Committee in assessing their collective skills and knowledge and identify any training needs.</p> <p>A comprehensive training plan should be developed to address any identified skills and knowledge gaps.</p>	CAE and Democracy Team	The Council with the participation of the CAE will assess the collective skills and knowledge of the Audit and Standards Committee members to identify any training needs which will be developed in to training plan to address any skills and knowledge gaps.

PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
1100 Independence and Objectivity	19	<p>The CAE should ensure that reports presented to the Audit and Standards Committee are accurate and free from errors and omissions.</p> <p>Reports should be sufficiently detailed to allow the Audit and Standards Committee to gain an understanding of how the internal audit service will fulfil its objectives.</p>	CAE Chair of Audit and Standards Committee	<p>The CAE will ensure that reports they present to the Audit and Standards Committee related to Internal Audit are accurate and free from errors and omissions the best of their abilities.</p> <p>The format and details in reports will be agreed with the Chair of the Audit and Standards Committee to improve the understanding of how the internal audit service fulfils its objectives.</p>



PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
1000 Purpose, Authority and Responsibility	33	The Audit Charter should be expanded to include the functional reporting relationship of the CAE with the Audit and Standards Committee.	CAE	The Audit Charter and Strategy will be revised to reflect the changes to include the functional reporting relationship of the CAE with the Audit and Standards Committee
2010 Audit Planning	20	<p>The CAE should ensure that the risk-based plan presented to the Audit and Standards Committee is an accurate reflection of the Internal Audit planning documentation / risk assessment.</p> <p>Evidence needs to be retained to demonstrate that the plan has been produced with due regard to the Council's Corporate Plan, Corporate Risk Register and high risk areas in individual Council services.</p>	CAE	The risk-based plan will be clearly linked to the Strategic Plan, Strategic Risk Register and risk areas identified from the Services. Evidence of this will be retained.

PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
<b>2010 Audit Planning</b>	34,35	<p>The Plan should also clearly articulate resources required to complete the reviews and the priority order of the agreed work.</p> <p>The plan should also reflect any agreed consultancy work.</p> <p>This should be presented and agreed by senior management prior to being presented to the Audit and Standards Committee.</p>	CAE	The Plan will clearly record the estimated resources to complete the reviews with the priority order.
<b>2050 Other Sources of Assurance</b>	22	The CAE should ensure that the risk-based plan includes an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources.	CAE	Any other sources of assurance will be identified evaluated and where reliance can be placed on these this will be considered as part of the assurance process.
<b>1300 Quality Assurance and Improvement Programme</b>	24	As identified during the 2017 review, the Peer Review Team found that the Quality Assurance and Improvement Programme (QAIP) whilst technically in existence lacked detail. The QAIP could contain more detail on how issues that do not conform with the Standards would be addressed to enable future compliance.	CAE	The QAIP will include the detail of how the authority will address issues of that do contain more detail of how issues that do not conform will be addressed.

PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
<b>2040 Policies and Procedures</b>	36	The CAE should ensure that all policies and procedures to guide the internal audit are reflective of the PSIAS and that they are regularly reviewed and updated.	CAE	The Audit manual will be updated to ensure that the policies and procedures reflect the PSIAS requirements.
<b>2200 Engagement Planning</b>	25,26	Risks identified at the scoping stage should be based upon the current risks facing the Service rather than using standard risk and control matrices. Adopting this approach will ensure assurance is provided on current business risks which will therefore provide added value to the service manager.	CAE	Auditors will be reminded of the requirements to engage with Auditees to identify the current risk issues and to agree these with Auditees.
<b>2300 Engagement Delivery &amp; 2400 Reporting</b>	27,28	The CAE should ensure that all working papers contain sufficient, reliable, relevant and useful information which supports engagement results and conclusions in all instances.  The internal quality control process as detailed in the QAIP should be applied in all instances.	CAE	Reviewers will be reminded of the requirement to support the finding clearly in the working papers.

PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
2450 Overall Opinion	29,30	<p>The CAE should ensure that the Internal Audit opinion is based upon sufficient evidenced work to form a supportable conclusion.</p> <p>If it is deemed that insufficient work has been completed, the Annual opinion report should be worded to reflect this.</p>	CAE	The CAE will ensure that the Internal Audit opinion is in compliance with the required standard 2450
2450 Overall Opinion	31,32	<p>The annual opinion report should reference the adequacy and effectiveness of the organisation's control, governance and risk management arrangements.</p> <p>The report should also incorporate all the requirements as set out in Standard 2450.</p>	CAE	The CAE will ensure that the Internal Audit opinion is in compliance with the required standard 2450

## Annual Accounts 2022/23 Arrangements

### REPORT TO AUDIT AND STANDARDS COMMITTEE



<b>DATE</b>	<b>16 March 2023</b>
<b>PORTFOLIO</b>	<b>Resources &amp; Performance Management</b>
<b>REPORT AUTHOR</b>	<b>Amy Johnson</b>
<b>TEL NO</b>	<b>(01282) 475869</b>
<b>EMAIL</b>	<b>ajohnson@burnley.gov.uk</b>

#### PURPOSE

1. To update the Audit and Standards Committee on the arrangements made to date and the implications of the changes required for the Council ahead of the closure of the 2022/23 accounts.
2. To seek approval for the accounting policies to be used in producing the Statement of Accounts as set out in Appendix 1.
3. To inform Members that a date will be confirmed nearer the time for a final accounts workshop for Audit and Standards Committee Members to allow officers to present the 2022/23 Statement of Accounts and explain the findings and issues.
4. Members will recall that following a consultation exercise by DLUCH the deadlines for completion of the draft and audited statement of Accounts were extended for the 2020/21 and 2021/22 financial years to 31 July (previously 31 May) for the draft Statement of Accounts and 30 September for the audited Statement of Accounts (previously 31 July). Legislation was later introduced to further extend the deadline for the 2021/22 audited Statement of Accounts to 30 November. These extensions have now come to end. The deadline for the 2022/23 draft Statement of Accounts has reverted back to 31 May however following a consultation exercise the Government has announced that the deadline for the audited Statement of Accounts is now 30<sup>th</sup> September. This extension runs for 6 years to 2027/28, until the end of the next PSAA appointing period at which time it will be reviewed. The extension to 30 September is to help mitigate the extent of ongoing delays in publishing the audited 2020/21 Statement of Accounts and capacity issues within the audit sector.

#### RECOMMENDATION

5. Note the report and arrangements that the Council is making in advance of the closure of accounts for the year 2022/23.
6. Approve the proposed accounting policies to be followed in producing the Statement of Accounts as shown in Appendix 1.
7. Note the revised deadlines for publication of the draft and audited Statement of Accounts.

## REASONS FOR RECOMMENDATION

8. The Council has a statutory duty to approve the accounts for 2022/23 by the 30 September 2023.
9. To ensure that the Council complies with requirements in relation to the Statement of Accounts.
10. To explain the actions being taken to minimise the risks to the final accounts process.

## SUMMARY OF KEY POINTS

11. The 2022/23 accounts are to be produced under the Code of Practice on Local Authority Accounting in the UK for 2022/23 standards and will require similar detail and analysis.
12. Following a consultation exercise DLUHC announced that the deadline for completion of the draft Statement of Accounts would be extended from 31 May to 31 July and the audited Statement of Accounts from 31 July to 30 September for a 2-year period – 20/21 and 21/22. These deadlines were in accordance with recommendation 10 of the Redmond Review. Legislation was later introduced to further extend the deadline for the 2021/22 audited Statement of Accounts to 30 November. The intention was for the amended deadline to be reviewed after that period when it will be clearer as to whether the audit completion rate has improved.
13. The extension has come to an end with the deadline for completion of the draft Statement of Accounts reverting back to 31 May however following a consultation exercise the Government has announced that the deadline for the audited Statement of Accounts is now 30th September. This extension runs for 6 years to 2027/28, until the end of the next PSAA appointing period at which time it will be reviewed. As committed to in December 2022, the Government has stated that is minded to keep these deadlines in place, however a consultation exercise was launched (closed 2 March 2023) to obtain the views of the sector. Whilst the results of the consultation are reviewed, DLUHC has stated that is expects local authorities to continue to work towards the deadline of 31 May.
14. **The changes affecting this Council are:**
  - Last years' successful exercise to declutter the Statement of Accounts should be undertaken again with a view to reducing the size of the Statement.
  - The implementation of IAS 16 (Leases) has been delayed for a further year to 1 April 2024.
15. **Preparation**
  - Training
    - Preparation for the closure of 2022/23 accounts is to include both formal and informal training for staff in Finance which will again include examples of how to speed up the process of closure of accounts and the production of the statement of accounts.

