

AUDIT AND STANDARDS COMMITTEE

Wednesday, 11th January, 2017
6.30 pm





AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

**Wednesday, 11th January, 2017 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 Governance, Law & Regulation 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 www.burnley.gov.uk/meetings.

AGENDA

1) *Apologies*

To receive any apologies for absence.

2) *Minutes*

To approve as a correct record the minutes of the meeting held 21st September 2016.

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) Standards Complaints Updates** 1 - 2
To receive an update on complaints about Members of the Council.
- 8) Annual Audit Letter 2015/16** 3 - 16
To receive the Annual Audit Letter 2015/16.
- 9) External Audit Progress Report 2016/17** 17 - 34
To receive an update from the External Auditors on arrangements to carry out the 2016/17 Audit.
- 10) Appointment of External Auditors** 35 - 40
To consider a report on the appointment of External Auditors from 2018/19, and make a recommendation to Full Council on the approach to be taken.
- 11) Strategic Risk Register 2016/17** 41 - 56
To consider the updated Strategic Risk Register for 2016/17.
- 12) Fraud Risk Assessment 2016/17** 57 - 60
To consider a report on the Council's Fraud Risk Assessment.
- 13) Internal Audit Progress Report Quarter 2 2016/17** 61 - 66
To consider the Internal Audit Progress Report for Q2 2016/17.
- 14) Work Programme** 67 - 68
To consider the Work Programme for the current year.

MEMBERSHIP OF COMMITTEE

Councillor Jean Cunningham (Chair)	Councillor Andrew Tatchell
Councillor Tony Harrison (Vice-Chair)	Colin Crowther (Co-optee)
Councillor Gordon Birtwistle	Louise Gaskell (Co-optee)
Councillor Roger Frost	Kathryn Haworth (Parish Representative)
Councillor Joanne Greenwood	Gill Smith (Parish Representative)
Councillor Wajid Khan	Karen Murray (External Auditor)
Councillor Margaret Lishman	Marianne Dixon (External Auditor)
Councillor Andrew Newhouse	

PUBLISHED

Tuesday, 3 January 2017

This page is intentionally left blank

REPORT FOR INFORMATION



DATE	21st September 2016
PORTFOLIO	Chief Executive
REPORT AUTHOR	Monitoring Officer
TEL NO	01282 425011 x7140
EMAIL	lpatel@burnley.gov.uk

Member Complaint Statistics

PURPOSE

1. To update the Audit and Standards Committee on complaints about Members.

SUMMARY OF KEY POINTS

2. The Committee has oversight of the Council's complaint-handling arrangements.
3. The Monitoring Officer did not receive any Member complaints from September to December 2016.
4. The initial vetting of complaints by Group Leaders has led to an increase in the number of complaints being resolved informally at an early stage, and consequently a reduction in the number of formal complaints being received by the Monitoring Officer. This has reduced the amount of Officer time spent on complaint investigation and resolution.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

5. Within the approved budget.

POLICY IMPLICATIONS

6. None.

DETAILS OF CONSULTATION

7. Not applicable.

BACKGROUND PAPERS

FURTHER INFORMATION

PLEASE CONTACT:

Lukman Patel x 7140

ALSO:

The Annual Audit Letter for Burnley Borough Council

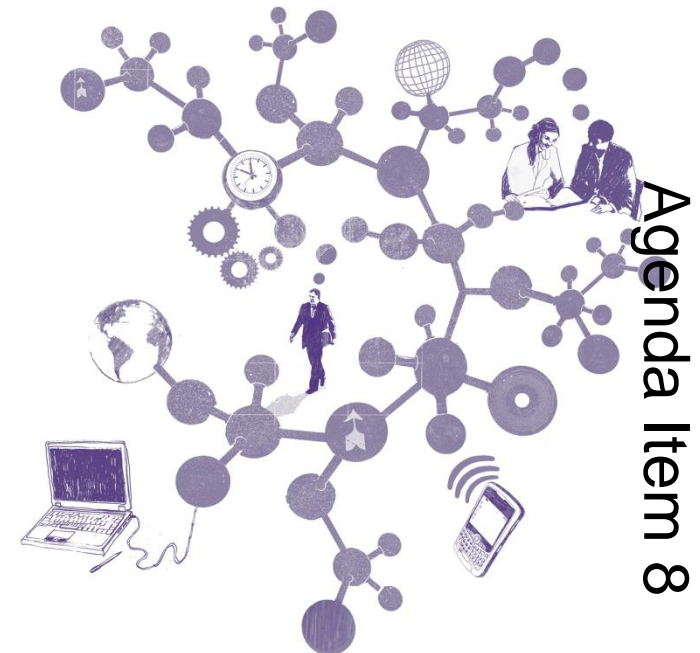
Year ended 31 March 2016

19 October 2016

Karen Murray
Engagement Lead
T 0161 234 6364
E karen.l.murray@uk.gt.com

Marianne Dixon
Manager
T 07880 456157
E marianne.dixon@uk.gt.com

Zak Francis
Executive
T 0161 953 6341
E zak.francis@uk.gt.com



Agenda Item 8

Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	5
3. Value for Money conclusion	10
4. Working with the Council	12

Appendices

A Reports issued and fees

Page 4

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Burnley Borough Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit and Standards Committee as those charged with governance in our Audit Findings Report on 21 September 2016.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 23 September 2016.

The audit matters related mainly to classification and disclosure matters in the notes to the financial statements. Our audit did not identify any adjustments affecting the Council's expenditure or level of useable reserves.

Use of additional powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Local Government Audit and Accountability Act 2014

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 23 September 2016.

Certificate

We certified that we had completed the audit of the accounts of Burnley Borough Council in accordance with the requirements of the Code on 23 September..

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Council's Audit and Standards Committee in our Annual Certification Letter.

Working with the Council

During the year we have met regularly with the Chief Executive and Director of Resources. We have continued to share the firm's national publications and provide thought leadership in emerging issues that impact on the public sector.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2016

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £1,268,000 which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality where appropriate for areas such as auditor's remuneration and senior officer remuneration.

We set a lower threshold of £63,400, above which we reported errors to the Audit and Standards Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Burnley Borough Council, mean that all forms of fraud are seen as unacceptable <p>We did not identify any issues to report.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Our audit work included:</p> <ul style="list-style-type: none"> • review of entity controls • testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of any unusual significant transactions <p>We did not identify any issues to report.</p>
<p>The expenditure cycle includes fraudulent expenditure recognition</p> <p>Practice Note 10 recommends that auditors of public sector bodies consider the risk of fraudulent financial reporting from the manipulation of expenditure recognition in order to inappropriately match expenditure with available resources.</p>	<p>We carried out the following procedures:</p> <ul style="list-style-type: none"> • updated our understanding and documentation of the processes and controls in place around the accounting for operating expenses, and carried out a walkthrough of key controls to ensure they operated as we expected • substantive testing of a sample of operating expenses and year end payables / accruals to source documents to ensure valid spend. • a search for unrecorded liabilities by performing cut off testing on post year end payments for April and May <p>We did not identify any issues to report.</p>

