

AUDIT AND STANDARDS COMMITTEE

Wednesday, 20th March, 2024
6.30 pm





AUDIT AND STANDARDS COMMITTEE

ROOMS 2 & 3, TOWN HALL

**Wednesday, 20th March, 2024 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/2BW7d2>

AGENDA

1) Apologies

To receive any apologies for absence.

2) Minutes

5 - 8

To approve as a correct record the minutes of the previous meeting.

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** 9 - 10
To provide members with an update of the recent Regulation of Investigatory Powers Act 2000 (“RIPA”) Inspection by the Investigatory Powers Commissioner’s Office (“IPCO”) and to report on authorisations issued under RIPA.
- 8) Code of Conduct Review** 11 - 16
To update the Committee on a review of the Borough Council’s Code of Conduct for Members and to consider the minor change which is being proposed and to consider whether to progress with the adoption of the Local Government Association’s (LGA) Model Code of Conduct (LGA Model Code).
- 9) External Audit Progress Report 2023/24 - Mazars** 17 - 28
To consider the External Audit Progress Report.
- 10) Grant Thornton - Final Fee Burnley Borough Council** 29 - 30
- 11) Annual Accounts 2023/24 Arrangements** 31 - 50
To consider a report on the annual account 2023/24 arrangements.
- 12) Internal Audit Progress Report 2023/24 Q3** 51 - 60
To inform members of the work undertaken by Internal Audit for the period 1st October to 31st December 2023.
- 13) External Review Report** 61 - 72
To inform members of the progress on the External Review of Internal Audit action plan.
- 14) Internal Audit Plan 2024/25** 73 - 78
To inform on the audit planning process and seek approval from members on the proposed Internal Audit plan for 2024-25.
- 15) Work Programme** 79 - 80
To consider the Work Programme for the current year.

PRIVATE ITEMS

MEMBERSHIP OF COMMITTEE

Councillors

Councillor Margaret Brindle (Chair)
Councillor Asif Raja (Vice-Chair)
Councillor Gail Barton
Councillor Alex Hall
Councillor Karen Ingham

Councillor Mohammed Ishtiaq
Councillor Gordon Lishman
Councillor Mike Steel
Councillor Andy Wight

Co-opted Members

Councillor Kathryn Haworth, Habbergham
Eaves Parish Council
Vacancy, Parish Council representative
David Swift, Independent Member
Stuart Arnfield, independent Member

Published: Tuesday, 12 March 2024

External Auditor

Karen Murray, Mazars
Amelia Salford, External Auditors - Mazars



AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Thursday, 14th December, 2023 at 6.30 pm

PRESENT

MEMBERS

Councillor Margaret Brindle, In the Chair.

Councillors A Raja (Vice-Chair), G Barton, Hall and A Wight

OFFICERS

Amy Johnson	– Finance Manager
Ian Evenett	– Internal Audit Manager
Heather Bullock	– Procurement and Information Officer
CJ Walmsley	– Democracy Officer

CO-OPTED MEMBERS

Councillor Kathryn
Haworth
David Swift

EXTERNAL AUDITORS

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

New Members of the Committee were welcomed by the Chair, and thanks given to retiring Members.

29. Apologies

Apologies for absence were received from Stuart Arnfield.

30. Minutes

RESOLVED – That the minutes of the last meeting held on 28th September 2023 be approved as a correct record and signed by the Chair.

31. Additional Items of Business

There were no additional items of business to be considered.

32. Declarations of Interest

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

33. Exclusion of the Public

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

34. Public Question Time

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

35. Annual Accounts 2022/23

Further to the draft Statement of Accounts, which were approved by the Committee on 28th September 2023 subject to any material amendments identified during the completion of the outstanding areas of testing that still had to be completed by Grant Thornton, two material amendments had been made which were: -

- Removal of the pension surplus following clarification of the IFRIC14 assessment which now applied to all authorities following the triennial valuation.
- Adjustments between current assets and liabilities on the Balance Sheet. The adjustments net to £0 and did not change the net assets of the authority.

Therefore, the Council's amended audited Statement of Accounts for 2022/23 were submitted to the Committee for formal approval and signature by the Chair. The Committee were also asked to approve the Letter of Representation from the Director of Resources to Grant Thornton with signature from the Chair; and approve the signed 2022/23 Annual Governance Statement.

An update was also provided on the audit findings.

Clarification was given regarding heritage assets in respect of watercolour paintings. The percentage figure in the report related to those on display.

RESOLVED – (1) That the Statement of Accounts for 2022/23 be approved and signed by the Chair and that delegated authority be given to the Director of Resources and Committee Chair for any non-material changes to the audited Statement of Accounts following the conclusion of the outstanding audit matters;

- (2) That the Letter of Representation be approved and signed;
- (3) That the audit findings be noted; and
- (4) That the Annual Governance Statement signed at September 2023 be approved.

36. Auditor's Annual Report on Burnley Borough Council 2022/23

Grant Thornton presented their annual Auditor's report for 2022/23 and highlighted improvement recommendations for financial sustainability, governance and improving economy, efficiency and effectiveness.

Discussion took place regarding the Council's response to these recommendations and how they are addressed in relation to current practice.

RESOLVED – That the report be noted.

37. Arrangements for 2023/24 Annual Governance Statement

A report was submitted on the arrangements to provide assurance for an Annual Governance Statement for the financial year 2023/24. This included a Member self-assessment questionnaire and Officer self-assessment questionnaire, which had been amended to make required answers clearer.

RESOLVED – That the proposed process be approved.

38. Internal Audit Progress Report Q2

A report was submitted that informed Members of the work undertaken by Internal Audit for the period 1st July to 30th September 2023. There had been four Audit Reports produced and details were appended to the report. One additional report was provided to Burnley Leisure and Culture under the service level agreement.

Clarification was sought on weaknesses which the National Cyber Security Centre (NCSC) had reported to the Council. The weakness was corrected within a day.

Discussion took place in relation to the resourcing of Internal Audit, and whilst ideally the delivery of some audits would be speedier, the provision of the opinion by the end of the year would still be achieved.

RESOLVED – That the report be noted.

39. Strategic Risk Register

A report was submitted that updated Members on the current Strategic Risk Register. The major change was the revision of the scoring system. Comments from Members were that

a 5 by 5 score matrix should be used. Management Team had agreed this approach. As a result the previous 3 by 3 matrix had been revised and the new scoring system introduced into the Council's Risk Management Method. The scoring system was used in both the national risk register and in the Lancashire Resilience Forum (LRF) Community Risk Register. The approach would allow greater flexibility in analysis and the score range had increased from 1 to 9 to 1 to 25 which should increase the separation in risk scores.

A labelling error was highlighted in the Register in terms of impact/likelihood. This would be corrected before being submitted to the Council's Executive.

It was felt that in relation to risk reference 15, cost of living crisis, the strategic commitments needed to be strengthened.

RESOLVED - (1) That the report be noted; and
(2) That subject to the discussed amendments, the Strategic Risk Register be recommended to the Council's Executive for approval.

40. Fraud Risk Assessment 23/24

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

It was commented that there should be a consistent approach by the Council to check employment applicants on professional membership websites, where applicable.

