Public Document Pack

AUDIT AND STANDARDS COMMITTEE

Thursday, 17th March, 2022
6.30 pm

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AUDIT AND STANDARDS COMMITTEE

ROOMS 2 & 3, TOWN HALL

Thursday, 17th March, 2022 at 6.30 pm

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

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

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

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

AGENDA

1) ***Apologies***

To receive any apologies for absence.

2) ***Minutes*** 5 - 10

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

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

MEMBERSHIP OF COMMITTEE

Councillors

Councillor Lord Wajid Khan of Burnley (Chair)
Councillor Howard Baker (Vice-Chair)
Councillor Charlie Briggs
Councillor Phil Chamberlain
Councillor Tom Commis
Councillor Beatrice Foster
Councillor Lubna Khan
Councillor Asif Raja
Councillor Andy Wight

Co-opted Members

Councillor Kathryn Haworth, Habergham Eaves Parish Council
Councillor Gill Smith, Cliviger Parish Council
David Swift, Independent Member
Stuart Arnfield, independent Member

External Auditor

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

Published: Wednesday, 9 March 2022

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AUDIT AND STANDARDS COMMITTEE

MECHANICS THEATRE, MANCHESTER ROAD

Thursday, 27th January, 2022 at 6.30 pm

PRESENT

MEMBERS

(Councillor H Baker, In the Chair).

Councillors H Baker (Vice-Chair), P Chamberlain, T Commis, B Foster, A Raja and A Wight

OFFICERS

Lukman Patel	–	Chief Operating Officer
Ian Evenett	–	Internal Audit Manager
Amy Johnson	–	Principal Accountant
Salma Hussain	–	Internal Auditor
Eric Dickinson	–	Democracy Officer
Matthew Woodward	–	Internal Auditor

CO-OPTED MEMBERS

Councillor Gill Smith
David Swift

EXTERNAL AUDITORS

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

16. Apologies

Apologies for absence were received from Councillor Charlie Briggs, Councillor Lubna Khan, Councillor Wajid Khan, and Stuart Arnfield.

17. Minutes of the last meeting

To approve as a correct record the Minutes of the meeting held on 23rd September 2021.

18. Audited Final Accounts 2020-21

Georgia Jones and Helen Stevenson, from Grant Thornton, presented the Audit Findings report for the year ended 31 March 2021.

Georgia Jones suggested that it was usual for any minor changes to the Audit Findings to be delegated to the s151 Officer of the Council in consultation with the Chair of the Audit and Standards Committee, with any material changes to be reported back to the Audit and Standards Committee.
She reported within the financial statements on significant risks regarding management override of controls and valuation of investment property, on key judgements regarding land and building valuations, and on Internal Control regarding the journals system.
She also reported that the accountancy treatment of Sandygate Square was still under review by Grant Thornton`s Technical Team and that the conclusion of which would be discussed with the Head of Finance and Property and the Finance Manager as necessary.
As part of the Action Plan she highlighted a recommendation that valuation of land and buildings is undertaken on 31 March of the year of the accounts.

Helen Stevenson reported on Value For Money (VFM) and indicated that the focus was on financial sustainability with the outcome being a focus on delivery.

Members made the following points;
-Why did General Fund Reserves increase significantly?
This was due to Business Grants received and Covid related issues
-How were VFM issues monitored?
This was done within quarterly Monitoring reports with an assessment of risk carried out by Internal Audit, and the reports were public and went to all Members at Full Council.
-The outcome of how journals were made and by who?
Due to work demands regarding why a few particular journals were made, and due to homeworking as a backup with the number of system administrators increased, it was confirmed that all journals made were appropriate but also that the issues would be reviewed by management

IT WAS AGREED

(1) That the Statement of Accounts be approved and signed, with delegated authority given to the S151 Officer to make minor amendments in consultation with the Chair of the Audit and Standards Committee;

(2) That the Letter of Representation be approved and signed;

(3) That the Audit Finding s be noted; and

(4) That the Annual Governance Statement signed as at January 2022 be approved.

19. Annual Governance Statement 2021-22 Arrangements

Ian Evenett reported on the 2021-22 Annual Governance Statement Arrangements. He indicated that the Member Self-Assessment Questionnaire 2021/22 at Appx 2 was for the attention of Chairs of Committees and other specified Members, and that they should be returned by the end of February so that the draft assurance statement can be completed by the end of March with inclusion in the draft accounts by the end of July.

IT WAS AGREED

That the proposed process for the 2021-22 Annual Governance Statement Arrangements be approved.

20. Internal Audit Progress Report Q2 2021-22

Matthew Woodward presented the Internal Audit Progress report 2021-22, and he highlighted the action taken to report and recover the ineligible payment of Test and Trace Grants.
Members Made the following points;
-What is the timescale for reporting Q3 information to the end of December 2021?
This will be reported to Audit and Standards in March 2022 as currently set out in the Work Programme
-Has there been a systems audit undertaken regarding Test and Trace payments?
Councils were asked to issue Grants with control priorities only put in place afterwards, and despite operational controls some frauds have been perpetrated. However there is no system weakness, improvements have been passed onto management, and a covid audit is currently being undertaken.
It was further reported that national fraud arrangements did identify particular accounts and that a worse outcome was averted. It was also indicated that due to the particular circumstances of Covid the grant scheme did occasionally compromise Audit Independence during processing, but on those occasions an Independent Review was carried out.
-How was the list of Audit reports decided and amended?
It was indicated that movements to the list would not usually be a matter for the Audit and Standards Committee but would be made by Internal Audit with any external client audits the responsibility of their Audit decision makers.

IT WAS AGREED
That the report and comments on its contents be noted.

21. Fraud Risk Assessment 2021-22

Salma Hussain reported on a fraud risk assessment and on the current fraud trends which affected the public sector.

Members made the following points;
-Who now deals with Housing Benefit fraud?
The DWP deals with it, and that as well as Council Tax Rebate which is still substantive there are some Housing Benefit cases which have not moved over to Universal Credit and which the Council would refer to the DWP Fraud Investigation Service.
-What steps are being taken to address single person discount fraud as it has grown in the last year?
It was reported that liaison was ongoing with the National Fraud Initiative with 20 cases referred at a value of 7k and that checks were being done annually to identify potential fraud in this difficult to prove area which usually involved multiple year fraud.

IT WAS AGREED
That the report be noted.

22. Strategic Risk Register 2022

Ian Evenett reported on the Strategic Risk Register.
Members made the following points;
-How was the financial stability regarding Charter Walk recognised?
It was currently recognised within the financial stability risk, but it could also be added to the current trigger or cause list within the register.
- How was the progress of Charter Walk monitored, such as rent collection, and could there be a separate report on Charter Walk?
It was reported on within the Revenue Monitoring reports which went through the Committee system to all Members, and which was inclusive of all issues.
It was highlighted that regarding regeneration risks, the acquisition of Charter Walk and the progression of the Pioneer site development had reduced the risk in risk reference 6 (inability to deliver the regeneration programme) from 3 to 2 due to reduced loan uncertainty and rents now being successfully collected.

IT WAS AGREED
That the report and the comments on its contents be noted.

23. Regulation of Investigatory Powers Act (RIPA) -Annual return

Lukman Patel reported on the Regulation of Investigatory Powers Act (RIPA) Annual Return, and indicated that there had not been any surveillance activity necessitating authorisation under RIPA in the 2021-22 financial year.
Ian Evenett also reported that during any Internal Audit investigation there was an awareness of RIPA and its involvement of covert human intelligence sources as well as the need for any investigation to be proportionate.

IT WAS AGREED
That the update on authorisations issued under RIPA be noted.