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>Valuation of surplus assets and investment property and fair value disclosures under IFRS 13</p> <p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13.</p> <p>The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>This represents a significant change in the basis for estimation of these balances in the financial statements.</p>	<p>Our audit work included:</p> <ul style="list-style-type: none"> • reviewing of management's processes and assumptions for the calculation of the estimate; • reviewing the competence, expertise and objectivity of management's valuer; • reviewing the instructions issued to the valuer and the scope of their work; • testing of revaluations made during the year to ensure they were input correctly into the Council's asset register; and • reviewing the disclosures made by the Council in its financial statements to ensure they were in accordance with the requirements of the CIPFA Code of Practice and IFRS 13. <p>We did not identify any significant issues to report. However we recommended a small number of disclosures changes regarding investment properties.</p>
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>Our audit work included:</p> <ul style="list-style-type: none"> • Identifying and assessing the controls in place to ensure the pension fund liability was not materially misstated • assessing the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation; • gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; and • reviewing the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. <p>We did not identify any issues to report.</p>

Page 9

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>Employee remuneration</p> <p>This is a significant proportion of your expenditure. We test to ensure this has been paid and recognised in the accounts correctly.</p>	<p>Our audit procedures included::</p> <ul style="list-style-type: none"> • updating our understanding and documentation of processes and key controls • performing walkthrough tests to confirm the design and operations of the controls • testing monthly payroll reconciliations to confirm that payroll totals are accurately and completely recorded in the general ledger. • substantive testing of a sample of employee remuneration, payments to confirm that employees exist, were paid correctly and recorded in the general ledger , including testing of enhancements and employer contributions. <p>We did not identify any issues to report.</p>
<p>Operating expenses</p> <p>This is a significant proportion of your expenditure. We test to ensure this has been paid and recognised in the accounts correctly.</p>	<p>Our audit procedures included::</p> <ul style="list-style-type: none"> • updating our understanding and documentation of the processes and controls in place for payment and accounting for operating expenses. • performing walkthrough tests to confirm the design and operation of the controls. • testing of control account reconciliations. • substantive testing of a sample of operating expenses and year end payables / accruals to source documents to ensure valid spend, appropriate categorisation within net cost of services and confirm accounted for in the correct period. • A search for unrecorded liabilities by performing cut off testing on post year end payments for April and May.. <p>We did not identify any issues to report.</p>

Page 10

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 23 September 2016, in advance of the 30 September 2016 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. The finance team responded knowledgeably and promptly to our queries during the course of the audit.

We reported the key issues from our audit of the accounts of the Council to the Council's Audit and Standards Committee on 21 September 2016.

The key messages arising from our audit of the Council's financial statements were:

- the draft accounts were of a good standard and contained no material errors;
- the audit matters related mainly to classification and disclosure matters in the notes to the financial statements. Our audit did not identify any adjustments affecting the Council's expenditure or level of useable reserves; and
- due to the good standard of the draft accounts and supporting working papers it was not necessary to raise any actions or recommendations.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have no matters to report.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. The key risk we identified and the work we performed is set out in the table overleaf.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Value for Money conclusion

VFM Risks

Significant risk	Work to address	Findings and conclusions
<p>Strategic Partner – Transformation Programme</p> <p>As part of its transformation programme, needed to enable the Council to be more flexible in order to meet the challenges of the changing environment, the Council entered into a ten year contract with a strategic commercial partner to deliver both back office and some front line services starting in January 2016.</p> <p>These include: Revenue and Benefits, HR and Payroll, Facilities Management, Environmental, IT and other support services.</p>	<p>We reviewed the project management and risk management arrangements established by the Council, to establish how the Council was identifying, managing and monitoring these risks.</p>	<p>The Council was aware of the need for robust project and risk management throughout the process of agreeing a strategic partnership arrangement.</p> <p>The Council works primarily with its Strategic Partner through the Strategic Partnership Board, supported by the Partnership Operations Group, and regular service base liaison meetings. Review mechanisms include:</p> <ul style="list-style-type: none"> • transformation programme updates • risk logs and action plan reviews • escalation logs for issues • Monthly KPI reports <p>Following the successful transition to the Strategic partner, a new payroll system has been successfully implemented, going live in July 2016, following extensive parallel running and sign off of detailed Key Performance Indicators (KPIs).</p> <p>There is an effective culture of challenge, but genuine partnership working between the Council and the Strategic Partner, recognising the Council's need for containing costs and the Strategic Partner's business strategy, achieving a win/win solution wherever possible.</p> <p>KPIs focus on outputs and also 'quality inputs' (eg maximum level of post vacancies),</p> <p>The Transformation Programme is has already delivered improvements in KPIs from previous services, and broader benefits are being sought through supporting the expansion of the Strategic Partner's role, both locally and nationally with other Local Authorities and organisations.</p> <p>The key challenge for the Council looking forward will be to ensure that the maximum intended benefits of all the individual projects are realised and captured as the programme continues</p> <p>We concluded that the Council has proper arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.</p>

Working with the Council

Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit during a 4 week window and issued our report a week before the deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our continuing relationship supports your finance team in preparing the financial statements promptly and efficiently, releasing them for other important work.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.

Sharing our insight – we provided regular updates to the Audit and Standards Committee covering best practice. Areas we covered included:

- Innovation in public financial management,
- Knowing the Ropes – Audit Committee; Effectiveness Review
- Making devolution work
- Re-forging local government.

We have also shared with you our insights on advanced closure of local authority accounts, in our publication "Transforming the financial reporting of local authority accounts" and will continue to provide you with our insights as you bring forward your production of your year-end accounts.

Thought leadership – We have shared with you our publication on Building a successful joint venture and will continue to support you as you consider greater use of alternative delivery models for your services.

Providing training – We invite your teams to attend training on financial accounts and annual reporting at our annual Chief Accountant's Workshop. We have also provided 'Ethics and Governance' workshops to managers to further improve awareness in these important areas.

Providing information – Alongside our national publications we also share data analytics information. We support these offerings with the opportunity to subscribe to our extensive support databases:

- Place Analytics - highlighting health and social conditions and lifestyle needs in your area
- CFO Insights, our online analysis tool providing you with access to insight on the financial performance, socio-economy context and service outcomes of councils across the country.

We will continue to liaise closely with the Council's senior finance team during 2016/17 on important accounting developments and the early accounts timetable, with timely feedback on any emerging issues.

Appendix A: Reports issued and fees

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

Fees –

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of Council	50,567	50,567	67,423
Housing Benefit Grant Certification	6,732	*6,732	12,900
Total fees (excluding VAT)	57,299	57,299	80,323

Fees for other services

Service	Fees £
2016 Ethics and Governance workshops	6,776

* Housing Benefit Grant Certification work is still underway. The final fee will be confirmed in due course.