It was clarified that where services/functions had been outsourced, controls were in place in regards to fraud and corruption.

RESOLVED – That the report be noted.

41. External Review Report

A report was submitted that informed Members of the progress on the External Review of Internal Audit Action Plan. At the request of the Committee, actions in the plan now had a target and completion date to further assist monitoring.

RESOLVED – That the report be noted.

42. Work Programme

Members were asked to note the updated work programme for the current municipal year.

RESOLVED – That the work programme for 23/24 be noted.

Regulation of Investigatory Powers Act – Update and Annual Return [Title]

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	20th March 2024
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Catherine Waudby
TEL NO	01282 477198
EMAIL	cwardby@burnley.gov.uk

PURPOSE

1. To provide members with an update of the recent Regulation of Investigatory Powers Act 2000 (“RIPA”) Inspection by the Investigatory Powers Commissioner’s Office (“IPCO”) and to report on authorisations issued under RIPA.

RECOMMENDATION

2. To note the update.

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 IPCO to ensure that its policies and procedures are operated in a lawful manner. The latest inspection took place in the form of a desktop assessment in October 2023. The IPCO Inspector was satisfied that there was ongoing compliance with RIPA 2000 and the Investigatory Powers Act 2016. The Inspector noted that the RIPA policy was last refreshed in 2021 and noted currently that the Senior Responsible Officer (SRO) could not give an assurance that the use of social media by staff was routinely reviewed for compliance with RIPA.
6. The IPCO Inspector recommended that these matters be addressed forthwith. Work is currently being undertaken to refresh the policy and to reinforce the use of social media in compliance with RIPA. Minor amendments to the policy will be actioned in consultation with the Leader.

7. An ongoing recommendation made by the IPCO is that a report on RIPA activity (or lack of it) be made periodically to elected members. This report is the annual update to members on RIPA activity in the past year.

8. In 2023 there was no surveillance activity by the Council necessitating authorisation under RIPA.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

9. None

POLICY IMPLICATIONS

10. None

DETAILS OF CONSULTATION

11. None

BACKGROUND PAPERS

FURTHER INFORMATION
PLEASE CONTACT: CATHERINE
WAUDBY
ALSO:

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	20 th March 2024
PORTFOLIO	None
REPORT AUTHOR	Head of Legal and Democratic Services and Monitoring Officer
TEL NO	7198
EMAIL	Cwaudby@burnley.gov.uk

CODE OF CONDUCT REVIEW

PURPOSE

1. To update the Committee on a review of the Borough Council's Code of Conduct for Members and to consider the minor change which is being proposed and to consider whether to progress with the adoption of the Local Government Association's (LGA) Model Code of Conduct (LGA Model Code).

RECOMMENDATION

2. That the Audit and Standards Committee recommend to Full Council to approve the proposed minor change to the Council's Code of Conduct (the Code) namely the appointment of an additional Independent Person.
3. That the Audit and Standards Committee either:
 - 3.1 establish a sub-committee to consider and produce a report as to whether it should adopt the LGA Model Code in full or in part and report back to this Committee in the first instance with their findings; or
 - 3.2 resolve not to recommend to Full Council to approve the LGA Model Code but agree to review the matter in 12 months.

REASONS FOR RECOMMENDATION

4. The Committee has the responsibility to promote and maintain high standards of conduct of elected Members.

The Code was last reviewed in January 2023. At the meeting of Audit and Standards Committee on 16th January 2023 the Committee agreed with the recommended changes to the Code, which were consistent with the Committee for Standards in Public Life (CSPL) recommendations, and these were subsequently approved by Full Council. These included strengthening the Code on the behaviours of bullying and harassment.

The Committee will recall that the Local Government Association (LGA) produced a Model Code of Conduct (LGA Model Code), which local authorities were encouraged to adopt to replace their existing Codes.

	<p>At the meeting in January 2023 the Committee deferred consideration of the adoption of the LGA's Model Code of Conduct due to perceived ambiguities in the Code and resolved to look at the matter again in 12 months.</p> <p>The CSPL recommends that local authorities review their codes of conduct annually. This increases transparency and improves trust and confidence in the local democratic process.</p> <p>A minor amendment is being proposed to the Code, which is set out in paragraph 8. This also accords with recommendations of the CPSL.</p> <p>The Committee needs also to consider whether it wishes to proceed with the adoption of the LGA Model Code. If the Committee wishes to pursue this action, it may wish to establish a sub-committee whose remit shall be to consider whether it should recommend to Full Council to adopt the LGA's Model Code, if it considers this is necessary to maintain high standards of conduct of elected Members.</p> <p>The Committee may opt not to recommend to Full Council to approve the LGA Model Code as the existing Code is fit for purpose and the LGA's Model Code does not materially improve or add more rigour to existing arrangements and agree to review the situation in 12 months' time.</p>
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SUMMARY OF KEY POINTS	
5.	<p>Background</p> <p>Section 27 of the Localism Act 2011 requires local authorities to promote and maintain high standards of conduct by members and co-opted members of the authority. This is an active obligation.</p> <p>The Council adopted the Code in 2012 and it has been subject to minor amendments over the years, most recently in January 2023. The Existing Code and associated complaints procedure are available at:</p> <p><i>Existing Code:</i> CONTENTS (moderngov.co.uk)</p> <p><i>Complaints Procedure:</i> Part 5.1 Code of Conduct and Complaints Procedure Appendix REVIEW DRAFT (burnley.gov.uk)</p> <p>The Borough Council's Monitoring Officer also oversees the complaints about Parish and Town Councillors. Parish and Town Councils have Codes of Conduct and complaints procedures that are broadly similar to the Borough Council's Existing Code.</p>
6.	<p>The Committee on Standards in Public Life Report</p> <p>The CSPL advises the Prime Minister on ethical standards across the whole of public life in England and monitors and reports on issues relating to the standards of conduct of all public office holders.</p> <p>The CSPL undertook a review of local government ethical standards and published its report on 30 January 2019. A copy of the CSPL report is available at:</p> <p>https://www.gov.uk/government/publications/local-government-ethical-standards-report</p>

In its report the CSPL made 24 recommendations to the government to improve ethical standards in local government. Recommendation 1 stated:

“The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.”

On 18 March 2022 the Government published its response to the CSPL recommendations.

A copy of the Government response is available at:

<https://www.gov.uk/government/publications/local-government-ethical-standards-government-response-to-the-committee-on-standards-in-public-life-report/government-response-to-the-committee-on-standards-in-public-life-review-of-local-government-ethical-standards#recommendation-1>

The Government responded as follows to CSPL’s Recommendation 1:

“The Localism Act 2011 states that relevant authorities must promote and maintain high standards of conduct by members and co-opted members. It requires these authorities to adopt a code of conduct for their councillors. Authorities can determine the content of their own code of conduct. However, codes must conform to the 7 ‘Nolan’ principles of standards in public life: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. Relevant authorities for the purposes of these requirements include local authorities in England, namely county councils, district councils, London borough councils and parish and town councils.

It is for individual councils to set their own local code, in line with the Act. The government has previously published a light-touch illustrative code of conduct.