24. Standards Complaints Update

Lukman Patel reported on Member Complaints Statistics during the 2021/22 Municipal Year. He indicated that to date 6 complaints regarding the conduct of Members had been received, with 3 withdrawn before the complaint initial assessment was undertaken, one complaint obsolete due to old information being on the Council`s website, and 2 complaints being dealt with by mediation following the complaint initial assessment by the Monitoring Officer and after consultation with the Council`s Independent Person.

He also proposed that an updated report for 2021/22 Member complaints is provided to the Committee at the beginning of the 2022/23 Municipal year.

Members made the following points;
-Regarding the withdrawal of 3 complaints before the complaint initial assessment was undertaken, were there any barriers been identified which led to the complaints being withdrawn?
It was indicated that complaints no longer went through Group Leaders but after due consideration in each case and with the agreement of the complaint the complaints were withdrawn.

IT was AGREED
That the Member Complaints report 2021/22 be noted, including that a further update be provided at the first meeting of the 2022/23 Municipal Year.

25. Work Programme 2021/22

The Work Programme 2021/22 was considered.

IT WAS AGREED
That the Work Programme 2021/22 be noted and that the following item be added for the 17th March 2022 meeting;
-Internal Audit Plan 2022/23

26. External Auditor Appointment

Georgia Jones and Helen Stevenson left the meeting and did not take part in this item.

Ian Evenett reported on proposals for appointing the external auditor to the Council for the accounts for the 5 year period 2023/24 -2027/28.

IT WAS AGREED
THAT Full Council be recommended that the Council accepts the Public Sector Audit Appointments` (PSAA) invitation to opt into the sector-led
Option for the appointment of external auditors to principal local government and police bodies for 5 financial years commencing 1 April 2023.

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Financial Management Code

REPORT TO AUDIT AND STANDARDS COMMITTEE

DATE	17 March 2022
PORTFOLIO	Resources & Performance Management
REPORT AUTHOR	Amy Johnson
TEL NO	(01282) 473162
EMAIL	ajohnson@burnley.gov.uk

PURPOSE

1. To update the Audit and Standards Committee on requirement to implement the Financial Management Code (FM Code) for the 2021/22 financial year.
2. To inform Audit and Standards Committee of the Councils assessment of compliance with the FM Code as set out in Appendix 1.

RECOMMENDATION

3. Note the publication of the Financial Management Code and the requirement for it to be applied for the 2021/22 financial year.
4. Note the councils assessed level of compliance against the FM Code as contained in Appendix 1.

REASONS FOR RECOMMENDATION

5. The Financial Management Code provides guidance for good and sustainable financial management in local authorities and provides assurance that local authorities are managing resources effectively.
6. To ensure that the council complies with the requirements of the FM Code.
7. To identify actions to be taken where full compliance with the FM Code has not been achieved.

SUMMARY OF KEY POINTS

8. The Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets the standards of financial management for local authorities.

9. The FM Code is supported by the statutory requirement for all local authorities to have sound financial management. Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "*make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs*." Compliance with the FM Code will assist local authorities to demonstrate that they are meeting these important legislative requirements.

10. CIPFA's intention is that the Financial Management Code will have the same scope as the Prudential Code for Capital Finance in Local Authorities (CIPFA, 2017), which promotes the financial sustainability of local authority capital expenditure and associated borrowing.

11. In addition to its alignment with the Prudential Code for Capital Finance in Local Authorities (CIPFA, 2017), the FM Code also has links to the Treasury Management in the Public Sector Code of Practice and Cross Sectoral Guidance Note (CIPFA, 2017) and the annual Code of Practice on Local Authority Accounting in the United Kingdom. The FM Code pulls together the key elements of these statutory requirements.

12. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
    - financially manage the short, medium and long-term finances of a local authority
    - manage financial resilience to meet unforeseen demands on services
    - manage unexpected shocks in their financial circumstances

13. The underlying principles that inform the FM Code have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.
    - Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
    - Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
    - Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
    - Adherence to professional standards is promoted by the leadership team and is evidenced.
    - Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
    - The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources

14. Local authorities must demonstrate that the requirements of the code are being satisfied. Our assessment against these requirements can be seen in Appendix 1. Compliance with the FM Code is the collective responsibility of elected members, the Chief Finance Officer and Management Team.

15. The first full year of compliance with the code is 2021/22.

16. **Risks**
Failure to comply with the Code may reflect negatively on the financial sustainability of the council which may impact on the council's reputation. To mitigate the risk the council employs suitably qualified and experienced staff who undertake regular Continuous Professional Development in line with the requirements of their qualification. In addition, the council's Section 151 Officers sits on the Management Team, who are consulted on all financial reports. The council's Internal Audit section carry out regular reviews of the system of internal control, and the council's external auditors ensure compliance with relevant regulations.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

17. None

POLICY IMPLICATIONS

18. None.

DETAILS OF CONSULTATION

19. None

BACKGROUND PAPERS

20. CIPFA Financial Management Code.

FURTHER INFORMATION	
PLEASE CONTACT:	**Amy Johnson – Finance Manager**
ALSO:	**Howard Hamilton-Smith – Head of Finance & Property**

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Ref.	Description	Detail	CFO Assessment and Actions Required
Responsibilities of the Chief Finance Officer and Leadership Team			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	Responsibility for managing the authority's financial resources and for ensuring its long-term financial sustainability lies with those responsible for making executive decisions and their advisors.	The council has a clear governance structure which is documented in the constitution of the council. The Council's Scrutiny Committee review all Executive reports. The remit of the Council's Internal Auditors includes consideration of value for money. The Council's External Auditors carry out a value for money assessment each financial year. The Council has outsourced several service areas to Liberata to deliver services on our behalf. Regular service delivery meetings are held to monitor performance. The Council has outsourced the refuse collection service to Urbaser. Regular service delivery meetings are held to monitor performance. The Council has outsourced its leisure facilities to Burnley Leisure Trust. Regular service delivery meetings are held to monitor performance. **Actions identified: None**

B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government	The Chief Finance Officer (CFO) is required: • To be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest • To be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered and aligned with the authority's overall financial strategy • The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively • The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose • The CFO in a local authority must be professionally qualified and suitably experienced	The Head of Finance and Property is the Council's Section 151 and Chief Financial Officer. The Head of Finance and Property is a key member of the Management Team. All Executive reports are reviewed and agreed by Management Team. The Head of Finance and Property oversees a team of suitably qualified personnel within the Finance, Internal Audit and Property sections. The Head of Finance and Property is professionally qualified and suitably experienced. The Council subscribes to various external professional services, for example, CIPFA FAN, LG Futures, PSTax, Link Asset Services from which appropriate professional advice is obtained as required. **Actions identified: None**

Governance and Financial Management Style			
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	Consideration should be given to the effectiveness of arrangements in place including: • Establishing a clear framework for governance and internal control across the authority including for those entities with which the authority works in partnership • Establishing clear arrangements for assurance and accountability • Espousing high standards of governance and internal control in its own activities • Creating, maintaining and nurturing a culture in which governance and internal control are embedded into the way in which the authority works	The Council's Constitution defines the roles of all Statutory Officers within the Council and also includes the scheme of Delegation and the Financial Procedure Rules. The terms of reference for Audit & Standards Committee cover the areas of governance and internal control. Internal Audit review the systems of internal control through the Annual Governance Statement. Management Team regular meet with Executive Members at Policy Board and the Executive. **Actions identified: None**
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)	The framework recommends that the review of the effectiveness of the system of internal control is included in the Annual Governance Statement	The Council's Annual Governance Statement (AGS) is prepared in accordance with this framework. The AGS is approved by Audit and Standards Committee and published alongside the annual Statement of Accounts. **Actions identified: None**

E	The financial management style of the authority supports financial sustainability	CIPFA identifies a hierarchy of three financial management styles: • Delivering accountability • Supporting performance • Enabling transformation	Budget holders are responsible for their budgets, with support from their Finance Business Partners. The Council's Medium Term Financial Strategy and Capital Investment Programme aims to provide a holistic view to Management Team and Members on the revenue budget, capital programme, fees and charges, earmarked reserves and financial planning. The Council has a strong reputation for financial planning and the identification and achievement of savings to ensure that budgets are balanced annually. The Council has also identified several regeneration schemes which have been approved by Members and are aligned to the Council's strategic objectives, for example, Pioneer Place, Charter Walk, Sandygate Halls. **Actions identified: None**
Medium to Long Term Financial Management			
F	The authority has carried out a credible and transparent financial resilience assessment	The authority should explore the sensitivity of its financial sustainability to alternative plausible scenarios for key driver of costs, service demands and resources.	The Council's Medium Term Financial Strategy (MTFS) looks at a forward projection of 4 years and includes three scenarios on funding – a reduction of 0%, 2% and 4%. The MTFS is reviewed by Management Team and reported to Members twice per year – February and September. The key risks facing the council are identified within the MTFS along with mitigating actions. The Council's Reserve Strategy is included within the MTFS.