Page 15

Reports issued

Report	Date issued
Audit Plan	March 2016
Audit Findings Report	September 2016
Annual Audit Letter	October 2016



© 2016 Grant Thornton UKLLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UKLLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk

Audit and Standards Committee
Burnley Borough Council
Progress Report and Update
Year ended 31 March 2017

Page 17
11 January 2017

Karen Murray

Engagement Lead

T 0161 234 6364

E karen.l.murray@uk.gt.com

Marianne Dixon

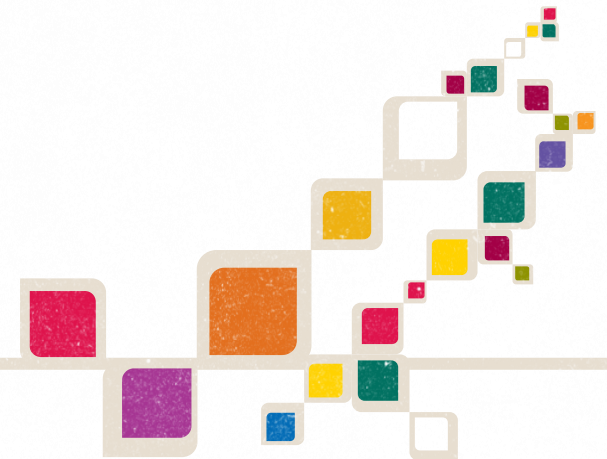
Manager

T 07880 456 157

E marianne.dixon@uk.gt.com



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



Introduction

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

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Advancing closure: the benefits to local authorities (July 2016) www.grantthornton.co.uk/insights/advancing-closure-the-benefits-to-local-authorities/
- Building a successful joint venture company (April 2016) www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/
- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

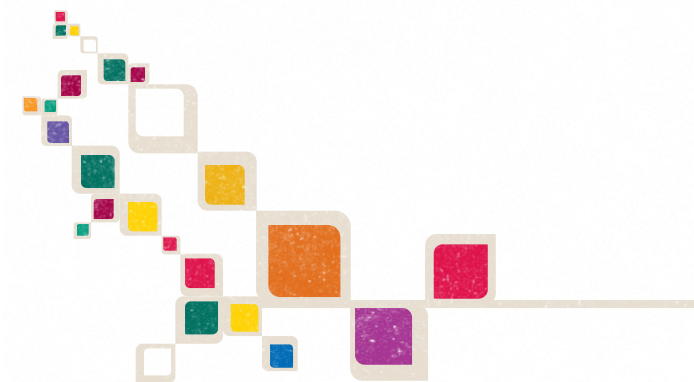
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



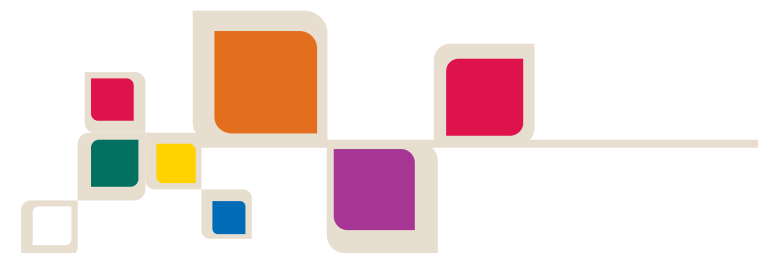
Karen Murray
Engagement Lead
T 0161 234 6364
M 07880 456 205
E karen.l.murray@uk.gt.com



Marianne Dixon
Engagement Manager
M 07880 456 157
E marianne.dixon@uk.gt.com

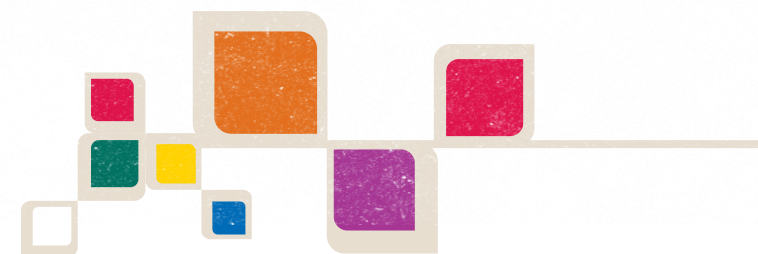


Progress at 3 January 2017



2015/16 work			
	Planned Date	Complete?	Comments
<p>Annual Audit Letter We are required to issue the Annual Audit Letter by the 30 October 2016</p>	30/10/16	Yes	<p>We issued our Annual Audit Letter on 24 October 2016 and it is to be presented to the Audit and Standards Committee on 11/01/2017.</p> <p>The Annual Audit Letter summarise our work and audit reporting for the 2015/16 audit of Burnley Borough Council</p>
<p>Grant Claims Audit We are required to certify your Housing Benefits Grant Claim by 30 November. We are not auditing any other grant claims. We are requires to issue a certification letter, confirming the outcome of our work and the fees charged by 28 February 2017.</p>	30/11/16	Yes	<p>We certified the Housing Benefits claim on 29 November 2016</p> <p>A certification letter setting out the detailed findings will shortly be agreed with officers and presented to the next Audit and Standards Committee.</p>
<p>28/02/17</p>	28/02/17		
2016/17 work			
	Planned Date	Complete?	Comments
<p>Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>	30 April 2016	Yes	<p>We issued our fee letter on 14 April 2016 confirming our fee for 2016/17 as £50,567.</p>
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016-17 financial statements.</p>	March 2017	Underway	<p>An audit plan will be discussed and agreed with officers before presenting it to the next Audit and Standards Committee.</p>

Progress at 3 January 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Planning and interim accounts audit Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	December 2016 – March 2017	Underway	<p>We are continuing to:</p> <ul style="list-style-type: none"> • engage with the finance team on a regular basis • discuss any technical issues early • undertake as much early testing as possible • Continue to meet regularly with senior officers to ensure our understanding of the Council is up to date. <p>We will continue to work closely with Internal Audit in relations to risks, financial systems and fraud.</p>
<p>Final accounts audit including:</p> <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	June to July 2017	Not started	<p>We are committed to providing an early audit opinion for 2016-17 in preparation for the advancing national timetable and ensure the Council is in a position to meet the 30 July opinion deadline for publishing audited account in 2017-18</p>
<p>Value for Money (VfM) conclusion The scope of our work is unchanged from 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2016. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p>	January – May 2017	Not started	<p>The guidance confirms the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties <p>We will set out our proposed work on VFM in our</p>
<p>Other areas of work Meetings with Members, Officers and others</p>	Ongoing	Underway	

Technical Matters

Page 22



Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

This is the seventh edition of the Code to be prepared under International Financial Reporting Standards (IFRS), which have been adopted as the basis for public sector accounting in the UK. The 2016/17 Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2016.

Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper (accounting) practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Code includes changes resulting from the 'Telling the Story' review on improving the presentation of local authority financial statements. These include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

Amendments arising from the narrow scope amendments to International Financial Reporting Standards including changes from the following amended standards:

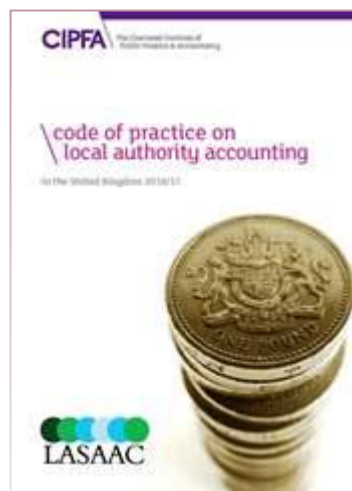
IAS 1 Presentation of Financial Statements under the International Accounting Standards Board Disclosure Initiative

IAS 24 Related Party Disclosures in relation to key management personnel as a result of the Annual Improvements to IFRSs 2010 – 2012

IFRS 11 Joint Arrangements Accounting for Acquisitions of interest in Joint Operations

IFRS 8 Operating Segments as a result of the Annual Improvements to IFRSs 2010 – 2012.

An update to the Statements Reporting Reviews of Internal Controls Section of the Code for the changes to the Delivering Good Governance in Local Government: Framework (2016) published by CIPFA and SOLACE.



Sector issues and developments

Page 24



National Audit Office: Below is a selection of reports issued during 2016 which may be of interest to Audit Committee members. Please see the website for all reports issued by the NAO.



Local welfare provision

Overall spending on discretionary local welfare support by central and local government has reduced since April 2013. The consequences of this gap in provision are not understood.