The Local Government Association has worked with sector representative bodies to update its own suggested code of conduct, with the intention that this new suggested code could establish a consistent benchmark that local authorities can amend or add to as they see fit to reflect local circumstances and priorities. The Local Government Association published the updated code of conduct in January 2021. However, it remains a local decision on whether this model code is adopted.”

The government has not taken any of the other of CPSL’s recommendations forward.

7. LGA’s Model Code

Following the publication of the CSPL report, the LGA drafted a Model Code for consideration for Local Authorities in December 2020. The latest version is dated 17th May 2021 and can be accessed here.

[Local Government Association Model Councillor Code of Conduct 2020](#)

The LGA’s Model Code received a lukewarm response from local authority Monitoring Officers and there was not a wholesale take up of the Model Code.

It should be emphasised that the Model Code is a template which local authorities can adopt in full or in part.

It has been observed that the LGA’s Model Code departs from narrower wording in s31 of the Localism Act 2011 (which relates to Disclosable pecuniary interests) and introduces a

	<p>distinction between things that "directly relate" to an interest and things that "affect" an interest. It has been suggested that this is probably because it assumes the change to the law recommended by the CSPL report to repeal s 31 of the Localism Act 2011 but until such time as s31 is repealed departing from (narrowing) the wording currently in the Localism Act is not recommended given the criminal sanctions for failure to disclose a DPI.</p> <p>Should Members wish to consider adopting the LGA's Model Code at this time, it is suggested that a sub-committee is established to consider the LGA's Model Code to ensure that proper consideration is given to the document before it is recommended to Full Council for approval.</p>
8.	<p>Best Practice Recommendations</p> <p>The Local Government Ethical Standards report produced by the CSPL also contained 15 Best Practice Recommendations. A review of the recommendations and current Code has identified the following;</p> <p>Best Practice 7; Local authorities should have access to at least two Independent Persons.</p> <p>The Council currently has two Independent Persons but given the volume of complaints that have been received in the past year and to provide resilience and support to the complaints process, it is recommended that a third Independent Person be recruited.</p> <p>Best Practice 10; A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints and estimated timescales for investigations and outcomes.</p> <p>The Council has now included details of estimated timescales for investigations and outcomes on its website and has devised a new portal on the website for complaints to be logged.</p> <p>Best Practice 12 Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority, they should be provided with adequate training, corporate support and resources to undertake this work.</p> <p>The Monitoring Officer has recently undertaken training on the Code of Conduct and standards work and will ensure that training is undertaken on a regular basis. The Monitoring Officer is supported by her Deputy Monitoring Officer who also undertakes training in code of conduct and standards matters.</p> <p>That the Committee note the update and endorse the recommendation to Full Council to recruit an additional Independent Person.</p>

FINANCIAL IMPLICATIONS AND BUDGET PROVISION	
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9.	None arising directly from this report.
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POLICY IMPLICATIONS	
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10.	Not applicable.
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DETAILS OF CONSULTATION	
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11.	Deputy Monitoring Officer Independent Person
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Audit Progress Report

Burnley Borough Council

Audit and Standards Committee
Page 17
March 2024



1. Audit Progress
2. National publications

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Audit progress

Purpose of this report

Section 1 of this report provides the Audit and Standards Committee with:

- An overview of our responsibilities as the appointed external auditor for 2023/24
- Confirmation of the audit engagement team
- A provisional timeline for the 2023/24 audit

Section 2 includes a number of national publications which may be of interest to the Committee.

01

Section 01: **Audit Progress**

Engagement and responsibilities summary

Overview

We are appointed to perform the external audit of Burnley Borough (the Council) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit and Standards Committee, as those charged with governance, of their responsibilities.

The Head of Finance and Property is responsible for the assessment of whether is it appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Head of Finance and Property's use of the going concern basis of accounting in the preparation of the financial statements.

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Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.



Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Your audit engagement team

Below is your audit engagement team and their contact details.



Karen Murray

Audit Partner

Karen.murray@mazars.co.uk

Telephone



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Senior Manager

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Hendrix-Jnr Gutu

Assistant Manager

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Audit timeline

Planning and Risk Assessment: March 2024

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion: November 2024(**)

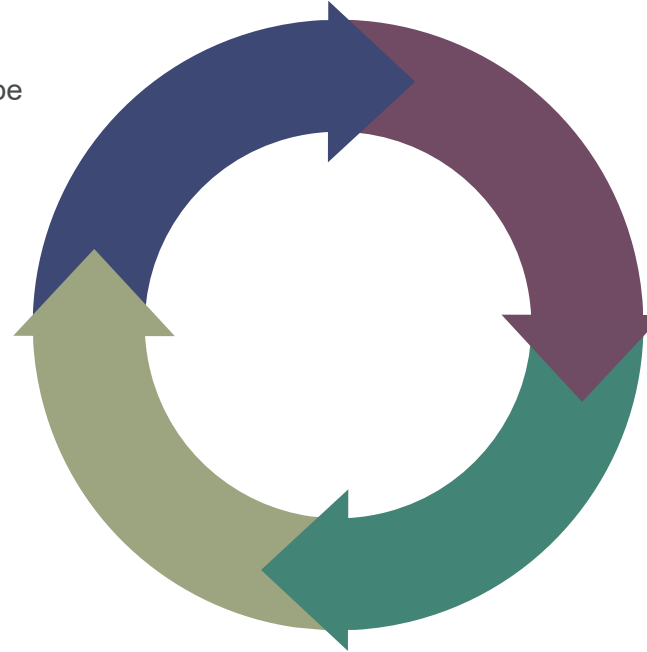
- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit and Standards Committee
- Reviewing subsequent events
- Signing the independent auditor's report

Interim: March and April 2024

- Reviewing the work of the predecessor auditor
- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork: August and September 2024 (*)

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting



(**) Final sign off of the Audit Report will depend on receiving assurance in respect of the pensions liability from the Lancashire County Pension Fund auditor. The timing of this is not yet agreed but is not expected to be before October 2024.

(*) Provisional dates for audit fieldwork, depending on the outcome from the Department for Levelling Up, Housing and Communities consultation on Addressing the local audit backlog these dates may change. We will discuss and agree any changes with management.

02

Section 02:

National publications

National publications





This section highlights recent national publications that may be of interest to Members of the Committee. If you require any additional information, please contact any member of your engagement team.