- Staff have attended formal training courses by the Council’s auditors’ Grant Thornton and CIPFA and have taken an active role in regular discussions among peer groups across Lancashire and the North West.

Once again this year, it is intended to give Members of the Audit and Standards Committee a training presentation to assist with their understanding of the accounts. Following discussions with the Council’s Auditor, Grant Thornton LLP a date will be confirmed nearer the time.

#### Planning

- The year-end closure memorandum has been sent to Management Team, Heads of Service and various key officers of the Council and our colleagues in Liberata, giving details of the year end processes and timetable.

#### Procedures & systems

- Changes to procedures and systems which had been implemented during the previous three years will continue to be used and refined during 2022/23 closedown.

### 16. Calculation of Impact

#### Updating Accounting Policies

- The accounting policies have been reviewed. There are no significant changes and there is no material financial impact of adopting the changes. Appendix 1 shows the proposed accounting policies to be adopted in closing the accounts for 2022/23.

### 17. Annual Governance Statement

- The formal statement that recognises, records and publishes a local authority’s governance arrangements. It incorporates a review of its internal controls and assurance gathered from all parts of the Council. Further details are provided in a separate report to this Audit and Standards Committee meeting for approval alongside the Statement of Accounts. There are no significant changes in the requirements for the statement.

### 18. Risks

The risks of non-compliance with the requirement to have a “fit for purpose” statement of accounts prepared by 31 May 2023 and reported to members with an unqualified audit opinion by 30 September 2023 are (not necessarily exhaustive):

- Failure to have assets revalued by the date shown in the timetable. To mitigate this risk, officers have completed the great majority of this work in December 2022.
- Key staff becoming unavailable during the closure process. Planning of staff availability will help mitigate the risk but this risk will be managed should the situation arise.
- Failure to fully identify and incorporate the requirements of the 2022 Code. This is unlikely given the few changes from the 2022 Code.

## FINANCIAL IMPLICATIONS AND BUDGET PROVISION

19. None

**POLICY IMPLICATIONS**

20. Changes to the Council's Accounting Policies.

**DETAILS OF CONSULTATION**

21. None

**BACKGROUND PAPERS**

22. 2022 Code of Practice on Local Authority Accounting in the UK.

23. Papers and publications held in Finance.

**FURTHER INFORMATION**

**PLEASE CONTACT:**

**Amy Johnson – Finance Manager**

**ALSO:**

**Howard Hamilton-Smith – Head of Finance & Property**



# Accounting Policies

## I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

## II. ACCRUALS OF EXPENDITURE & INCOME

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The council has adopted IFRS15 Revenue from Contracts with Customers in accordance with the Code; however, this has no material impact on the financial statements.

## III. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### **IV. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **V. CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision (MRP)) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **VI. COUNCIL TAX AND NON-DOMESTIC RATES**

Billing authorities, such as Burnley Council, act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including Government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

## ACCOUNTING FOR COUNCIL TAX AND NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowance for doubtful debts, overpayments and prepayments and appeals.

## VII. EMPLOYEE BENEFITS

### BENEFITS PAYABLE DURING EMPLOYMENT

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year, see Note xx. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Full details of employee benefits paid during employment for senior officers are shown at Note xx.

### TERMINATION BENEFITS

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the non-distributed costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### POST-EMPLOYMENT BENEFITS

Most employees of the Council are members of the Local Government Pension Scheme, administered by Lancashire County Council. It is accounted for as a defined benefits scheme providing retirement lump sums and pensions earned as employees working for the Council:

## THE LOCAL GOVERNMENT PENSION SCHEME

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based upon assumptions about mortality rates, employee turnover rates and projected future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based upon the indicative rate of return on an AA corporate bond - not the highest quality AAA bond but nevertheless a “high grade” bond).
- The assets of the Lancashire County Pension Fund attributable to the Council are included in the Balance Sheet at their fair value – quoted securities at current bid price, unquoted securities by means of a professional estimate, unitised securities at the current bid price and property at market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned in the year and allocated to the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Lancashire County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the

Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

### **VIII. EVENTS AFTER THE REPORTING PERIOD**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Adjusting Events - those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.
- Non-adjusting Events – those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **IX. FINANCIAL INSTRUMENTS**

#### **FINANCIAL LIABILITIES**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it is repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in full in the year that the grant was received. The reconciliation of the amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instrument Adjustment Account in the Movement in Reserves Statement.