Sector(s): [Community and society](#), [Local services](#)

Performance Improvement area(s): [Financial and service sustainability](#), [Local service delivery](#)

<https://www.nao.org.uk/report/local-welfare-provision/>

Published:
12 Jan 2016



English devolution deals

Devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended

Sector(s): [Central Finance and Treasury](#), [Community and society](#)

Performance Improvement area(s): [Economic growth](#), [Local service delivery](#)

<https://www.nao.org.uk/report/english-devolution-deals/>

Published:
20 Apr 2016



Financial sustainability of local authorities: capital expenditure and resourcing

Local authorities have kept up levels of capital spending but face pressure to meet debt costs and maintain investment in existing assets.

Sector(s): [Community and society](#), [Local services](#)

Performance Improvement area(s): [Financial and service sustainability](#), [Local service delivery](#)

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

Published:
15 Jun 2016

National Audit Office reports (continued)



Overview: Local government

This Overview looks at the local government landscape during the last financial year and summarises both matters of likely interest to Parliament as well as our work with local authorities. The NAO prepares statutory guidance on how local auditors should meet their responsibilities.

Sector(s): [Local services](#)

Performance Improvement area(s): [Departmental Overviews](#), [Local service delivery](#)

Published:
9 Nov 2016

<https://www.nao.org.uk/report/overview-local-government/>

Grant Thornton



Culture of Place

Our towns, counties and cities have distinct and varied cultures

Our towns, counties and cities have their own compelling and richly varied cultures. There are shared and sometimes contested values, local traditions, behaviours and drivers for change. Culture evokes memory and identity. It affects how we feel about where we live and work and what's possible. It can be a set of stories describing how we do things around here, bringing out the best in us – like our history and heritage – but also preventing us from moving forward.

With local authorities increasingly adopting a place-shaping role we're exploring how culture impacts on the sector's ability to facilitate and support a vibrant economy.

We have hosted two round tables with local authority CEOs, leaders and others, to consider how local authority leadership needs to change if it is to take local culture into account.

From conversations with local authority CEOs, leaders and others, we have collated a selection of stories that invite us all to think about how the sector can disrupt fixed thinking, open up cultures and energise our places. They go beyond what's immediately obvious, voice what is sometimes unsaid and work with the strengths of their place.

Although the term culture of place is heavily subjective our initial conversations suggest there are some common themes occurring.

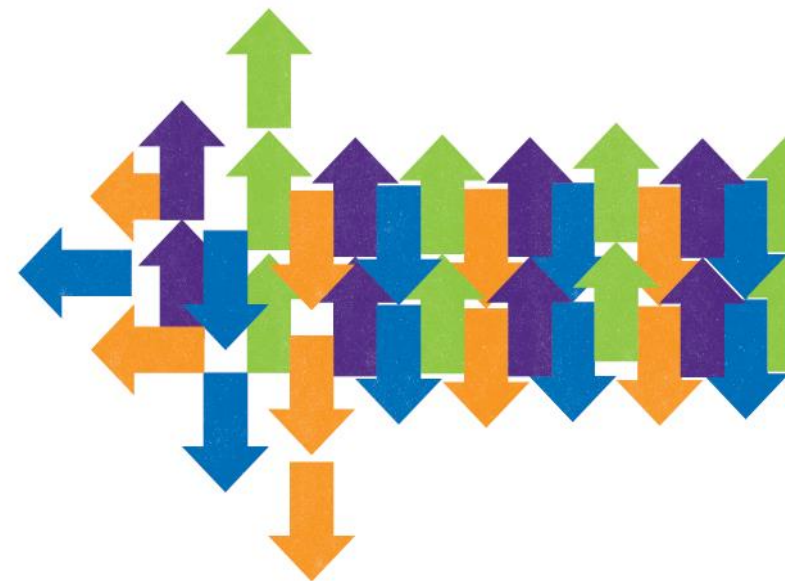
- The place leader is the story teller – leaders need to be more deliberate in their storytelling, helping communities make sense of a complex world, the past, present and possible futures
- Being clear about what they want to see – there is a strong need to create an environment that gives people permission to care, to be innovative, to take action themselves, to adapt and experiment
- Socio-economic situations often drive the culture – the uniqueness of socio-economic factors leads to a recognition that one place will never be like another – and, in fact, should not aspire to be so - instead tailoring their approach to the areas specific strengths.
- It's all about context – areas within Britain can be local, national and international all at the same time, learning to live with, and get the best advantage from, what's on our doorstep is key.

A copy of the report and a collection of short videos can be found on our website at:

<http://www.grantthornton.co.uk/en/insights/culture-of-place/>

Grant Thornton reports

Challenge question:
Is the Council familiar with this publication?



Integrated Reporting

Looking beyond the report

The move away from reporting based on historic financial information is beginning to gain momentum and Integrated Reporting is now mandatory in some countries.

In the UK, CIPFA proposed in their consultation document that the narrative report from 2017/18 reflects elements of the International Integrated Reporting Council's framework whilst the Treasury is encouraging public sector organisations to adopt Integrated Reporting.

Integrated reporting: Looking beyond the report was produced by our global Integrated Reporting team, based in the UK, New Zealand and South Africa, to help organisations obtain the benefits of Integrated Reporting.

The International Integrated Reporting Council (IIRC) describes Integrated Reporting as *"enhancing the way organisations think, plan and report the story of their business."*

At Grant Thornton, we fully agree with this and, in our view, the key word is 'enhancing' because a lot of the elements to support effective Integrated Reporting are likely to be in place already.

But anyone focussing purely on the production of the report itself will not reap the full benefits that effective Integrated Reporting can offer.

Instead, think of Integrated Reporting as demonstrating "integrated thinking" across your entire organisation, with the actual report being an essential element of it.

Our methodology is based on six modules which are designed to be independent of each other.

1. **Secure support** – effective Integrated Reporting needs leadership from the top.
2. **Identify stakeholders** – who are they and how can you engage with them?
3. **Identify the capitals for your organisation** – what resources do you use to create value?
4. **What do you have – and what do you need?** – do you have the data you need and is it accurate?
5. **Set limits and create boundaries** – make sure your report is focussed.
6. **Review and improve** – Integrated Reporting is a continuous learning process.

Our approach to Integrated Reporting is deliberately simple; experience has shown us that this works best. Things are often only complicated because people made them that way.

Our experienced, independent teams can help you keep focused throughout the entire Integrated Reporting process and can support you, no matter what stage you are at. Please speak to your Engagement Lead if you would like to discuss this further.

Grant Thornton publications

Challenge question:

- Have you thought about how the principles of Integrated Reporting can help your organisation become more focussed?



Integrated reporting
Looking beyond the report
November 2016



Integrated Thinking and Reporting

Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders*.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

CIPFA Publications

Challenge question:

- Have you reviewed the CIPFA guide to Integrated Reporting in the public sector?



Brexit

Planning can help organisations reduce the impact of Brexit

Several months have passed since the referendum to leave the European Union (EU), during which there has been a flurry of political activity, including the party conference season.

After many years of relative stability, organisations will need to prepare themselves for a period of uncertainty and volatility and will need to keep their risk registers under constant review. The outcome of the US Presidential election in November 2016 has added to this uncertainty.

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

Grant Thornton update

Challenge questions:

- Have you assessed the potential impact of Brexit on your organisation?
- Does your risk register include Brexit and is this regularly updated and reported?

Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

Potential existing examples for the UK's future relationship, such as the 'Norwegian' or 'Swiss' models, seem out of the question. The UK wants a 'bespoke deal'.

Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.