We have, in the tables that follow, provided a brief insight into the purpose/key points of the publications with indicative relevance and/or suggested action using the following RAG ratings:

- Action required
- Action suggested
- For information only

	Publication/update	Key points	Link	Action
National Audit Office (NAO)				
Page 25	1 NAO insight – Financial Management in Government: Strategic Planning and Budgeting	The NAO has published a good practice guide in financial management aimed at senior finance leaders in government departments and other public bodies.	[here]	●
	2 Reforming Adult Social Care in England	This report looks at how DHSC is responding to the challenges facing adult social care in England, and its progress with delivering the reforms set out in the 2021 white paper.	[here]	●
	3 Approaches to Achieving Net Zero Across the UK	This report is a joint piece of work between the public audit offices of the four UK nations – Audit Scotland, Audit Wales, National Audit Office and Northern Ireland Audit Office – and has been produced with engagement from each respective government or administration. It sets out the UK and devolved governments’ legislation, policy, strategy, governance and monitoring arrangements, relevant to achieving net zero greenhouse gas emissions.	[here]	●
	4 Managing Risks in Government	By examining current practice in government and the private sector the NAO have developed six principles of risk management. By following these principles, organisations can move their risk management arrangements from a process-led approach to one which supports the efficient and effective delivery of services.	[here]	●

National publications (continued)

	Publication/update	Key points	Link	Action
Chartered Institute of Public Finance and Accountancy				
5	Section 114s: where are we headed next? 16 August 2023	Rob Whiteman, CIPFA CEO assesses the latest position on s114 notices (where formal action needs to be taken to balance a Council's finances), what has been done to prevent further s114 notices, whether more will occur and what the sector should do. This originally appeared as an article in the Municipal Journal on 31 July 2023.	[here]	
Department for Levelling Up, Housing and Communities				
6	Municipal Journal Article by a Local Government Minister on Rebuilding Audit, 30 October 2023	An article by Lee Rowley MP in Municipal Journal and the most up-to-date statement at the current time of proposals to address the backlog of local government audits.	[here]	
7	Addressing the local audit backlog in England: Consultation	This consultation seeks views on amending the Accounts and Audit Regulations 2015 as part of a package of cross-system measures to clear the backlog and put the system on a sustainable footing.	[here]	 Management should note the proposed arrangements
Mazars				
8	Mazars Transparency Report	We are pleased to present the 2022-2023 Transparency Report for Mazars in the UK. Our 2023 report provides an overview of how we are continuing to enhance audit quality within Mazars and contributing to safeguarding the public interest.	[here]	

Contact

Mazars

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Senior Manager: Amelia Salford

Email: amelia.salford@mazars.co.uk

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Our ref:
Your ref:

Councillor Margaret Brindle
Chair of the Audit and Standards Committee
Burnley Borough Council
(via email)

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS
T +44 (0)151 224 7200

20 February 2024

Dear Cllr Brindle

As you will be aware Grant Thornton's final year as auditor's of the Council was 2022/23. We issued our Audit Findings Report to the Audit and Standards Committee on 14 December 2023.

We have now reviewed the final fees for the audit and there is an additional fee due of £4,000 in respect of the additional work required on the pension surplus on IFRIC14. You will recall from our report which went to the 14 December committee, that where there is a pension surplus the Council has to make an assessment of how much of the surplus can be recognised in the accounts. This results in significant additional work by the auditor as explained below.

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Therefore in order to assess this the Council were required to obtain additional information from their actuary and then this information was used by the Council and their advisers to calculate a pension asset ceiling. As auditors we had to assess the validity and reasonableness of the information provided, review its accuracy against (for example) pension contribution information, service cost, secondary contributions, discount rate, salary increase etc. We reviewed the Council calculation of the 'asset ceiling' and assessed their proposed related accounting treatment. We then needed to complete our own calculation of the asset ceiling and assess the Council's calculation in line with this. We also had to review and assess the related disclosures of the pension surplus and explanations of the assessment made and report accordingly.

Any additional fee needs to be reported to those charged with governance which in the Council's case is the Audit and Standards Committee and also needs to be approved by PSAA. I'd be grateful if you would include this letter in the papers for the next committee meeting.

Yours sincerely

Georgia Jones

Georgia Jones

Director

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Annual Accounts 2023/24 Arrangements

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	20 March 2024
PORTFOLIO	Resources & Performance Management
REPORT AUTHOR	Amy Johnson
TEL NO	(01282) 475869
EMAIL	ajohnson@burnley.gov.uk

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 2023/24 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 2023/24 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 came to an end for the 2022/23 financial year where the deadline for the draft Statement of Accounts reverted back to 31 May and the deadline for the audited Statement of Accounts was extended to 30th September. This extension for the audited Statement of Accounts runs for 6 years to 2027/28, until the end of the next PSAA (Public Sector Audit Appointments) appointing period at which time it will be reviewed. The extension to 30 September is to help mitigate the extent of ongoing delays in some Local Authorities in publishing prior years 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 2023/24.
6. Approve the proposed accounting policies to be followed in producing the Statement of Accounts as shown in Appendix 1.
7. Note the 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 2023/24 by the 30 September 2024.
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 2023/24 accounts are to be produced under the Code of Practice on Local Authority Accounting in the UK for 2023/24 standards and will require similar detail and analysis.
12. Following a consultation exercise DLUCH 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 – 2020/21 and 2021/22. 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 extensions came to an end for the 2022/23 financial year with the deadline for completion of the draft Statement of Accounts reverting back to 31 May however following a consultation exercise the Government announced that the deadline for the audited Statement of Accounts was to be extended to 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.
14. Following the aforementioned procurement exercise by PSAA the Council's external auditors for the period 2023/24 – 2027/28 will change from Grant Thornton UK LLP to Mazars LLP.
15. **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.
16. **Preparation**
Training
 - Preparation for the closure of 2023/24 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 CIPFA and have taken an active role in regular discussions among peer groups across Lancashire and the North West. A training course is due to be held by Mazars LLP however we are awaiting confirmation of a date.

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, Mazars 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 2023/24 closedown.

17. Calculation of Impact

Updating Accounting Policies

- The accounting policies have been reviewed with one minor amendment made. Paragraph XVIII Property, Plant & Equipment has been updated to include the following paragraph: '*where an asset is revalued it is assumed that the useful life of the asset will revert back to its full useful life unless notified otherwise by the Valuer*'. This amendment is for clarification purposes only and is not due to a change in procedure.
- 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 2023/24.

18. 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.

19. Risks

The risks of non-compliance with the requirement to have a "fit for purpose" statement of accounts prepared by 31 May 2024 and reported to members with an unqualified audit opinion by 30 September 2024 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 2023.
- 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 2023 Code. This is unlikely given the few changes from the 2023 Code.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

20. None

POLICY IMPLICATIONS

21. Changes to the Council's Accounting Policies.

DETAILS OF CONSULTATION

22. None

BACKGROUND PAPERS

23. 2023 Code of Practice on Local Authority Accounting in the UK.

24. Papers and publications held in Finance.

FURTHER INFORMATION

PLEASE CONTACT:

Amy Johnson – Finance Manager

ALSO:

Howard Hamilton-Smith – Director of Resources

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 an asset is revalued it is assumed that the useful life of the asset will revert back to its full useful life unless notified otherwise by the Valuer.

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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Internal Audit Progress Report

REPORT TO AUDIT AND STANDARDS COMMITTEE

 <p>Burnley .gov.uk</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">DATE</td> <td>20/03/2024</td> </tr> <tr> <td>PORTFOLIO</td> <td>Resources and Performance Management</td> </tr> <tr> <td>REPORT AUTHOR</td> <td>Ian Evenett</td> </tr> <tr> <td>TEL NO</td> <td>01282 425001 Ext 7175</td> </tr> <tr> <td>EMAIL</td> <td>ievenett@burnley.gov.uk</td> </tr> </table>	DATE	20/03/2024	PORTFOLIO	Resources and Performance Management	REPORT AUTHOR	Ian Evenett	TEL NO	01282 425001 Ext 7175	EMAIL	ievenett@burnley.gov.uk
DATE	20/03/2024										
PORTFOLIO	Resources and Performance Management										
REPORT AUTHOR	Ian Evenett										
TEL NO	01282 425001 Ext 7175										
EMAIL	ievenett@burnley.gov.uk										

PURPOSE

1. To inform members of the work undertaken by Internal Audit for the period 1st October to 31st December 2023.

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 1st October to 31st December 2023 there have been 7 audit reports produced. Details of these audits are given in **Appendix 1**.
5. The Fees and Charges Audit has been completed and highlighted several issues where services were not following required procedures which led to expanded testing.