			The Council has a strong record of identifying current year and future year savings. These proposals are reviewed by Management Team and Executive Members before being approved by Full Council. **Actions identified: None**
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	After having carried out a financial resilience assessment, the authority should demonstrate how the risks identified have informed the development of its longer-term financial strategy. The authority should report the implications of these risks on its future financial sustainability to its leadership team, including its elected members.	The Council's Medium Term Financial Strategy (MTFS) looks at a forward projection of 4 years and includes three scenarios on funding – a reduction of 0%, 2% and 4%. The MTFS is reviewed by Management Team and reported to Members twice per year – February and September. The key risks facing the council are identified within the MTFS along with mitigating actions. **Actions identified: None**
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	CIPFA's Prudential Code provides a framework for the self-regulation of the authority's capital financing arrangements. It requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent and sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital planning.	The Council's Capital Strategy has been prepared in accordance with the Prudential Code. The Council seeks specialist advice from Link Asset Services around borrowing and affordability over the shorter to longer term. This includes ensuring that future repayments are spread sufficiently to ensure affordability of repayment. **Actions identified: None**

I	The authority has a rolling multi-year medium term financial plan consistent with sustainable service plans.	The authority should prepare a multi-year financial plan to ensure that its annual budget is in alignment with its longer-term financial aims. The plan should be consistent with associated service plans for the authority's principal services.	The Council's Medium Term Financial Strategy (MTFS) looks at a forward projection of 4 years and includes three scenarios on funding – a reduction of 0%, 2% and 4%. The MTFS helps to formulate the annual budget. The MTFS process requires the identification of savings within service areas. Savings proposals are reviewed by Management Team and the Executive to ensure that they are in alignment with service plans. **Actions identified: None**
The Annual Budget			
J	The authority complies with its statutory obligations in respect of the budget setting process.	For local authorities in England and Wales: • The Local Government Act 2000 requires the Full Council to approve the annual budget, on the recommendation of the Executive, together with the associated council tax demand; • The Local government Act 2003, Section 25 requires the local authority's Section 151 Officer to report to the Council on the robustness of the estimates made in the annual budget and on the adequacy of the proposed financial reserves assumed in the budget calculations.	The annual budget is approved by Full Council at their February meeting along with the Council Tax Resolution. The Section 151 Officer is involved in the annual budget setting process and the production of the Medium Term Financial Strategy (MTFS). The Statutory Report of the Chief Finance Officer is submitted to Full Council annually at their meeting in February. The report focuses on the robustness of the estimates made when setting the annual budget along with the adequacy of the Council's reserves and the identification of risks. **Actions identified: None**

K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.	The aim of this report is to provide information and assurance in respect of the estimates included within the annual budget, so that those responsible for scrutinising and approving the budget can take these into account as part of the scrutiny and approval process.	The Statutory Report of the Chief Finance Officer is submitted to Full Council annually at their meeting in February. The report focuses on the robustness of the estimates made in the annual budget along with the adequacy of the Councils reserves and the identification of risks. The Medium Term Financial Strategy (MTFS) and the Treasury Management Strategy are also submitted to Full Council in February to be approved alongside the annual budget and the Council Tax Resolution. **Actions identified: None**
Stakeholder Engagement and Business Cases			
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	Stakeholder consultation can help to set the authority's priorities and to reduce the possibility of legal or political challenge. Furthermore, stakeholder consultation helps to encourage community involvement not just in the design of services but in their ongoing delivery.	The Council consults with stakeholders (budget holders, service delivery partners etc) when setting the annual budget. Where savings proposals would impact on service delivery then public consultation would take place. Consultation is undertaken when compiling the Strategic Plan. The Strategic Plan is reported to Full Council. **Actions identified: None**
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	Option appraisals are necessary when a decision will have important financial or service implications. The appraisal should identify all income and expenditure, with alternative options considered.	Investment appraisals are carried out for all large regeneration schemes, for example, Sandygate Halls, Pioneer Place, Charter Walk. These appraisals factor in various scenarios of income and expenditure and include a sensitivity analysis.

			The Executive receives reports on the appraisals to consider whether the schemes should progress. All Member briefings occur for all major schemes to ensure that the appropriate level of scrutiny can take place prior to any decisions being taken at Full Council. **Actions identified: None**
Monitoring Financial Performance			
N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	To enable the leadership team to have access to the information required to identify emerging risks, the authority needs to ensure its leadership team: • Receives reports about the right things • Receives reports at the right time • Receives reports in the right format • Takes action in respect of any issues identified	Quarterly budget monitoring reports (revenue and capital) and the annual outturn reports (revenue and capital) are reviewed by Management Team prior to being reported to the Executive. The Medium Term Financial Strategy (MTFS), annual budget report, Treasury Management Strategy and Capital Investment Programme are all reviewed by Management Team prior to being reported to the Executive. **Actions identified: None**
O	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	The leadership team is able to monitor material elements of the authority's balance sheet which pose a risk to its financial sustainability.	The Council's treasury management advisors (Link Asset Services) carry out an annual balance sheet review on behalf of the council. Quarterly monitoring reports (for revenue and capital) and considered by Management Team prior to being reported to the Executive. These reports include the up-to-date position on revenue and capital reserves.

			The Council's Medium Term Financial Strategy (MTFS) looks at a forward projection of 4 years and includes three scenarios on funding – a reduction of 0%, 2% and 4%. The MTFS is reviewed by Management Team and reported to Members twice per year – February and September. The Executive receive 3 in year treasury management reports (strategy, mid-year report and annual outturn) which inform Members of investments and borrowing. **Actions identified: None**
External Financial Reporting			
P	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local authority Accounting in the United Kingdom	It is the responsibility of the Chief Finance Officer (Section 151 Officer) to: • Select suitable accounting policies and apply them correctly • Make judgements and estimates that are reasonable and prudent • Comply with the local authority Code • Keep proper accounting records which are up to date • Take reasonable steps for the prevention and detection of fraud and other irregularities	The Council's Chief Finance officer is the Head of Finance and Property (Section 151 Officer). The Council's annual Statement of Accounts includes a signed certification by the Head of Finance and Property confirming that the accounts give a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the current financial year. The annual Statement of Accounts are reviewed by the Council's External Auditors to ensure that they are materially accurate and that the responsibilities of the Chief Finance Officer have been met. **Actions identified: None**

Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.	Effective financial reporting is key to ensuring that the authority and its leadership team understand how effectively its resources have been utilised during the year, including how material variances from initial and revised budgets to outturn have arisen and been managed.	The annual outturn report details the variances between revised budget and actual income and expenditure for each service area. A narrative around the significant variances is also included in the report. **Actions identified: None**

The Audit Findings Report for Burnley Council

Year ended 31 March 2021

March 2022

Contents

Your key Grant Thornton team members are:

Georgia Jones
Key Audit Partner
T 0161 214 6383
E Georgia.S.Jones@uk.gt.com

Helen Stevenson
Manager
T 0161 234 5364
E Helen.L.Stevenson@uk.gt.com

Aaron Gouldman
Assistant Manager
T 0161 214 3678
E Aaron.R.Gouldman@uk.gt.com

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Corporate Governance and Audit Committee.