Brexit

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

After a relatively stable summer, we expect there will be increased volatility as uncertainty grows approaching the formal negotiation period.

Planning can help organisations reduce the impact of Brexit

The chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

Staffing – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

Financial viability – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

Market volatility – for example pension fund and charitable funds investments and future treasury management considerations.

International collaboration – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.

Grant Thornton update

Challenge questions:

- Have you assessed the potential impact of Brexit on your organisation?
- Does your risk register include Brexit and is this regularly updated and reported?

For regular updates on Brexit, please see our website:

<http://www.grantthornton.co.uk/en/insights/brexit-planning-the-future-shaping-the-debate/>

CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

Page 33



We are happy to organise a demonstration of the tool if you want to know more.



© 2016 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grantthornton.co.uk

ITEM NO	[AgendaItem]
------------	--------------

External Auditor Appointment

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	11/01/2017
PORTFOLIO	Resources and Performance
REPORT AUTHOR	Ian Evenett
TEL NO	01282 425011 ext 7175
EMAIL	ievenett@burnley.gov.uk

PURPOSE

1. This report summarises the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
2. To seek a recommendation to Full Council in February for the approach to appointing an External Auditor for the 2018/19 Accounts.

RECOMMENDATION

3. Members are requested to consider their preferred approach of either:
 - a. Using the national Public Sector Auditor Appointments body to make the appointment on behalf of the Council.
 - b. Establishing a stand-alone Auditor Panel to make the appointment on behalf of the Council.
 - c. Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities
4. The recommended approach is 3a in that this would provide the greatest level of independence and value for money.

REASONS FOR RECOMMENDATION

5. Option 3a represents the better option for value for money and supports the independent appointment of an external auditor.
6. The Council has to make a decision to prepare for the appointment of external auditors for the 2018/19 accounts.

SUMMARY OF KEY POINTS

Changes in External Auditor Appointment

7. The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
8. The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years we have benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Council's current external audit fees are £50,567 per annum for the work on the final accounts and approximately £10,000 for grant certification work.
9. When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
10. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has commenced and so far these include the top accountancy firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

Options for local appointment of External Auditors

11. There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

Option 1 To make a stand-alone appointment

12. In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor. (assuming there is no existing independent committee such as the Audit Committee that might already be suitably constituted).

Advantages/benefit

13. Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

14. Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances
15. The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
16. The assessment of bids and decision on awarding contracts will be taken by a majority of independent appointees and not solely by elected members.
17. Internal officer and member resources would be required to support this option.

Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

18. The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

19. The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
20. There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

21. The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possible only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
22. The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel chose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Option 3 Opt-in to a sector led body

23. In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector. The Secretary of State has

appointed PSAA (who currently manage the external auditor contracts) as a SLB.

Advantages/benefits

24. The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.
25. By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation.
26. Any conflicts or independence issues at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.
27. The appointment process would not be ceded to locally appointed independent members. Instead a separate body has been set up to act in the collective interests of the 'opt-in' authorities.
28. There would be a lower internal resource requirement to support this option.
29. The PSAA are a not for profit organisation and distribute any surplus funds back to scheme members

Disadvantages/risks

30. Individual elected members will have less opportunity for direct involvement in the appointment process other than through the PSAA, the LGA and/or stakeholder representative groups.
31. In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

The way forward

32. The Council have until December 2017 to make an external auditor appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
33. The Council has received an invitation to opt in to the national scheme for auditor appointments. The Full Council will need to take this decision at its February meeting to enable a response to the invitation by 9 March 2017.

Legal Issues

34. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.
35. Section 12 makes provision for the failure to appoint a local auditor: the authority must

immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

36. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body (SLB) to become the appointing person.
37. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation the Executive is asked to make the recommendation to Council.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

38. External audit fee levels are likely to increase when the current contract ends in 2018.
39. The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above will need to be estimated and included in the Council's budget for 2016/17 and 2017/18. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.
40. Opting-in to the PSAA provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel. The costs of operating the SLB will be recovered as part of the auditor fees.
41. The actual costs will not be known for the audit fees in 2018/19 but it is anticipated that any increase will be minimised by going through the PSAA.

POLICY IMPLICATIONS

42. Depending on the decision, the Council may need to make constitutional changes to appoint a local panel or joint panel.
43. The consideration of collective procurement is a requirement of the Council's Standing Orders for Contracts to avoid unnecessary costs and duplication.

DETAILS OF CONSULTATION

44. None

BACKGROUND PAPERS

45. PSAA Opting In details - <http://www.psa.co.uk/supporting-the-transition/appointing-person/becoming-an-opted-in-authority/>

ITEM NO	[AgendaItem]
--------------------	--------------

46. CIPFA Guide to Auditor Panels - <http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>

FURTHER INFORMATION

PLEASE CONTACT: Ian Evenett (Internal Audit Manager) Ext 7175

ALSO: Dave Donlan (Accountancy Division Manager) Ext 7172

Strategic Risk Register Report

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	11/01/2017
PORTFOLIO	Resources and Performance
REPORT AUTHOR	Ian Evenett
TEL NO	Ext 7175
EMAIL	ievenett@burnley.gov.uk

PURPOSE

1. To present members with the updated Strategic Risk Register (Appendix 1).

RECOMMENDATION

2. Members consider the current Strategic Risks and where required comment on these prior to consideration of the Strategic Risks by the Executive.

REASONS FOR RECOMMENDATION

3. The Audit and Standards committee have oversight of the Council's risk management systems.

SUMMARY OF KEY POINTS

4. The council's strategic plan is being reviewed and updated. In line with this review the risks have been reviewed and updated to reflect the current position. This are linked in the register as Strategic Commitments.
5. The Audit and Standards committee commented that it expected some account would be required in the review of the risks of the impact from the European Union. This has been included as triggers or causes in risk 6 and 5.
6. There is remains uncertainty on the impact of this event and management have primarily considered its impact on these two risks as follows;
7. **Risk 6 – Inability to deliver the regeneration programme** – in the past funding from the European Union has assisted the delivery of several projects. The withdrawal from the EU would mean that this would no longer be available. There has been a decision not to revise this risk at this point. This is primarily because the funding of the current regeneration programme does not involve funds from the EU. In addition there is discussion as to replacement funding.
8. **Risk 5 – Changes in national policy/legislation** – it is expected that there will be changes which are required in the law which cover local government. This will arise from both the withdrawal from the EU and the devolution of powers from central government. This risk score has increased from 8 to 9. The Council operates follows many European

directives which will need to be considered. Areas such as procurement and data protection are two high profile areas.