Performance Statistics

6. 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 later quarter statistics to be reported.
7. Performance indicators for Internal Audit are reported in the Finance balanced scorecard. The service currently reports the number of audit reports produced – 15 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%.

Other Activity

8. It will be noted that there was an increase in incidents reported to Internal Audit in this quarter. This is the nature of incidents; they are unpredictable but it is a positive sign that officers are aware where a referral should be made.
9. An Auditor has achieved the CIPFA professional qualification. This is a significant achievement and improves the quality of the services delivered.
10. Part-time Auditors continue to work additional hours. These were already included in the planned resources for the year.
11. The service provided an outcome report from the 2022/23 National Fraud Initiative (NFI) national exercise as part of the Fraud Risk Assessment reported to the last committee.
12. Work is nearing completion on the implementation of the Action Plan from the Internal Audit External Review.
13. The transferred services (Annual Governance Statement and Write-offs) have been supported by supplying training to those undertaking the services.

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:

Appendix 1

Summary of Audit reports Issued Quarter 3 2023/24

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score ⁱ
<p>Fees and Charges 2022/23 & 2023/24</p> <p>53</p>	<p>Finance</p>	<p>To ascertain whether the individual Fees & Charges (F&Cs) proposed for 2023/24 have been approved by the Council's Executive or subsequently through the proposed recommended approvers stated in the report submitted to the Executive (November 2022). Also, to verify that each Service has included into the process and where they have proposed alternative F&Cs they have sought and acquired the appropriate approval(s) as highlighted in the report.</p>	<p>Overall, there is a reasonably effective system of internal management controls for the revision, formal approval and acceptance of the proposed Council's F&Cs for the following financial year. No area of high priority recommendation has been identified. However, there are a few areas where the working practices do not seek formal confirmation and therefore this does weaken the overall control and assurance which would be expected.</p>	<p>1 Services are not identifying the impact their actions have on their budgets.</p> <p>2 Services were engaging in the process and then taking financial decisions re F&Cs after they had been formally approved without re-engaging with Finance to evaluate the implications of the new proposal.</p>	<p>1 The Council has a Commercial Strategy in place however it has not been formally reviewed since its implementation in 2015. The strategy has recently been reviewed and is included in the 2024/25 Fees & Charges report to be presented to the Executive at their meeting 29/11/2023 (and Full Council 06/12/2023).</p> <p>2 Finance Business Partners (FBP) hold regular meetings with budget holders as part of the in-year budget monitoring process and the annual budget setting process. Requests to amend F&Cs are emailed to the Finance Manager (and copies are retained) who seeks approval from the Director of Resources, however, this approval is usually sought verbally. Going forward an approval form will be created for future requests detailing the financial/service implications etc which will be approved by the Director of Resources and copies retained.</p>	<p>2</p>

Appendix 1

Summary of Audit reports Issued Quarter 3 2023/24

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score ⁱ
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"> Fees and Charges 2022/23 & 23/24 (continued) </p>				<p>3 Details relating to the Council Service provisions are not routinely being published on the Council's and other associated parties' webpages and these notifications were further reduced as they were not being routinely kept up to date, accurate and were on occasions contradictory.</p> <p>4 Services are making unapproved revisions to their F&Cs after they have been formally agreed at Full Council and this is potentially leading to income shortfalls and budget deficits.</p> <p>5 Unauthorised revisions to F&Cs need evaluating as to the financial implications before being considered for approval.</p>	<p>3 The Fees & Charges Tarriff approved by Full Council is circulated annually to Heads of Service (email sent 26/01/23 re 23/24 Tariff). Heads of Service are asked to circulate the approved tariff within their service area. The email will be expanded in future to ask Heads of Service to ensure that any departmental documents/ price lists are updated to reflect the new approved charges.</p> <p>4 Delegation for the approval of fees and charges is included in the annual Fees & Charges report. The Commercial Strategy to be presented to Full Council in December 2023 also includes details of delegated approval.</p> <p>5 As part of the 2024/25 budget setting process FBP's have been asked to verify whether the approved 2023/24 charges are being applied.</p> <p>Fees and charges budgets are reviewed throughout the year as part of budget monitoring which should identify whether income targets are under/overachieving. This then helps to inform the budget setting process.</p>	

Appendix 1

Summary of Audit reports Issued Quarter 3 2023/24

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score ⁱ
Trade Waste	Streetscene	To review the effectiveness of the controls in place for the provision of a trade waste service to commercial properties in the BBC area.	The internal controls managing the Trade Waste service operate well to mitigate risks and are effective in doing this. There are improvements that have been identified that will further strengthen and ensure controls remain relevant whilst continuing to deliver an effective service.	<p>1 There are currently no council-owned policy or procedure documents that relate to the work carried out by the Trade Waste Team.</p> <p>2 There are incorrect Debtor Details on Commercial Waste Master Spreadsheet.</p> <p>3. There are no Trade Waste service-related performance indicators</p>	<p>1 Devise Trade Waste specific policy and procedure documents and ensure that staff are made aware of their contents.</p> <p>2 The report will be checked against the Financial System on the 1st of the month. The team will monitor the monthly checks to help decide whether reconciliation needs to be carried out more frequently by the Debtors Team</p> <p>3 Team will consider some suitable performance indicators and seek approval from Head of Service</p>	2
General Ledger	Finance	The purpose of this audit was to review the systems and controls of the General Ledger.	The General Ledger infrastructure has systems and controls that work effectively to record financial transactions, enable budget monitoring and report end of year final accounts. Regarding journals, there are areas that could be further improved.	Completed journals are authorised on a quarterly basis. Additionally, some journals are being authorised by the same officer that posted the journals.	It is felt that the risk of fraudulent journals being posted is minimal and there are several mitigating factors in place where any potential fraudulent postings may be identified. These include budget monitoring, journal authorisation and annual closedown. Journals posted by the Finance Manager will in future be authorised by the Director of Resources	1

Appendix 1

Summary of Audit reports Issued Quarter 3 2023/24

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score ⁱ
Fraud Risk Review	Corporate	To inform Members of the current fraud trends that affects the public sector and the actions that the authority takes to these risks.	There were no significant fraud risks which were not addressed.	No Actions Required	No Actions Required	N/A
IR3 Theft of Chipper	Green Spaces and Amenities	To review the reported incident	There were adequate arrangements to protect the plant but these controls where not effective in preventing the theft	Ensure Depot Gate is Maintained	Additional controls in place until repairs can be made.	N/A
IR5 Selective Licencing Application	Housing and Development Control	To review the reported incident	The issue appeared to be the applicant's fault.	No Actions Required	No Actions Required	N/A
IR5 LSRG ARG Grant	Finance	To review the reported incident	There was no evidence to support that there was any irregularity	No Actions Required	No Actions Required	N/A

Appendix 1
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.