Georgia Jones

Name : Georgia Jones
For Grant Thornton UK LLP
Date : 17 March 2022

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Burnley Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

The majority of our audit work was completed remotely during October-December. The audit work however continued into January 2022 and has extended into March as a result of various queries on samples, accounting treatment and financial statements presentation. Our findings are summarised on page 5. We have not identified any adjustments to the financial statements that result in a bottom-line adjustment to the Council's Comprehensive Income and Expenditure Statement, Balance Sheet or General Fund. Disclosure and misclassification adjustments are detailed in Appendix C. We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work on the key financial statement balances and significant risk areas is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, or material changes to the financial statements, subject to the following outstanding matters;

- completion of final testing in a number of areas – land and building revaluations, investment property revaluations, grants
- resolution of isolated accounting treatment queries
- receipt of management representation letter
- review of the final set of financial statements; and
- completion of our audit file quality review.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was issued to the Chair of the Audit and Standards Committee on 23 September 2021. We expect to issue our Auditor's Annual Report by the end of February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of financial sustainability to reflect the continuing uncertainty over future government funding.

We have performed further procedures in respect of this risk and have completed this element of our VFM work. Our findings are set out in the value for money arrangements section of this report. The remainder of our work is ongoing.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's Report in February 2022 and completion of our work on the Whole of Government Accounts.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and require the approval of the Audit and Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you at of the Audit and Standards Committee on 23 September 2021.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 17 March, as detailed in Appendix E. These outstanding items include:

- completion of final testing in a number of areas – land and building revaluations, investment property revaluations, and grants
- resolution of isolated accounting treatment queries
- receipt of management representation letter
- review of the final set of financial statements; and
- completion of our audit file quality review.

We anticipate completing the audit during March 2022 and will issue the final version of this Audit Findings Report to members of the Audit and Standards Committee prior to issuing the opinion for consideration.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as continuing with remote access working arrangements. This included remote accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information remotely produced by the Council and access to key data from the Council.

These additional audit procedures were required to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our Audit Plan in September 2021.

We detail in the table our determination of materiality for Burnley Council.

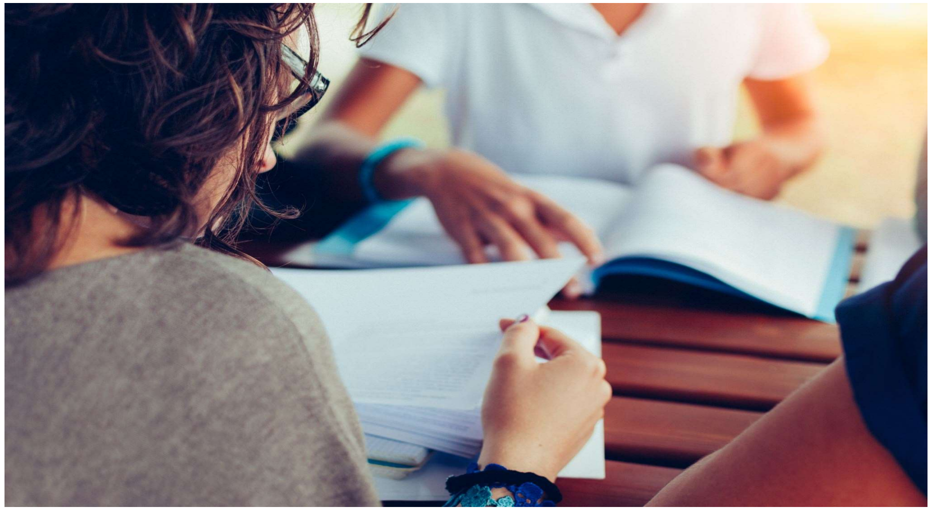
	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,180,000	This equates 2% of your gross operating expenditure and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Council has expended its revenue and other funding.
Performance materiality	767,000	The performance materiality has been set at 65% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising.
Trivial matters	59,000	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate. It is a standard benchmark set at 5% of materiality.
Materiality for senior officer emoluments	20,000	This is due to its sensitive nature, with the value based on the three times the salary bandings disclosed.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk. This was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. From our review of all journals posted during the year we identified 47 higher risk journals that warranted detailed audit testing. From testing carried out on these journals to date there has been no evidence of inappropriate management override of controls through journals. Our commentary on key accounting estimates is set out on pages 11 to 16. We found accounting policies to be appropriate.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue and expenditure recognition risk – Council risk (rebutted) Revenue ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Burnley Council, mean that all forms of fraud are seen as unacceptable Although the risk of fraud is rebutted, we recognise the risk of error in revenue recognition and this is addressed through the responses to risk detailed across. Expenditure In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heighted inherent risk of 'other service expenditure' in our audit scoping and testing assessment.	The revenue and expenditure recognition risks have been rebutted. Despite revenue and expenditure recognition not being a significant risk we still undertook the following procedures to ensure that revenue and expenditure included within the accounts is materially correct. To gain this assurance we: • evaluated the Council's accounting policies for income and expenditure recognition for appropriateness and compliance with the Code • updated our understanding of the Council's system for accounting for income and expenditure and evaluated the design of relevant controls • undertook detailed substantive testing on the income and expenditure streams in 2020/21 • documented our understanding of the full nature of additional Covid-19 related income and expenditure • reviewed the accounting treatment of all new income and expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards Our substantive income and expenditure testing has not identified any errors that we are required to bring to your attention.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (including surplus assets), and investment property £69.7m The Council revalues its land and buildings, on a rolling five yearly basis and annually for investment properties. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£51m of land and buildings, £8.4m of surplus assets and £10.3m of investment properties in the 2020/21 accounts) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. Our 2019/20 opinion included an emphasis of matter paragraph drawing attention to disclosures included in the financial statements of a material uncertainty attached to property valuations at 31 March 2020 due to the uncertain impact of the Covid-19 pandemic. This paragraph did not represent a modification of our audit opinion. We have identified the valuation of land, buildings and investment property as a significant risk.	In response to this risk we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the internal valuation expert and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuations were carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested a sample of valuations at 31 March 2021 to understand the information and assumptions used in arriving at any revised valuations • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • reviewed whether the expert valuer had reported any material uncertainty in relation to property valuations as at 31 March 2021 and, if so, assessed the impact on disclosures in the financial statements and on our audit opinion. We have carried out the planned audit procedures and raised challenge regarding the assumptions used by management and their expert internal valuer. The valuation date used by the valuer was 1 April 2020. We have received satisfactory responses to these enquiries. Assets are revalued as at the 1 April. We have reviewed independent market data for the period 1 April 2020 – 31 March 2021, and have not identified any evidence to suggest that a material misstatement exists due to market factors between the valuation date and the balance sheet date. However we would recommend that valuation of land and buildings is undertaken as at 31 March of the year of the accounts. There is a risk that valuations undertaken as at 1 April could move by a material amount if there were any significant fluctuations in the market over the year. Additionally, we have challenged management's assessment that assets not revalued in year are materially stated at the balance sheet date. While management have not formally considered this by way of detailed calculations, we are satisfied assets are not materially misstated. We would recommend that management complete their own assessment to confirm the value of assets not valued are fairly stated. In undertaking our work we selected the following properties for detailed sample testing due to their high value and/or movement being different to our expectations based upon our independent market trends data: • Other land and buildings – 40 assets • Investment property – 20 assets We have not identified any significant errors based upon our sample testing. Note 4 Assumptions and Major Sources of Estimation Uncertainty made reference to a material valuation uncertainty regarding retail and specific trading assets due to the unprecedented circumstances caused by the Covid-19 pandemic. Our audit work is not yet complete, but has not identified any other issues in respect of valuation of land and buildings (see page 12 for further commentary on estimates used by management).