9. The other change in scoring is for **Risk 4 – Changes in the political landscape** which has been increased from 4 to 6, but still remains a low priority risk. There have been changes in central government and locally there is the requirement to have a vote on an elected mayor.
10. The lead responsibilities for the risk have been changed to reflect both the recent and planned changes in senior management.
11. The Strategic Risk Register will be reported to the Executive in February.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

12. None

POLICY IMPLICATIONS

13. Effective risk management is an essential element of good governance and part of the Local Code of Corporate Governance

DETAILS OF CONSULTATION

14. Risk Management Group

BACKGROUND PAPERS

15. None

FURTHER INFORMATION

PLEASE CONTACT:

Ian Evenett ext 7175

ALSO:

Appendix 1



Burnley Borough Council

Strategic Risk Register

21 December 2016

Strategic Risk Register Summary

Risk Ref	Risk Description	Risk Score
1	Financial stability	15
8	Inability to influence key decision makers	12
5	Changes in national policy/legislation	9
6	Inability to deliver the regeneration programme	9
7	Inability to drive improvements through information technology	8
9	Risks in responding to demographic changes and increased deprivation	8
10	Workforce, skills and capacity challenges	8
2	Maintaining Partnership Performance	6
3	Damage to the Council's reputation	6
4	Changes in the political landscape	6

Risk Prioritization Matrix

Likelihood	5							Red - High
	4			10				
	3			2, 4	5, 6	8	1	Amber - Medium
	2				3	7, 9		
	1							Green - Low
	0							Insignificant
		0	1	2	3	4	5	
Impact								

Likelihood	Impact	Risk Priorities
0 Almost impossible	0 Minimal	Red = High Priority Risk Urgent Action to reduce or mitigate risk
1 Very unlikely	1 Minor	
2 Unlikely	2 Significant	Amber = Medium Priority Risk Action and Monitoring of risk
3 Likely	3 Serious	
4 Very likely	4 Major	Green = Low Priority Risk Keep Reviewed reduce if possible
5 Virtually certain	5 Catastrophic	

Risk Ref 1 Financial stability

Trigger or Cause

Further funding cuts
 Income loss
 Insufficient financial controls
 Expensive decision making
 External cost pressures
 Political growth
 Failing to understand the financial problem
 Claims against the Council

Possible Consequences of Risk

Organisational sustainability
 Reduced service delivery
 Reduced customer satisfaction
 Reduced reserves
 Overspends
 Damaged credit rating
 Damage to reputation
 Workforce morale/planning/retention
 Reduced reputation for financial management

Strategic Link: Cross Cutting

Residual Risk Assessment

IMPACT

5

LIKELIHOOD

3

SCORE

15

Medium Priority Risk

Strategic Commitments

PF1 - We will embed the partnership with Liberata within the Council's budget, strategic vision and commercial strategy.

PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable footing. This strategy will set the framework for annual budgets, ensuring the annual budget is set within the context of the longer term outlook.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we are able to deliver services more efficiently.

PL1 - We will implement a range of initiatives to maintain a clean, safe borough.

PL4 - We will implement our 2015-25 Green Space Strategy.

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

PR2 - We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation

PR3 - We will make the borough attractive to retail and leisure developers, and will identify a sustainable future for the Burnley Market.

Lead Responsibility Head of Finance

Risk Ref 8 Inability to influence key decision makers

Trigger or Cause

Change of political control
 Breakdown of key relationships
 Change of staff/key relationships
 Change in reputation for delivery

Possible Consequences of Risk

Loss of external funding opportunities
 Reduced level of influence over key decision makers
 Inability to deliver through partnerships
 Reduced reputation of Council

Strategic Link: Cross Cutting

Residual Risk Assessment IMPACT **4** LIKELIHOOD **3** SCORE **12** Medium Priority Risk

Strategic Commitments

- PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development, and improve residents' health.
- PL3 - We will work with partners to improve the condition of the existing housing stock.
- PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment
- PR2 - We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation

Lead Responsibility Management Team

Risk Ref 6 Inability to deliver the regeneration programme

Trigger or Cause

Economic downturn
 Lending squeeze
 Procurement failure
 Regeneration funding priorities change
 Changes in funding from Central Government or as a result of the withdrawal from the European Union

Possible Consequences of Risk

Inability of private sector partners to deliver
 Delivery partner does not have the capacity to delivery
 Can't deliver the regeneration programme
 Damaged reputation

Strategic Link: Prosperity People

Residual Risk Assessment

IMPACT

3

LIKELIHOOD

3

SCORE

9

Medium Priority Risk

Strategic Commitments

- PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment
- PR2 - We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation
- PR3 - We will make the borough attractive to retail and leisure developers, and will identify a sustainable future for the Burnley Market.
- PR4 - We will deliver the Local Plan. This will act as the key supporting framework for encouraging future employment and investment in a range of housing stock.
- PL3 - We will work with partners to improve the condition of the existing housing stock.
- PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development, and improve residents' health.

Lead Responsibility Chief Operating Officer

Risk Ref 5 Changes in national policy/legislation

Trigger or Cause

New functions/loss of existing functions
 Short term thinking
 Lack of capacity
 Changes from the withdrawal from the European Union
 Changes from the devolution of Powers from Central Government

Possible Consequences of Risk

Reduced control over what you do and how you do it
 Inability to respond to the new agenda and continue with on-going functions
 Exclusion from new or evolving regional and sub-regional governance and operating structure
 Not in a position to deliver new functions or requirements

Strategic Link: Prosperity

Residual Risk Assessment

IMPACT

3

LIKELIHOOD

3

SCORE

9

Medium Priority Risk

Strategic Commitments

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

Lead Responsibility Management Team

Risk Ref 10 Workforce, skills and capacity challenges

Trigger or Cause

Loss of the workforce
 Loss of organisational memory
 Loss of organisational skills
 Lack of commitment to organisational development
 Lack of investment in training
 Political direction change

Possible Consequences of Risk

Service failure/deterioration
 Damaged reputation
 Increased complaints
 Low morale
 Recruitment and retention issues
 Increased workflow
 Business resilience
 Not having the right staff with the right skills

Strategic Link: Cross Cutting

Residual Risk Assessment IMPACT **2** LIKELIHOOD **4** SCORE **8** **Medium Priority Risk**

Strategic Commitments

- PF1 - We will embed the partnership with Liberata within the Council's budget, strategic vision and commercial strategy.
- PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable footing. This strategy will set the framework for annual budgets, ensuring the annual budget is set within the context of the longer term outlook
- PF3 - We will develop our digital strategy, so that more residents transact with us online and we are able to deliver services more efficiently.
- PL1 - We will implement a range of initiatives to maintain a clean, safe borough.
- PL4 - We will implement our 2015-25 Green Space Strategy.

Lead Responsibility Chief Executive Officer

Risk Ref 9 Risks in responding to demographic changes and increased deprivation

Trigger or Cause	Possible Consequences of Risk
Government policy	Not delivering on the regeneration programme
Economic downturn	Poor service delivery
Big ticket issues – crime, health, housing	Poor customer satisfaction
Benefit dependency	Low aspirations
Short term fixes	Damage to reputation
Negative reputation	Failure to improve
Failure to develop opportunities	Increased demand
	Increased costs
	Less funding
	Viability of Burnley

Strategic Link: Cross Cutting

Residual Risk Assessment	IMPACT	4	LIKELIHOOD	2	SCORE	8	Medium Priority Risk
---------------------------------	--------	----------	------------	----------	-------	----------	-----------------------------

Strategic Commitments

- PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development, and improve residents' health.
- PE2 - We will continue to develop the leisure and cultural offer of Burnley in partnership with Burnley Leisure.
- PL1 - We will implement a range of initiatives to maintain a clean, safe borough.
- PL2 - We will improve the management of private rented accommodation.
- PL3 - We will work with partners to improve the condition of the existing housing stock.
- PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment
- PR2 - We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation
- PR3 - We will make the borough attractive to retail and leisure developers, and will identify a sustainable future for the Burnley Market.
- PR4 - We will deliver the Local Plan. This will act as the key supporting framework for encouraging future employment and investment in a range of housing stock.