See Audit Score Defined.

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Appendix 2

Internal Audit Plan Progress Quarter 3 2023 24

Audit	Started	Report Issued	Audit Score
Corporate			
Annual Governance Statement	Y	Y	N/A
NFI	Y	Y	N/A
Procurement	Y		
Fraud Risk Review	Y	Y	N/A
Strategic Partner Performance Indicators			
Finance & Property			
Payroll	Y		
NDR	Y	Y	2
Energy Rebates			
Energy			
Bank Reconciliation	Y		
Fees and Charges	Y	Y	2
Medium Term Financial Strategy			
General Ledger	Y	Y	1
Benefits	Y		
Related Party Interests	Y	Y	N/A
People and Development			
Health and Safety	Y		
Attendance			
Information Governance			
Website and Digital Services	Y	Y	2
Desktop Software			
Security Policies			
Housing & Development Control			
Empty Homes Initiatives	Y	Y	1
Landlord Selective Licencing			

Appendix 2

Internal Audit Plan Progress Quarter 3 2023 24

Audit	Started	Report Issued	Audit Score
Legal & Democratic Services			
Elections	Y	Y	1
Street Scene			
Trade Waste	Y	Y	
Taxi Licensing	Y		
Out of Hours Response	Y		
Economy & Growth			
Charter Walk Procurement	Y		
Markets			
External Clients			
Burnley Leisure – Service Level Agreement	Y	Y	N/A
Irregularity Reports			
IR01 Duplicate Payment	Y	Y	N/A
IR03 Theft of Chipper	Y	Y	N/A
IR04 Selective Licencing Application	Y	Y	N/A
IR05 LSRG ARG Grant	Y	Y	N/A

ITEM NO	[AgendaItem]
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External Review Report

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	20/03/2024
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 progress on the External Review of Internal Audit action plan.

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

4. The committee received a copy of the External Peer Review and requested regular updates on the progress of the actions.
5. Below are the original plan contents (Appendix 1) and a progress update in Appendix 2.
6. At the request of the committee, dates have been included either as completed or as targets for completion.
7. Dates for the completion of qualification, the training programme for Members and the Audit of Health and Safety have been revised.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

8. None

POLICY IMPLICATIONS

9. 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

10. None

BACKGROUND PAPERS

11. None

FURTHER INFORMATION

PLEASE CONTACT:

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

ALSO:

Burnley Council Internal Audit Service – PSIAS Action Table Appendix 1

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

No.	PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
1	1100 Independence and Objectivity	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 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>
2	1100 Independence and Objectivity 1200 Proficiency and Due Professional Care	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 the qualification requirement.</p>

No.	PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
3	1100 Independence and Objectivity	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.
4	1100 Independence and Objectivity	18	The CAE should also assist the Audit and Standards Committee in assessing their collective skills and knowledge and identify any training needs. A comprehensive training plan should be developed to address any identified skills and knowledge gaps.	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 into a training plan to address any skills and knowledge gaps.
5	1100 Independence and Objectivity	19	The CAE should ensure that reports presented to the Audit and Standards Committee are accurate and free from errors and omissions. 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.	CAE Chair of Audit and Standards Committee	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 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.

No.	PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
6	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.
7	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	<p>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.</p>
8	2010 Audit Planning	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 available to complete the reviews with the priority order.

No.	PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
9	2050 Other Sources of Assurance	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, will be considered as part of the assurance process.
10	1300 Quality Assurance and Improvement Programme	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 detail of how the authority will address issues and will contain more detail on how issues that do not conform will be addressed.
11	2040 Policies and Procedures	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.
12	2200 Engagement Planning	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	CAE	Auditors will be reminded of the requirements to engage with Auditees to identify the current risk issues and to agree these with Auditees.

No.	PSIAS Ref	Report ref	Point For Consideration	Responsible	Action
			manager.		
13	2300 Engagement Delivery & 2400 Reporting	27,28	<p>The CAE should ensure that all working papers contain sufficient, reliable, relevant and useful information which supports engagement results and conclusions in all instances.</p> <p>The internal quality control process as detailed in the QAIP should be applied in all instances.</p>	CAE	Reviewers will be reminded of the requirement to support the finding clearly in the working papers.
14	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.
15	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.

No.	Responsible	Action	Progress
1	Head of Finance and Property	The Chief Audit Executive role will be assigned to the Internal Audit Manager as this removes the main risk of independence and objectivity from this role. The views of the External Auditor will be sought, and the understanding of this non-conformance will be considered.	This is complete. Complete March 2023 The External Auditor included its views on this issue in its Auditors Annual Report to the Council. Complete December 2023
2	Head of Finance and Property	The CAE arrangements will be reflected in the Internal Audit Charter and Strategy. The CAE will be referenced as the author in all items which relate to the roles of the CAE. The Council will work towards an early achievement of this requirement.	The Audit Charter has been presented to the Committee. This is complete. Complete July 2023 In Progress – Moved to July 2024
3	CAE and Democracy Team	This process is underway, and the CAE will participate in this process, using the latest CIPFA Guidance.	The review against the CIPFA guidance was reported to the committee. Target March 2024
4	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 plans to address any skills and knowledge gaps.	An assessment of the training needs for the Committee was reported to the committee. Target moved to July 2024
5	CAE Chair of Audit and Standards Committee	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 to the best of their abilities. 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.	Error checking is in place. Complete July 2023 Discussions of the content of reports with the chair in place – comments on the format and details will be incorporated into future reports. Complete March 2023

No.	Responsible	Action	Progress
6	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.	The Audit Charter was reported to this Committee. Complete September 2023
7	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.	This is in progress. Complete February 2024
8	CAE	The Plan will clearly record the estimated resources to complete the reviews with the priority order.	This has been included in the Audit Plan for 2023/24. Complete April 2023
9	CAE	Any other sources of assurance will be identified and evaluated and where reliance can be placed on these this will be considered as part of the assurance process.	Health and Safety work is the only other source of assurance identified. This will be reviewed during the year to ensure that reliance can continue to be placed. Target moved to April 2024
10	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.	The QAIP was reported to this Committee Complete September 2023
11	CAE	The Audit manual will be updated to ensure that the policies and procedures reflect the PSIAS requirements	This has been done. Complete January 2024

No.	Responsible	Action	Progress
12	CAE	Auditors will be reminded of the requirements to engage with Auditees to identify the current risk issues and to agree these with Auditees.	This has been done. Complete September 2023
13	CAE	Reviewers will be reminded of the requirement to support the finding clearly in the working papers.	This has been done. Complete September 2023
14	CAE	The CAE will ensure that the Internal Audit opinion is in compliance with the required standard 2450.	The opinion includes a comment on the sufficiency of the work completed. Complete July 2023
15	CAE	The CAE will ensure that the Internal Audit opinion is in compliance with the required standard 2450.	The 2022/23 opinion has been revised to incorporate the standards requirements for opinion on internal control, risk management and governance. Complete July 2023

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Internal Audit Plan 2024 25

Report to Audit and Standards Committee		
	<p>DATE 20/03/2024</p> <p>PORTFOLIO Resources and Performance Management</p> <p>REPORT AUTHOR Ian Evenett</p> <p>TEL NO 01282 477175</p> <p>EMAIL ievenett@burnley.gov.uk</p>	

PURPOSE

1. To inform on the audit planning process and seek approval from members on the proposed Internal Audit plan for 2024-25.