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability (£61.2m) The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. Our 2019/20 opinion included an emphasis of matter paragraph, drawing attention to disclosures included in the financial statements which reported that, due to the impact of Covid-19 on the global financial markets, the valuation of the Pension Funds' investment properties were reported on the basis of material valuation uncertainty. This paragraph did not represent a modification of our audit opinion. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk. This is one of the most significant assessed risks of material misstatement.	In response to this risk we have: • updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the share of the pension fund valuation • assessed the accuracy and completeness of the information provided to the actuary to estimate the liability • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing additional procedures suggested within the report • assessed whether the pension fund has reported any material uncertainty in relation to investment property valuations as at 31 March 2021 arising from the Covid-19 pandemic • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • obtained assurances from the auditor of the Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements Where appropriate, we have relied on the audit work carried out by another Grant Thornton team as auditors of the Lancashire Pension Fund, in undertaking the above procedures. Our audit work is complete and audit procedures have not identified any material errors in the valuation of the net pension fund liability.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations (including surplus assets) – £55.2m net book value	The Council request their internal valuer to revalue other land and building (opening value £35.7m net book value) on a five year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries and leisure centres. The remainder of operational other land and building are required to be revalued at existing use value (EUV). Surplus assets comprising of an opening value of £8.3 million are required to be revalued annually at fair value, estimated as highest and best use from a market participant's perspective. In 2020/21 the Council revalued £14.6m (31.3% net book value) of other land and buildings and revalued 100% of surplus assets. In line with RICS guidance, the Council's valuations have not been reported as being subject to 'material valuation uncertainty' except in respect of retail and specific trading related assets and sectors, as a result of Covid 19. The Council have added a disclosure within Note 4 of the financial statements to reflect this. Management have considered the year end value of non-valued properties in 2020/21. While not performing detailed calculations, Management rely of the internal valuers knowledge to assert that there is no material movement between the year end value of non-valued properties and their last revaluation. Similarly for assets revalued in year, management asserts that there is no potential material valuation movement arising between 1 April 2020 and the balance sheet date.	The Council's accounting policy on valuation of land and buildings is included in the Accounting Policies note which starts on page 92 of the financial statements. Key observations We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. The underlying information and sensitivities used to determine the estimate was considered to be complete and accurate. The valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We have uplifted assets not revalued in the period using Gerald Eve indices and accepted management's assessment that there has been no material changes to the valuation of land and buildings not revalued in year. A similar approach and conclusion was reached with regards to the movement between the valuation date of 1 April 2020 and the balance sheet date. We consider the level of disclosure in the financial statements to be appropriate. We have selected a sample of 40 Other Land and Buildings valuations to test for appropriate use of valuation assumptions and input data. At the time of issuing this report this testing is not yet complete, however other than the outstanding query below, no issues have been noted to date. We have had detailed discussions with Management regarding the valuation of the new Sandygate student accommodation. We have also had to consult internally since this is an unusual type of asset for a Council to own, and its valuation basis is subject to a large degree of subjectivity. Management have valued the asset at cost but have since undertaken a market valuation which we believe to be most appropriate. We are awaiting responses to our follow up queries on this valuation.	TBC

Page 35

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates (continued)

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment properties - £10.3m	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year with a revaluation date of 1 April 2020. The Council's internal valuer completes the valuation of these properties. The year end valuation of the Council's investment property was £10.3m, a net decrease of £1m from 2019/20.	• We have no concerns over the competence, capabilities and objectivity of the internal valuation expert used by the Council. • The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including within which were the assumptions that were going to be applied to this work • There have been no changes to the valuation method this year • We have considered the potential movements in the valuations at the valuation date of 1 April 2020 and the 31 March 2021. This work has not raised any issues with the 2020/21 valuations. • The Council's internal valuer has identified a material uncertainty regarding the valuation of retail and specific trading related assets and sectors due to market uncertainty arising from the Covid-19 pandemic. Management have disclosed this as a major source of estimation uncertainty in Note 4 to the financial statements. We have assessed the likelihood a material difference between the Councils valuation of investment properties against national trends reported by Gerald Eve acting as the Auditors' Expert. We have concluded there is no material misstatement in valuation. We have selected a sample of 20 investment property valuations to test for appropriate use of valuation assumptions and input data. At the time of issuing this report this testing is not yet complete, however no issues have been noted to date.	TBC

Page 36

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability: £61.2m (PY £49.1m)	The Council's net pension liability at 31 March 2021 is £61.2m (2020/21 £49.2m) comprising the Lancashire Pension Fund local government and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £12m net actuarial loss during 2020/21. Note 2 Assumptions and Major Sources of Estimation Uncertainty made reference to a material valuation uncertainty regarding investment valuation. Management agreed to remove reference to this uncertainty as it was not relevant to the 31 March 2021 position.	• We have assessed the Council's actuary, Mercer, to be competent, capable and objective • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2020/21 roll forward calculation carried out by the actuary and have no issues to raise. • We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate • We have confirmed there were no significant changes in 2020/21 to the valuation method • We are satisfied with the reasonableness of estimate of the net pension liability • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value	PwC value / range	Assessment
Discount rate	2.1%	1.9-2.2%	●
Pension increase rate	2.7%	2.4-2.85%	●
Salary growth	4.2%	3.6% - 4.2%	●
Life expectancy (post 65) – Males currently aged 45 / 65 (years)	23.9/ 22.4	21.8-24.7/ 20.4-23.2	●
Life expectancy (post 65) – Females currently aged 45 / 65 (years)	26.9 25.1	24.8-27.7/ 23.3-25.8	●

Conclusion

We have concluded that management's estimate is reasonable and based on appropriate assumptions in the context of the accounting framework and the Council's circumstances.