## FINANCIAL ASSETS

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

### FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### EXPECTED CREDIT LOSS MODEL

The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can assess at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **X. GOVERNMENT GRANTS AND CONTRIBUTIONS**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **XI. HERITAGE ASSETS**

### **TANGIBLE AND INTANGIBLE HERITAGE ASSETS**

The Council's Heritage Assets are held at Towneley Hall Art Gallery & Museum and Burnley Town Hall. The museum has seven collections of heritage assets which are held principally for their contribution to knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed allowing the Council's heritage assets to be included on the Balance Sheet at their insured value where available.

Heritage assets are deemed to have an indefinite life, and therefore are not depreciated as the charge would be minimal and immaterial. Nevertheless, where there is evidence of physical deterioration, or doubts arise as to its authenticity, the value of the asset has to be reviewed.

## **XII. INTANGIBLE ASSETS**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

This Council does not have any internally generated assets.

Expenditure on the development of website is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible Assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. The useful lives and associated amortisation rates of computer software have been estimated at 5 years. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **XIII. INVENTORIES AND LONG TERM CONTRACTS**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO/weighted average costing formula. Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

### **XIV. INVESTMENT PROPERTY**

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact



on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **XV. JOINT OPERATIONS**

Joint operations are arrangements where the parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation
- Its expense, including its share of any expenses incurred jointly.

## **XVI. LEASES**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **THE AUTHORITY AS LESSEE**

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from

revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

### **THE AUTHORITY AS LESSOR**

#### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the

relevant asset and charged as an expense over the lease term on the same basis as rental income. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Where assets are acquired under operating leases the leasing rentals payable are recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease.

## **XVII. OVERHEADS AND SUPPORT SERVICES**

The cost of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

## **XVIII. PROPERTY, PLANT AND EQUIPMENT**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

### **RECOGNITION**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### **MEASUREMENT**

Assets are initially measured at cost comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus asset – the current value measurement base is fair value, estimated at highest and best use from a market participants perspective

- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## IMPAIRMENT

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## DEPRECIATION

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer

- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight-line allocation over 25 years

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately if they have different economic useful lives. The minimum value for separate components has been set at £100k as it is believed that anything below this would result in a trivial impact on the Council's accounts. However, the major components of land and buildings have already been separated for many years, with no depreciation being applied to the land element.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line of the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipt is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax, as the cost of the non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **XIX. PROVISIONS AND CONTINGENT LIABILITIES**

### **PROVISIONS**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Council settles the obligation.

### **CONTINGENT LIABILITIES**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **XX. RESERVES**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **XXI. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General

Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **XXII. VALUE ADDED TAX**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **XXIII. FAIR VALUE MEASUREMENT**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at the end of the reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which suitable data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

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**External Auditor Appointment - Update**

**REPORT TO AUDIT AND STANDARDS COMMITTEE**



<b>DATE</b>	<b>16/03/2023</b>
<b>PORTFOLIO</b>	<b>Resources and Performance</b>
<b>REPORT AUTHOR</b>	<b>Ian Evenett</b>
<b>TEL NO</b>	<b>01282 425011 ext 7175</b>
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**PURPOSE**

1. This report updates the appointment of the external auditor to the Council for the accounts for the five-year period from 2023/24.

**RECOMMENDATION**

2. That the Audit and Standards Committee note that Public Sector Auditor Appointments (PSAA) have appointed an auditor for the five-year period from 2023/24.

**REASONS FOR RECOMMENDATION**

3. The committee have a requirement to monitor the position of external auditor and receive reports.

**SUMMARY OF KEY POINTS**

**Background and summary**

4. In February 2022, on recommendation of this committee, Full Council opted to use Public Sector Audit Appointments (PSAA) to appoint an external auditor on behalf of the Council for the period covering the accounts 2023/24 to 2027/28.
5. PSAA has now finalised this procurement and consulted the Council on this decision for the next appointing period, covering audits for 2023/24 to 2027/28. There was no objection to the appointment on the grounds of independence as there are no existing links to this external Auditor by the Council.
6. The PSAA have now finalised this appointment. The appointed auditor is Mazars LLP.