RECOMMENDATION

2. Members consider the report and provides comment on any changes for approval of the proposed Internal Audit Plan.

REASONS FOR RECOMMENDATION

3. Audit and Standards Committee are ‘the Board’ in respect of the Public Sector Internal Audit Standards (PSIAS). As part of this role, they should consider approval of a risk-based internal audit plan.
4. To ensure that the service is delivered effectively in accordance with proper practices.
5. To ensure delivery of an audit opinion for 2024-25.

SUMMARY OF KEY POINTS

Internal Audit Plan 2024/25 (Appendix 1)

6. The PSIAS requires to have a risk-based audit plan for a period of no longer than one year. In order that the committee has a better understanding of the process of Audit planning I have provided an increased detail below.
Resources
7. The first stage is to establish the available Audit Days from the Internal Audit team. This year we have establishment of four staff members – Internal Audit Manager and three Auditors. Two of the Auditors are part time, so the resources are approximately three FTE. This gave a resource of about 781 days or 260 per FTE.
8. There is an adjustment for leave which include carry forwards from previous years. This when making deductions for estimated sick leave, other leave local leave etc. gave 657

days or 220 per FTE. This is higher than last year as the leave adjustments have been reduced.

9. It is important that Internal Audit staff are suitably qualified and capable to undertake a wide range of technical audits and are suitably qualified. We have one auditor who has the CIPFA (Chartered Institute of Public Finance and Accountancy) professional qualification and requires continuity professional development (CPD) to maintain this. Other officers are working on qualifications, and others need to ensure that their audit skills are maintained. There are also training requirements from the Council which members or staff are encouraged or required to attend, to get a better understanding of processes which they are required to Audit. This leaves approximately 604 days or about 201 days per FTE
10. To ensure that the team is effectively managed and to comply with the requirements of the Council in terms of its management requirements there is a provision for various aspects of Audit Management. This includes areas like forming the Audit plan, time management, quality control, service improvement, personal development reviews, budget management, Benchmarking, Audit and Management Team Reporting. This leaves 446 days or 149 days per FTE.
11. There are various non-audit duties which are undertaken, in the internal Audit Managers role. This includes Risk management support, Data Protection Officer, and Business continuity. This reduces the available days total to 384 days or 128 per FTE which is the available days total.
Risk Assessment
12. At the same time, we review corporate records, such as the Capital Programme and Executive reports, to identify any new auditable activities. I have consulted with the Chief Operating Officer, Directors, Heads of Service and Service Leads on the list of their auditable activities for 2024/25 and to discuss key areas of risk and potential audits within their area of activity.
13. For this year there are 325 auditable areas across services. The plan provides a split into services below. These are quite detailed activities which should be covered. This incorporates changes in responsibilities because of the Management restructure in August 2023.

Service	Auditable areas	Examples
Corporate	41	Fraud, Best Value, Partnerships, NFI (National Fraud Initiative), Partnerships, Customer Services and Information Governance
Economy and Growth	23	Business Support, Shared Prosperity Funding, Markets, Pioneer Place, Local Plan
Finance and Property	85	Accountancy, Payroll, Building Repair, Council Tax, Benefits
Green Spaces and Amenities	22	Townley Hall, Parks, Cemetery and Crematorium, Burnley Leisure and Culture Partnership
Housing Development and Control	34	Homelessness, Planning Applications, Building Control, Selective Licensing
Legal and Democracy	30	Elections, Insurance, Town Hall, Legal Advice, Member Services

People and Development	22	Recruitment, Health and Safety, E-Learning, Time and Attendance.
Policy and Engagement	26	Policy Development, Communications, Engagement and Graphics
Streetscene	42	Waste Contract, Food Safety, Parking, Community Safety
	325	

14. The audit universe, which contains all elements identified for audit, was subsequently updated with the new risk scores following these discussions. The risk scoring matrix contains fourteen factors such as Income and Expenditure, volume and value of transactions, levels of control and time since the last audit. Using this range of factors allows the separation of the large audit universe.
15. The proposed Internal Audit Plan 2024/25 is based on the result of this risk assessment exercise, whilst also maintaining audit coverage across all services of the Council. Where possible auditable areas are combined for a single audit. The audits that are still in progress or not started are carried over from the 2023/24 plan. I attempt to consider the whole of the Council and get coverage in a range of services. However, some auditable activities of the Council will not register as a high enough risk to require an audit.
16. The service like other parts of the Council has a service level agreement with Burnley Leisure and Culture so there is a provision to provide this.

Flexibility

17. An additional requirement is that the plan needs to be flexible – this is accommodated by providing provision to deal with risk areas which may crop up during the year. These may be risk areas which become issues during the year, this is the Emergent Risk allocation.
18. The plan includes an allocation to investigate and report on any areas of irregularity which the Council refers to the team. When a report is made, we will conduct a preliminary review of the problem and recommend a course of action depending on the risks identified. The overall responsibility for the prevention and detection of fraud rests with management. Audit's role is to support and advise management in instances when this is identified and, in some instances, assist in the investigation. However, it is important that the service is made aware of frauds so that internal controls are effective against fraud.
19. There is a provision (Follow-up) to ensure that recommendations from earlier Audits have been implemented – we will check that actions have been implemented as agreed and if not then we report this to the relevant director to ensure that they are implemented.
20. Finally, there is an allocation to provide advice and guidance to services when they are developing new, making changes or have issues with their existing services.

Other Observations

21. There is an estimate of the time allocated to each audit within the plan, however, it is a target for the Auditor to plan their audit within this allocation. However, once the officer starts an audit it may require greater allocation of days or occasionally it can be delivered in a shorter time.