2. Financial Statements - key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £1.12m	The Council is liable for successful appeals against business rates charged to business in 2020/21 and earlier financial years in their proportionate share. A provision has therefore been made for the best estimate of the amount that businesses have been overcharged up to 31 March 2021. The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date. The provision has decreased by £1.9m from 2019/20.	• Our work on this estimate is substantially complete. We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other local government bodies • We note that the Council does not include any provision for as yet un-lodged but expected appeals. The Council has indicated this is not a material amount and we are awaiting evidence to support this. • Disclosure of the estimate in the financial statements is considered adequate. • There have been no changes to the calculation method this year.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition £49.2m (PY £31.6m) Due to the Covid-19 pandemic there has been a significant increase in the level of Covid related grant funding with associated complexity and management judgement required. This has comprised a mix of discretionary and non discretionary schemes. The majority has been grants to business including £26.5m Small Business Grant Fund including Retail, Hospitality and Leisure	Management take into account three main considerations in accounting for grants: • whether the authority is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes.	• We have substantively tested a sample of grants across categories; and reviewed management's assessment as to whether the Council is acting as the principal or agent, for the 8 grants identified by the Council relation to covid-specific business support funding. • For the sample selected we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • We have also assessed for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. We have concluded that management's judgement is reasonable and sufficiently disclosed to meet the requirements of IAS20 based on the terms of the grant and how they have applied it • We have assessed the adequacy of disclosure of grants received and judgement used by management. Our work in this area is not yet complete however no issues have been identified to date.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	**Preparation of draft financial statements** Subsequent to the draft financial statement being submitted for audit, a number of changes needed to be made. Whilst we acknowledge the timetable for submission of draft accounts was met, it is important that the Council carry out quality review procedures to ensure adherence to reporting requirements within the statements.	We acknowledge the difficulty of preparing the accounts during the pandemic but recommend management put in place robust quality review procedures to ensure draft financial statements are compliant with requirements and of a good quality. **Management response** Management undertook an exercise to review the working paper arrangements following publication of the draft accounts. The review highlighted that the previous working papers were referencing incorrect information. These have been amended so that the process is automated for future years and these errors won't re-occur. Management will ensure that sufficient time is built into the timetable to undertake a thorough pre-publication review in future years. Staffing pressures contributed to the shortening of the 2020/21 account review period.
●	**Journals system control environment** Some control issues were noted regarding the journal posting environment: - Three journals were posted by the Section 151 Officer. We would not normally expect senior finance personnel to post journals as there is naturally less oversight of this and it can present a risk that controls could be overridden. We tested these journals and did not find any issues. We recommend going forward that the S151 officer does not post journals. - One journal was posted by a finance user who had left the Council several years ago. We tested this journal and established this was an oversight as a result of a feeder template not being amended. However, there is a risk that the potential for fraud could arise if historical accounts are not fully disabled. - Four finance users were found to have full system administration access. There is a risk that inappropriate system changes or user access changes are made. We note however that there are compensating controls in that only I.T. can enable new finance users.	- It is considered best practice that the Section 151 Officer does not have the ability to post journals. - Management should ensure that terminated employees and their user IDs are completely removed from all system access. - A system edit log report should be run by I.T. on a monthly basis to ensure that all Finance user administration activity is appropriate and transparent. **Management response** These arrangements were put in place during the pandemic due to staff shortages and increased workloads resulting from the various support packages being provided on behalf of the Government. This was to ensure that the accounts were prepared in a timely manner and to provide some resilience whilst having to operate remotely. System controls were in place to disable the accounts of staff that had left the authority. However, one of the references used on the templates had not been disabled, which has now been done. Management will ensure that a system edit log is place and reviewed on a timely basis in accordance with the recommendations.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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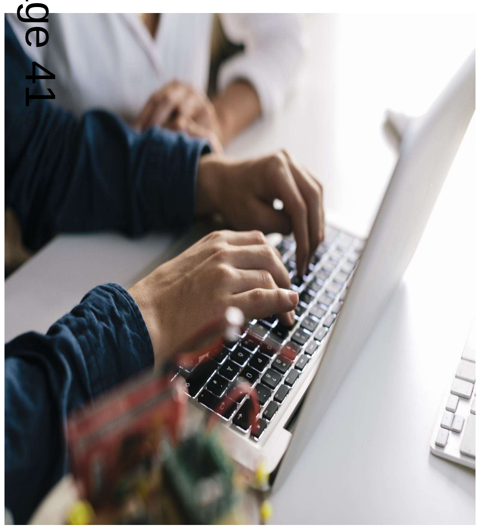


Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit and Standards Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and investment counterparties. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, other than those mentioned in Appendix C - disclosure misstatements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. Our findings are subject to the satisfactory completion of our work and the matters set out on page 3.

2. Financial Statements - other communication requirements

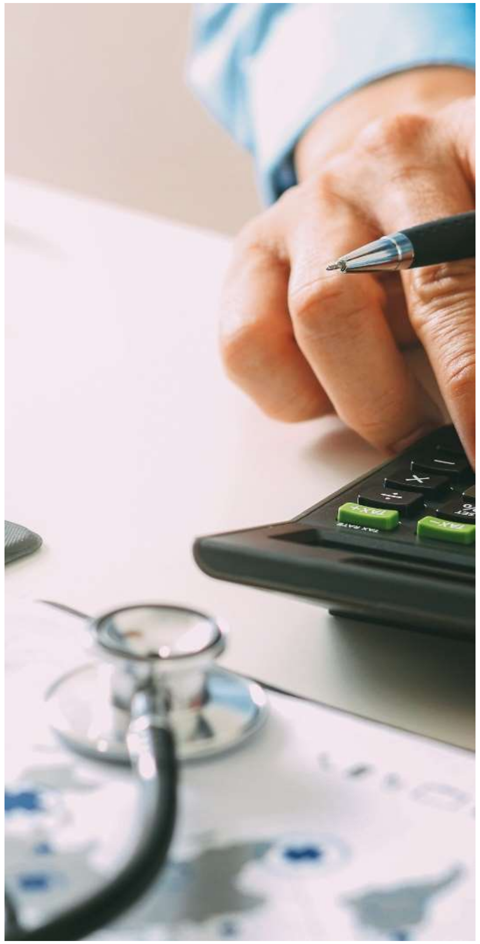
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified other than minor presentational matters, the majority of which have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported at Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money. We have nothing to report on these matters, although the Value for Money work is underway and due to be completed by the end of February 2022.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We are currently awaiting the guidance and instructions in relation to this work. In previous years the work has not been require at this Council as the Council does not exceed the threshold set by the NAO. We expect this to be the case in 2020/21.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Burnley Borough Council in the audit report, due to incomplete VFM work.



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay has been issued to the Chair of the Audit and Standards Committee. We expect to issue our Auditor's Annual Report by the end of February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below.

We have performed further procedures in respect of this risk and have completed this element of our VFM work and did not identify any risks of significant weakness. Our work is continuing on the other elements of VFM which we will report in our Auditor's Annual Report in due course.

Risk of significant weakness	Procedures undertaken	Commentary	Outcome
Financial Sustainability The impact of Covid-19 and continuing uncertainty over future government funding means the Council continues to face future financial uncertainty. Pressures going forward include increasing demands for services, economic recovery from the pandemic and the achievement of strategic objectives, including funding support for major developments. The Council's Medium Term Financial Strategy 2022-26 indicates a potential £4.1m cumulative budget gap over the 3 year period, assuming a 2% reduction in core spending. The Council recognises that to ensure financial balance in the longer term it will be required to deliver savings through strategic prioritisation, service transformation and continuous improvement.	Our work included: • reviewing the in-year budget monitoring reports and outturn • reviewing the Council's assessment of the Covid-19 impact and how the 2020/21 budget is being managed in the light of this. • reviewing the MTFS 2022-26 and 2021/22 budget projections • examining the progress the Council is making for developing future savings and efficiencies to close any medium term funding gaps	The Council is operating within a financially challenging environment, particularly within the context of continuing austerity. It set a one-year budget for 2020/21 (approved in February 2020, and prior to the Covid-19 global pandemic). The budget included the requirement to deliver £596k savings from budgets and a further £213k operational/salary savings to arrive at a balanced budget position. The outbreak of the Covid-19 coronavirus pandemic had a significant impact on the normal operations of the Council and led to substantial financial pressures. As 2020/21 progressed the government provided additional direct funding of £2.486m which was largely directed at tackling homelessness and alleviating pressures from reduced income and additional Covid-19 costs. The Government also provided support for losses of income from sales, fees and charges and a number of other Covid related funding streams. The Council continued to monitor the impact of the revenue budget and the impact of Covid 19 pressures through quarterly financial monitoring reports to Executive and Council. Reports provided the forecast outturn positions and the impacts arising from Covid-19.	Improvement recommendation We recommend the Council continues to closely monitor the delivery of its savings and cost reduction plans as part of the achievement of its Medium Term Financial Strategy (MTFS) and strategic objectives. It will need to ensure it has robust plans in place to ensure it is able to bridge any future funding gaps that may arise.