**The Appointed Auditor**

7. Mazars LLP undertake the statutory audit of accounts and Value for Money assessment of the Council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
8. The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
9. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) and employ authorised Key Audit Partners to oversee the work.
10. Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.
11. Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

**FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

12. None

**POLICY IMPLICATIONS**

13. None

**DETAILS OF CONSULTATION**

14. None

**BACKGROUND PAPERS**

15. None

**FURTHER INFORMATION**  
**PLEASE CONTACT:** Ian Evenett (Internal Audit Manager) Ext 7175  
**ALSO:** Howard Hamilton-Smith Ext 7173

## AUDIT & STANDARDS COMMITTEE

Work Programme 2022/23 – as at 8<sup>th</sup> March 2023

DATE OF MEETING	AREAS TO BE CONSIDERED
6 <sup>th</sup> July 2022	<ul style="list-style-type: none"> <li>• Approval of 2020/21 Statement of Accounts (Audited SoA, Letter of Representation, External Audit Findings and Signed AGS 2020/21)</li> <li>• Internal Audit Opinion 2021/22</li> <li>• CIPFA Audit Committee Position Statement 2022</li> <li>• Standards Complaints Update</li> <li>• Work Programme 2022/23</li> </ul>
22 <sup>nd</sup> September 2022	<ul style="list-style-type: none"> <li>• External Audit Plan 2021/22 – Grant Thornton</li> <li>• External Audit Annual Report – Grant Thornton</li> <li>• External Audit Progress Report &amp; Sector Update</li> <li>• Internal Audit Progress Report 2022/23 Q1</li> <li>• Strategic Risk Register</li> <li>• Annual Governance Statement 2021/22</li> <li>• Work Programme 2022/23</li> </ul>
16 <sup>th</sup> November 2022	<ul style="list-style-type: none"> <li>• Approval of Audited Statement of Accounts</li> </ul>
26 <sup>th</sup> January 2023	<ul style="list-style-type: none"> <li>• External Audit Progress Report 2021/22</li> <li>• Annual Governance Statement 2022/23 Arrangements</li> <li>• Internal Audit Progress Report 2022/23 Q2</li> <li>• Fraud Risk Assessment 2022/23</li> <li>• CIPFA Audit Committee Guidance</li> <li>• Standards Complaints Update</li> <li>• Local Government (Disqualification) Act 2022 Changes To Disqualification Criteria For Councillors</li> <li>• Review of Code of Conduct for Elected Members</li> <li>• Work Programme 2022/23</li> </ul>
16 <sup>th</sup> March 2023	<ul style="list-style-type: none"> <li>• External Audit Annual Auditor Report 2021/22 (includes VfM) (Moved to July 2023)</li> <li>• External Audit Plan 2022/23-Grant Thornton (Moved to July 2023)</li> <li>• External Audit Progress Report 2022/23</li> <li>• <del>External Audit Annual Audit Letter</del></li> <li>• Audit Findings 2022/23 and Annual Statement of Accounts 2022/23 (Moved to July 2023)</li> <li>• Annual Governance Statement 2021/22-22/23 (Moved to July 2023)</li> <li>• Internal Audit Progress Report 2022/23 Q3</li> <li>• Strategic Risk Register 2022/23 (Moved to July 2023)</li> <li>• Regulation of Investigatory Powers Act – Annual Return</li> </ul>

	<ul style="list-style-type: none"> <li>• New External Audit Appointment Report 2023/24 – 2027/28</li> <li>• Internal Audit Peer Review</li> <li>• Terms of Reference of Audit and Standards Committee – Refresh (verbal update)</li> <li>• Work Programme 2022/23</li> </ul>
2023/24 Municipal Year	<ul style="list-style-type: none"> <li>• External Audit Annual Auditor Report 2021/22 (includes VfM) (July 2023)</li> <li>• External Audit Plan 2022/23-Grant Thornton (July 2023)</li> <li>• Audit Findings 2022/23 and Annual Statement of Accounts 2022/23 (July 2023)</li> <li>• Annual Governance Statement 22/23 (July 2023)</li> <li>• Strategic Risk Register 2022/23 (July 2023)</li> <li>• Review of LGA Model Code (January 2024)</li> <li>• Annual Review of the Code of Conduct</li> </ul>