ITEM NO	[AgendaItem]
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22. A frequent question is 'Can the Audit and Standards Committee request an audit of a particular area or topic?' The answer is yes, Internal Audit will listen to any request for an audit and will risk assess the request and, if it is a substantial risk, it will be incorporated into the plan. Time may be allocated from emergent risks, or this may be at the expense of a lower risk audit. This is part of the plan to be flexible and maintain a risk-based approach.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION
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23. None

POLICY IMPLICATIONS

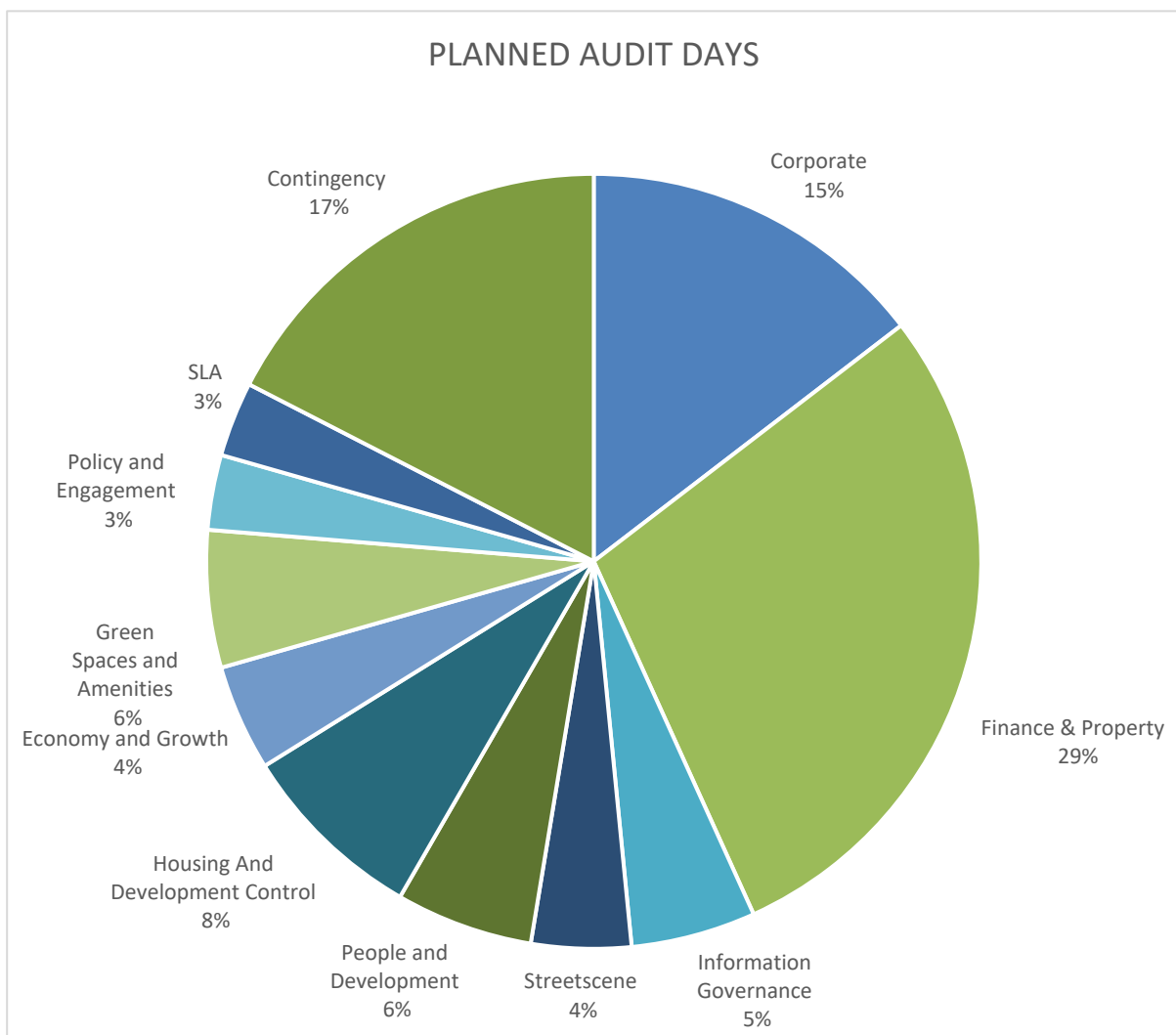
24. None

FURTHER INFORMATION: PLEASE CONTACT: ALSO:	Ian Evenett (Internal Audit Manager) Ext 7175
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Appendix 1 Internal Audit Plan 2024-25

Service	Audit Activity	Audit Days	Total	Priority
Corporate	Annual Governance Statement	3		29
	NFI	15		17
	Procurement	5		1
	Elections	5		26
	Fraud Risk Review	8		17
	Data Protection	10		6
	Strategic Partner Performance Indicators	10		16
			56	
Finance & Property	Treasury Management	12		2
	Income Management	14		8
	Energy Rebates	12		11
	Energy	10		4
	Property Repairs	10		9
	Sundry and Periodic Debts	12		23
	Medium Term Financial Strategy	10		3
	Council Tax	15		5
	Website Income Collection	15		19
			110	
Information Governance	Desktop Software	12		25
	Security Policies	8		20
			20	
Housing & Development Control	Planning Applications	14		7
	Landlord Selective Licencing	16		10
			30	
Streetscene	Pest Control	8		21
	Green Waste	8		22
			16	
Policy and Engagement	Strategic Objectives	12		24
			12	
Economy & Growth	Charter Walk Procurement	2		13
	Markets	15		15
			17	
Green Spaces and Amenities	Vehicles and Plant	10		27
	Cemeteries and Crematoria	12		14
			22	

Service	Audit Activity	Audit Days	Total	Priority
People and Development	Health and Safety	10		28
	Attendance	12		11
			22	
External Clients	Burnley Leisure – Service Level Agreement	12	12	
Contingency	Frauds and Investigations	18		
	Emergent Risks	20		
	Follow-Up	11		
	Advice and Guidance	18		
			67	
	Total Available Days		384	



AUDIT & STANDARDS COMMITTEE

Work Programme 2023/24 – as at 11th March 2024

DATE OF MEETING	AREAS TO BE CONSIDERED
20 th July 2023	<ul style="list-style-type: none"> • External Audit Annual Auditor Report 2021/22 (includes VfM) • External Audit Plan 2022/23-Grant Thornton • Annual Governance Statement 2022/23 • Strategic Risk Register 2023/24 • Internal Audit Opinion 2022/23 • Internal Audit Plan 2023/24 • Internal Audit Peer Review Progress against Recommendations • Standards Complaints Update • Work Programme 2023/24
28 th September 2023	<ul style="list-style-type: none"> • Audit Findings 2022/23 and Annual Statement of Accounts 2022/23 • Annual Governance Statement 2022/23 • Internal Audit Progress Report 2023/24 Q1 • Internal Audit Peer Review Progress against Recommendations • CIPFA Audit Committee Guidance • Internal Audit Charter and QAIP • Work Programme 2023/24
14 th December 2023	<ul style="list-style-type: none"> • External Audit Annual Auditor Report 2022/23 (includes VfM) • Annual Governance Statement 2023/24 Arrangements • Internal Audit Progress Report 2023/24 Q2 • Fraud Risk Assessment 2023/24 • Strategic Risk Register 2023/24 • Internal Audit Peer Review Progress against Recommendations • Review of Code of Conduct for Elected Members (LGA Model Code) – Moved to March 24 • Work Programme 2023/24
20 th March 2024	<ul style="list-style-type: none"> • Internal Audit Progress Report 2023/24 Q3 • Regulation of Investigatory Powers Act – Annual Return • External Audit Plan 2023/24 – Mazars • External Review Report • Internal Audit Plan 2024/25 • Annual Accounts 2023/24 Arrangements • Grant Thornton – Final Fee Burnley BC • Standards Complaints Update - Moved to June 24 (previously March 24)

	<ul style="list-style-type: none">• Review of Code of Conduct for Elected Members (LGA Model Code) - - Moved from December 23 (previously February 24)• Work Programme 2023/24
13 th June 2024	<ul style="list-style-type: none">• Standards Complaints Update - Moved from March 24