3. VFM - our procedures and conclusions (continued)

Risk of significant weakness	Procedures undertaken	Commentary	Outcome
Financial Sustainability The impact of Covid-19 and continuing uncertainty over future government funding means the Council continues to face future financial uncertainty. Pressures going forward include increasing demands for services, economic recovery from the pandemic and the achievement of strategic objectives, including funding support for major developments. The Council's Medium Term Financial Strategy 2022-26 indicates a potential £4.1m cumulative budget gap over the 3 year period, assuming a 2% reduction in core spending. The Council recognises that to ensure financial balance in the longer term it will be required to deliver savings through strategic prioritisation, service transformation and continuous improvement.	Our work included: • reviewing the in-year budget monitoring reports and outturn • reviewing the Council's assessment of the Covid-19 impact and how the 2020/21 budget is being managed in the light of this. • reviewing the MTFS 2022-26 and 2021/22 budget projections • examining the progress the Council is making for developing future savings and efficiencies to close any medium term funding gaps	The Council reported a pre-audit overall revenue outturn underspend of £31k for 2020/21. This is a net position after the application of Covid-19 funding to cover the additional expenditure and losses of income directly related to the pandemic. General Fund reserves, including earmarked reserves, have increased to £23.09m as at 31 March 21 (from £10.9m as at 31 March 20). The increase in earmarked reserves includes a new £5.264m Collection Fund Deficit Reserve to offset business rates reliefs given to businesses during lockdown and £1.589m Covid-19 Reserve set aside for future Covid-19 pressures. The Council updated its revenue budget 2021/22 in February 2021 which requires the Council to deliver £182k savings to balance the budget. It also agreed its Medium-Term Financial Strategy (MTFS) 2022/23 to 2025/26 which sets out the financial challenge faced by the Council in the medium term. This identifies a potential funding gap of £4.1m (27% of the 2021/22 net budget of £15.416m) over the 4 year period, assuming a 2% reduction in core spending. The MTFS is continually revisited and at the end of September 2021 the Council reported that the required level of savings remained unchanged. The Council has identified £709k savings in 2022/23 for approval with a remaining unidentified balance of savings required of £2.73m over the period 2022/25. The total savings requirement increases to £5.1m if there is a 4% reduction in core spending power. The Council anticipates that a substantial part of the Council's strategic earmarked reserves will be at, or below, their recommended minimum level by the end of the MTFS period. The Council continues to monitor the adequacy of its strategic reserves in line with updates to its MTFS and the General Fund reserve remains at its recommended level.	

3. VFM - our procedures and conclusions (continued)

Risk of significant weakness	Procedures undertaken	Commentary	Outcome
Financial Sustainability The impact of Covid-19 and continuing uncertainty over future government funding means the Council continues to face future financial uncertainty. Pressures going forward include increasing demands for services, economic recovery from the pandemic and the achievement of strategic objectives, including funding support for major developments. The Council's Medium Term Financial Strategy 2022-26 indicates a potential £4.1m cumulative budget gap over the 3 year period, assuming a 2% reduction in core spending. The Council recognises that to ensure financial balance in the longer term it will be required to deliver savings through strategic prioritisation, service transformation and continuous improvement.	Our work included: • reviewing the in-year budget monitoring reports and outturn • reviewing the Council's assessment of the Covid-19 impact and how the 2020/21 budget is being managed in the light of this. • reviewing the MTFS 2022-26 and 2021/22 budget projections • examining the progress the Council is making for developing future savings and efficiencies to close any medium term funding gaps	The Council presented its second quarterly (Q2) monitoring report 2021/22 to Executive in December 2021 which included an update on the net budget forecast, reserves position and progress with delivery of agreed savings. The report reflected the ongoing uncertainty from the Covid-19 pandemic in preparing accurate year end forecasting, with the current position a forecast £86k deficit. The Council reported £46k salary savings achieved (against a target £169k for the year) and no non-salary savings due to pressures on income and expenditure from the Covid-19 pandemic (the non salary savings target for the year is £79k). The Council continues to face future financial pressures from ongoing Covid-19 expenditure and reductions in income levels. The Q2 report identifies additional shortfalls in income and increases in expenditure of £669k which taken with savings gaps and after central government funding results in the forecast deficit of £86k. The Council recognises that to ensure financial balance in the longer term it will be required to deliver savings through strategic prioritisation, service transformation and continuous improvement.	Conclusion Overall whilst the Council continues to face significant financial pressures we consider the financial management arrangements are sound. The Council acknowledges that it is essential that it continues to identify and implement robust action plans to ensure savings remain on track. It will need to ensure it is clear on service prioritisation, areas of improvement focus and develop longer term transformational plans to ensure a balanced budget and delivery of financial stability in the future.

4. Independence and ethics

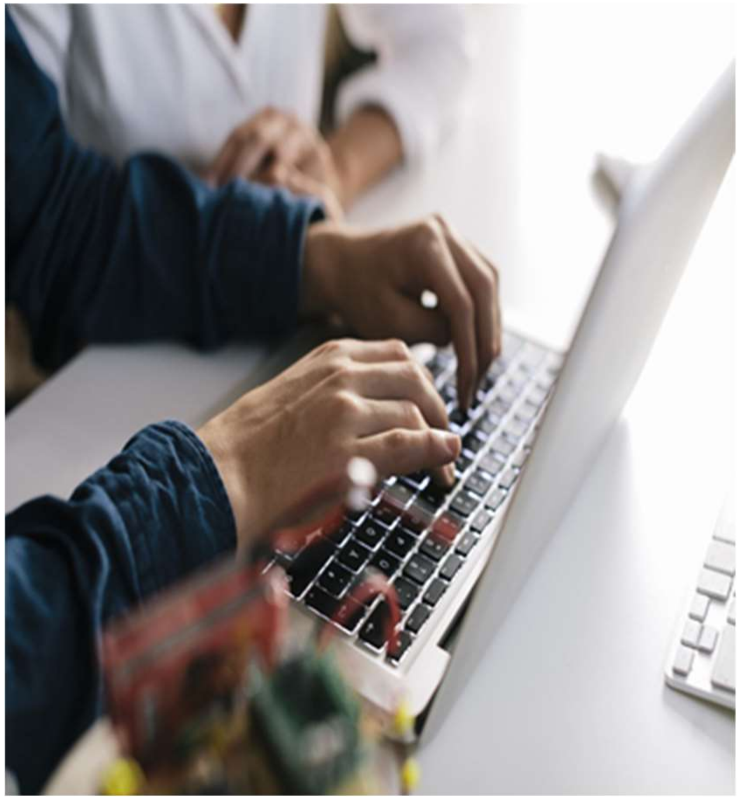
We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 (grantthornton.co.uk)]



4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. No audit related services were identified.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of housing benefits subsidy claim	24k	Self-Interest (because this was a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £24,000 in comparison to the total fee for the audit of £60,437 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to report to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Journals control environment** Some control issues were noted regarding the journal posting environment: - Three journals were posted by the Section 151 Officer. We would not normally expect senior finance personnel to post journals as there is naturally less oversight of this and it can present a risk that controls could be overridden. We tested these journals and did not find any issues. We recommend going forward that the S151 officer does not post journals. - One journal was posted by a finance user who had left the Council several years ago. We tested this journal and established this was an oversight as a result of a feeder template not being amended. However, there is a risk that the potential for fraud could arise if historical accounts are not fully disabled. - Four finance users were found to have full system administration access. There is a risk that inappropriate system changes or user access changes are made. We note however that there are compensating controls in that only I.T. can enable new finance users. We recommend: - It is considered best practice that the Section 151 Officer does not have the ability to post journals. - Management should ensure that terminated employees and their user IDs are completely removed from all system access. - A system edit log report should be run by I.T. on a monthly basis to ensure that all Finance user administration activity is appropriate and transparent.	**Management response** These arrangements were put in place during the pandemic due to staff shortages and increased workloads resulting from the various support packages being provided on behalf of the Government. This was to ensure that the accounts were prepared in a timely manner and to provide some resilience whilst having to operate remotely. System controls were in place to disable the accounts of staff that had left the authority. However, one of the references used on the templates had not been disabled, which has now been done. Management will ensure that a system edit log is place and reviewed on a timely basis in accordance with the recommendations.
Medium	Preparation of draft financial statements Subsequent to the draft financial statement being submitted for audit, a number of changes needed to be made. Whilst we acknowledge the timetable for submission of draft accounts was met, it is important that the Council carry out quality review procedures to ensure adherence to reporting requirements within the statements. This has meant that additional audit resource has been needed to understand and document changes made to the accounts by management. We acknowledge the difficulty of preparing the accounts during the pandemic but recommend management put in place robust quality review procedures to ensure draft financial statements are compliant with requirements and of a good quality.	**Management response** Management undertook an exercise to review the working paper arrangements following publication of the draft accounts. The review highlighted that the previous working papers were referencing incorrect information. These have been amended so that the process is automated for future years and these errors won't re-occur. Management will ensure that sufficient time is built into the timetable to undertake a thorough pre-publication review in future years. Staffing pressures contributed to the shortening of the 2020/21 account review period.