Lead Responsibility Management Team

Risk Ref 7 Inability to drive improvements through information technology

Trigger or Cause

IT partnership failure (to deliver past procurement)
 IT partnership procurement failure
 Current IT provision failure
 Information governance failure

Possible Consequences of Risk

Inability to deliver and develop services and not deliver anticipated savings and service improvement
 Public confidence in use of Council services through IT lowered

Strategic Link: Performance

Residual Risk Assessment IMPACT 4 LIKELIHOOD 2 SCORE 8 Medium Priority Risk

Strategic Commitments

PF1 - We will embed the partnership with Liberata within the Council's budget, strategic vision and commercial strategy.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we are able to deliver services more efficiently.

Lead Responsibility Chief Operating Officer

Risk Ref 4 Changes in the political landscape

Trigger or Cause

No overall control
 Political instability
 Poor member and officer relationships
 Poor member and member relationships

Possible Consequences of Risk

Lack of strategic leadership
 Poor decision making
 Impact on the Council's reputation
 Loss of influence with key partners

Strategic Link: People Performance

Residual Risk Assessment IMPACT **2** LIKELIHOOD **3** SCORE **6** Low Priority Risk

Strategic Commitments

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development, and improve residents' health.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we are able to deliver services more efficiently.

Lead Responsibility Chief Executive Officer

Risk Ref 3 Damage to the Council's reputation

Trigger or Cause

Service failure
 Loss of key staff
 External events
 Customer Satisfaction not maintained

Possible Consequences of Risk

Strategic plan delivery problem
 Credibility of the leadership (both political and officer)
 Low morale
 Loss of key staff
 Recruitment and retention issues

Strategic Link: Cross Cutting

Residual Risk Assessment

IMPACT

3

LIKELIHOOD

2

SCORE

6

Low Priority Risk

Strategic Commitments

PF1 - We will embed the partnership with Liberata within the Council's budget, strategic vision and commercial strategy.

PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable footing. This strategy will set the framework for annual budgets, ensuring the annual budget is set within the context of the longer term outlook.

PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment

PL1 - We will implement a range of initiatives to maintain a clean, safe borough.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we are able to deliver services more efficiently.

Lead Responsibility Chief Executive Officer

Risk Ref 2 Maintaining Partnership Performance

Trigger or Cause

Procurement method
 Supply chain failure
 Commissioning 'v' traditional culture
 Control transfer
 Poor implementation
 Compliance/legal
 Business continuity
 Transformational cultural change not achieved
 Poor or weak contract management

Possible Consequences of Risk

Reduced service delivery
 Reduced customer satisfaction
 Political or reputation embarrassment
 Perceived council failure
 Poor co-ordination of existing providers and systems
 Poor relationships
 Increased costs

Strategic Link: Cross Cutting

Residual Risk Assessment

IMPACT

2

LIKELIHOOD

3

SCORE

6

Low Priority Risk

Strategic Commitments

PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development, and improve residents' health.

PE2 - We will continue to develop the leisure and cultural offer of Burnley in partnership with Burnley Leisure.

PF1 - We will embed the partnership with Liberata within the Council's budget, strategic vision and commercial strategy.

PF3 - We will develop our digital strategy, so that more residents transact with us online and we are able to deliver services more efficiently.

PL1 - We will implement a range of initiatives to maintain a clean, safe borough.

PL3 - We will work with partners to improve the condition of the existing housing stock.

PL4 - We will implement our 2015-25 Green Space Strategy.

PR3 - We will make the borough attractive to retail and leisure developers, and will identify a sustainable future for the Burnley Market.

Lead Responsibility Management Team

This page is intentionally left blank

Fraud Risk Assessment

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	11/01/2017
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Sophie Redfearn
TEL NO	01282 425011 ext 3151
EMAIL	sredfearn@burnley.gov.uk

PURPOSE

1. To inform Members of the current fraud trends that affects the public sector.

RECOMMENDATION

2. That Committee note the report.

REASONS FOR RECOMMENDATION

3. The Council’s arrangements for the fight against fraud and corruption is monitored by the Audit and Standards Committee.
4. The Committee is satisfied with management’s reaction to the report and the risk of fraud.

SUMMARY OF KEY POINTS

5. There are current two publicly published fraud reports; CIPFA’s Fraud and Corruption Tracker (CFaCT) report and the University of Portsmouth’s Centre for Counter Fraud Studies 2016 Annual Fraud Indicator report.
6. According to the Fraud and Corruption Tracker (CFaCT) the main types of fraud affecting the Public Sector remain the same as reported in previous years: Council Tax, Housing Benefit and Housing.

Council Tax & Housing Benefit

7. Housing Benefit and Council Tax Reduction fraud continues to be a problem at a national level with estimated fraud rates at 1.78% and 1.22% respectively, according to the 2016 Annual Fraud Indicator.
8. Council Tax Support amounted to £7.8m in 2015/16, using the figure above around £95,000 could be subject to fraudulent claims.
9. The Council paid £35m in Housing Benefit in 2015/16. Although the Council is no longer responsible for the investigation of HB fraud it is responsible for the collection of amounts identified as fraud. It is still considered a risk as the financial loss of benefit is borne by councils once the investigation is complete.
10. It is not possible to state how much is currently being recovered as it is recovered through

the debtors system, however using the figure above, approximately £620,000 could be being claimed fraudulently.

11. The output from the current National Fraud Initiative exercise is due later this month, however about £34.6K of Single Person Discount was cancelled on NFI matches from 2015/16.

Housing Tenancy Fraud

12. As reported previously, tenancy fraud continues to be a national issue but does not directly affect Burnley Borough Council as it no longer has responsibility for social housing. Continued participation with the National Fraud Initiative means we share benefit information with Housing Associations which could assist them in identifying tenancy fraud.
13. The Council works closely with Registered Social Landlords and 'B-with-Us' (a Pennine Lancashire choice based letting service) which can also help reduce the risk of tenancy fraud.

Procurement

14. Procurement fraud is still considerable fraud risk due to the significant sums of money involved.
15. In 2014/15 60 cases were identified, in 2015/16 this had risen to 353. CFaCT has estimated that this year there will be as many as 623 cases totalling £6.3m, meaning the average fraud could cost around £10,000.
16. The Council is expected to place around £18.5m worth of online orders this year but the built in approval system is a significant control in reducing the risk of fraud in this area.
17. Because of the high returns corruption in procurement is a significant factor. In 2016 the government published a progress report on the 2014 UK Corruption Plan. Part of this plan is the organised crime pilot reported below and the Counter fraud strategy for local government. corruption

CEO Fraud

18. CEO fraud is where an officer of an organisation is emailed by a fraudster purporting to be a senior finance officer or CEO who states that they need to quickly transfer money to a certain bank account for a specific reason which they carry out only to find that the money has been sent to a fraudster's bank account.
19. In the seven months to January 2016, 994 reports of CEO fraud had been made to Action Fraud.
20. The Council and Burnley Leisure Trust have both been subject to CEO fraud attempts in recent months but due to the vigilance of officers no payments were made.

Cyber Risk

21. Cyber based frauds presents both new methods of committing fraud and new fraud opportunities. This is probably the most frequently attempted fraud against the Council as automation allows thousands of attempts a day.
22. Viruses and 'phishing' e-mails represent the most common. Phishing e-mails are attempts to gain personal details of users, this is commonly bank details but can include passwords etc. Most automated attempts are non-specific and are automatically blocked by the Council's systems.
23. Increasingly there are trends more complex attempts of fraud, where the culprit has taken time to check the council's details and uses this to attempt to get the Council to make a payment into a bank account which is quickly cleared. Common examples of this are CEO fraud, as above and Mandate fraud, where correspondence is received purporting to come from a large Council creditor saying that they have changed their bank details.

Organised Crime

24. The government has recently run a pilot exercise on the exposure of links between the public sector and organised crime. This involved the matching of creditors and other data to serious and organised crime data. For district councils it identified a limited risk of exposure, and these were in a couple of specific sectors of procurement. Transport services, waste, housing and low levels of spend were included in these sectors. The best response for the council in these areas is to follow robust procurement processes.

Election fraud

25. During the year the government's anti-corruption tsar Sir Eric Pickles published his report on Election Fraud with 50 recommendations including

- clamping down on postal vote 'harvesting' by political activists
- piloting some form of identification at polling stations
- action to tackle the links between electoral fraud and immigration fraud
- stronger checks and balances against municipal corruption

The government is considering these recommendations.

26. The Electoral Commission's analysis of reported fraud in elections in 2015 indicates that there were 481 cases alleged electoral fraud recorded by the Police in the 9,757 contested seats. 312 cases had no further action and 122 were resolved locally. Of the remaining cases 4 resulted in court proceedings.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

27. None as a direct result of this report, however losses to fraud have a direct impact on the Council's finances.

POLICY IMPLICATIONS

28. The Council has a Corporate Anti-Fraud, Bribery and Corruption Policy and an Internal Audit Strategy.

DETAILS OF CONSULTATION

BACKGROUND PAPERS

29. CIPFA Fraud and Corruption Tracker

<http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>

30. Annual Fraud Indicator

<http://www.port.ac.uk/media/contacts-and-departments/icjs/ccfs/Annual-Fraud-Indicator-2016.pdf>

31. National Cyber Security Strategy 2016-2021

<https://www.gov.uk/government/publications/national-cyber-security-strategy-2016-to-2021>

32. UK Anti-corruption plan progress update

<https://www.gov.uk/government/publications/uk-anti-corruption-plan-progress-update>

- 33. Securing the ballot: Report of Sir Eric Pickles' review into electoral fraud.
<https://www.gov.uk/government/publications/securing-the-ballot-review-into-electoral-fraud>
- 34. Electoral Commissions Fraud Analysis 2015
http://www.electoralcommission.org.uk/_data/assets/pdf_file/0011/198533/Fraud-allegations-data-report-2015.pdf

FURTHER INFORMATION	
PLEASE CONTACT:	Sophie Redfearn ext 3151
ALSO:	Ian Evenett ext 7175

Internal Audit Progress Report

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	11/01/2017
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Nadeem Ukadia
TEL NO	01282 425011 Ext 3150
EMAIL	nukadia@burnley.gov.uk

PURPOSE

1. To inform members of the work undertaken by the Internal Audit Section for the period 1st July 2016 to 30th September 2016.

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 July to 30th September 2016 there have been 5 audit reports produced. Details of these are given in **Appendix 1**

Performance Statistics

5. The comparison between actual and planned audits can be seen in **Appendix 2**. A number of audits have started, and to date have been completed but due to timing will form part of later quarter statistics to be reported.
6. Performance indicators for Internal Audit are reported in the Finance balanced scorecard. The service currently reports the number of audit reports produced – 9 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

7. During the quarter the Internal Audit team continues to provide assistance in the work of Council services transferred to the strategic partner; attending various groups to monitor the contact and provide advice and guidance.

8. Support was provided on the Financial Transformation Project, production of the Statement of Accounts, business continuity management, information governance and in the selection of a Housing Joint Venture Partner.
9. One internal auditor was seconded to Accountancy as support for Statement of Accounts production. This auditor returned to audit in September.
10. Work continues with other Lancashire Authorities to arrange a Peer Review process for compliance with the Public Sector Internal Audit Standards. This process has now commenced and Burnley's internal audit is planned for a Peer Review in May 2017. The external review is essential for compliance with the standards which is proper practice for Internal Audit required by the Accounts and Audit Regulations 2015.
11. An officer in internal audit has begun studying for the Institute of Internal Audit's 'Certified Internal Auditor' qualification.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

12. None

POLICY IMPLICATIONS

13. None

DETAILS OF CONSULTATION

14. None

BACKGROUND PAPERS

15. None

FURTHER INFORMATION
PLEASE CONTACT: Nadeem Ukadia (Senior Auditor) Ext 3150
ALSO: Ian Evenett (Internal Audit Manager) Ext 7175

Summary of Audit reports Issued Quarter 2 2016/17

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score
Mayor's Charity Accounts	Finance	To provide an independent examination report on the Charity.	No issues to report	None	None	1
Annual Governance Statement 2015/16	Corporate	To provide assurance on the council's governance system.	No significant issues identified	Minor work was required in governance training for officers	Training has been arranged and has been completed in September 2016.	N/A (Satisfactory)
Elections	Governance, Law and Regulation	To audit the staffing payments for the Elections in May 2016.	No issues to report	None	None	1
Referendum	Governance, Law and Regulation	To audit the staffing payments for the elections in June 2016.	No issues to report	None	None	1
Outside Body	Governance, Law and Regulation	To review the governance of an organisation.	Improvements were identified.	Recommendations were made to improve the financial control and governance of the organisation.	On-going	N/A (Unsatisfactory)

Page 3

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 principle 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.

This page is intentionally left blank

Audit	Started	Report Issued	Audit Score
Corporate Governance			
Annual Governance Statement	✓	✓	NA (Satisfactory)
Risk Management			
Fraud Assessment			
Debts Write-Off	✓		
Charities;			
J W Shaw	✓	✓	1
Burnley Acorn Fund	✓	✓	1
Stocks Massey	✓	✓	1
Mayor's Charity Accout	✓	✓	1
Strategic Partners Performance	✓		
National Fraud Intitative	✓		
Fundamental Financial Systems			
Benefits Calculation Check	✓		
Final Accounts	✓		
Bank Reconciliation			
Payroll	✓		
Treasury Management			
Services / Strategic / Cross-Cutting			
Wast Management Contract	✓		
Car Parking			
Flood Payments			
Time and Attendance	✓		
Recruitment and Selection			
Data Protection			
Flare – Application			

Audit	Started	Report Issued	Audit Score
Elections	✓	✓	1
Green Spaces & Amenities – Asset Control			
Incidents			
Member Declaration	✓	✓	3
Outside Body	✓	✓	NA (Unsatisfactory)
Flood Grant	✓		
Contingency			
Referendum	✓	✓	1
Empty Property Loans	✓		

This page is intentionally left blank

AUDIT & STANDARDS COMMITTEE

Work Programme 2016/17

<u>DATE OF MEETING</u>	<u>AREAS TO BE CONSIDERED</u>
11 th January 2017	<ul style="list-style-type: none"> • <i>Standards Complaints Update</i> • <i>Strategic Risk Register 2016/17</i> • <i>Fraud Risk Assessment 2016/17</i> • <i>External Audit Progress Report</i> • <i>Internal Audit Progress Report Q2</i> • <i>Work Programme 2016/17</i>
8 th March 2017	<ul style="list-style-type: none"> • <i>Standards Complaints Update</i> • <i>Annual Governance Statement 2016/17 Arrangements</i> • <i>Annual Accounts 2016/17 Arrangements</i> • <i>Internal Audit Progress Report Quarter Three 2016/17</i> • <i>Risk Management Review 2016/17</i> • <i>Internal Audit Plan 2017/18</i> • <i>External Audit Plan 2016/17</i> • <i>Work Programme 2017/18</i>

This page is intentionally left blank