Assessment
- High priority
- Medium priority -
- Low priority

A. Action plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Medium	**Valuation basis for assets brought into use** The new Sandygate student accommodation block was brought into use but not formally revalued as at 31 March 2021. The CiPFA Code requires that when a former asset under construction is brought into use it is revalued at that point. Therefore the Council's accounting was not in line with the CIPFA Code requirements, and carries the risk that the asset is material misstated at the balance sheet date. We are continuing our assessment of this but going forward would recommend that full valuations are factored in to the revaluations programme for assets due to come into use in a given year.	**Management response**
Medium	**Date of asset valuations** The valuation date of 1 April, compared to the balance sheet date of 31 March, gives rise to the risk of material misstatement due to market factors arising in a calendar year, which can be significant especially in uncertain times. We would recommend that valuation of land and buildings is undertaken as at 31 March of the year of the accounts.	**Management response** In previous years a desktop exercise has been completed at the year end to assess whether a significant event has taken place that would affect the valuations undertaken throughout the year. Management will amend the date of future valuations to the 31 March date to remove this risk.
Medium	**Assets not revalued in the year** We have challenged management's assessment that assets not revalued in year are materially stated at the balance sheet date. Management have not formally considered this by way of detailed calculations. We would recommend that management complete there own assessment to confirm the value of assets not valued are fairly stated.	**Management response** The Council's internal valuer undertakes a desktop exercise at the end of each financial year, to assess whether a significant event has taken place that would affect the valuations not undertaken that financial year. Management will formalise this approach for future years.

Assessment

- High priority
- Medium priority -
- Low priority

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B. Follow up of prior year recommendations

We identified the following issues in the audit of Burnley Borough Council's 2019/20 financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings report.

We have followed up on the implementation of our recommendations and note the progress made to address the issues raised in the table.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x	Rolling asset valuations Management did not provide sufficient analysis to support the assertion that assets not revalued in 2019/20 as part of the rolling programme of valuations were materially accurate at the balance sheet date. We recommended the Council improve the assessment of the changes in values for assets not included each year. They should consider additional factors that may affect the valuation and seek input from the internal valuer as management's expert.	Management continue to rely solely on the five-yearly rolling programme to support the relevance of the valuation of the entire estate as at each balance sheet date.
✓	Depreciation and asset useful economic lives The Council review the useful economic lives (UELs) of its buildings when spend is made rather than upon revaluation. We recommended that the asset UELs should be revisited as part of the revaluation to ensure that the depreciation charges are accurately calculated.	UELs have been revisited and fully depreciated assets have been removed from the asset register where no longer operational.
✓	VfM financial sustainability Delivery of individual identified savings schemes and activities are not monitored and reported to the Executive and Full Council. Consequently, the Council is not aware if the agreed savings schemes are being delivered as planned. We recommended the Council should monitor and report delivery of individual identified savings areas as well as those not yet identified throughout the year.	See full detailed commentary on progress during 2020-21 in the value for money section of this report

B. Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated: IT control recommendations	Update on actions taken to address the issue
✓	VfM financial sustainability The Council faces significant financial challenge in 2021/22 and beyond. It should focus on the identification of its savings plans for the next three years to ensure these can be actioned promptly and are focused on sustainable solutions.	See full detailed commentary on progress during 2020-21 in the value for money section of this report.
✓	VfM capital schemes The Pioneer Place Capital scheme may not be financially viable if COVID-19 continues to impact on the leisure and retail market The Council should continue to actively manage and report progress on the Pioneer Place capital scheme as it progresses, to ensure it remains financially viable.	The Council, together with its delivery partners, is actively managing and reviewing the Pioneer Place scheme, to ensure that it remains financially viable, taking into account various environmental factors, including Covid-19. To achieve this aim, the Council has reduced the size of the scheme, reduced the annual rental income targets, and brought in additional external funding. These changes were reported and approved at Full Council in November 2020. Officers and delivery partners continue to actively monitor and report progress on the scheme. The vfm work in this area is in progress and will be completed in line with the NAO required timescales.

C. Audit Adjustments

Impact of adjusted misstatements

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

We have not identified misstatements requiring adjustment impacting the primary statements and the reported net expenditure for the year ending 31 March 2021. The Primary Statements comprise the Comprehensive Income and Expenditure Statement, Statement of Movement in Reserves, Balance Sheet and Cash Flow Statement. The Audit and Standards Committee is required to approve management's proposed treatment of all items where processed.

Impact of unadjusted misstatements

We have identified misstatements requiring adjustment impacting the primary statements and the reported net expenditure for the year ending 31 March 2021. The Primary Statements comprise the Comprehensive Income and Expenditure Statement, Statement of Movement in Reserves, Balance Sheet and Cash Flow Statement. The Audit and Standards Committee is required to approve management's proposed treatment of all items where not processed.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total comprehensive income and expenditure £'000	Reason for not adjusting
The 2019/20 Covid-19 revenue support grant was received prior to year end without conditions and should therefore be accounted for in the year of receipt, rather than in the year of expected use ie 2020/21. Current year income is therefore overstated.	75	(75)	75	Management expected to receive the funds in the new year.
Costs of £449k relating to the NW Growth Corridor scheme in Q4 were not accrued for, and were subsequently invoiced by the Environment Agency. A subsequent debtor was therefore not raised to LCC. Income, expenses, debtors and creditors are therefore understated in 20/21 and overstated by this amount in 21/22. There is no net effect on the surplus/deficit position.	449 (449)	449 (449)	0	Not material enough to warrant amendment.
A provision liability of £62k has been included in relation to the Council's pension guarantees granted to bodies where LGPS staff have transferred. Since the entities have not failed to pay their pension contributions, we do not believe that the Council has a current liability. The in-year increase of £17k is therefore overstated.	(17)	62	(17)	Management believe that provision accounting is appropriate in this instance.
The new Sandygate student accommodation block is held at cost rather than current value as required by the Code. The Council have subsequently determined the current value as not being materially different to the carrying value. *Agreement of current value appropriateness subject to audit queries resolution*	TBC	TBC	TBC	
Overall impact	**£58**	**£13**	**£58**	

C. Audit Adjustments

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

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Material corrections made to Note 12E Financial Liabilities opening figures as at 31/3/20, since the prior year figures were not brought forward accurately.	Comparative figures must be accurately stated in line with the prior year's signed accounts. Management response Adjusted appropriately.	✓
Material corrections needed for Note 16 Provisions to reflect that no additional business rate appeal provisions were charged in the year.	No impact on opening and closing provision however movement lines must be accurately presented. Management response Adjusted appropriately.	✓
The updated accounting policies have not been included in the draft financial statements. The prior year 2019/20 accounting policies have been left in.	Updated accounting policies must be presented. Management response Adjusted appropriately.	✓
The accounting policy for depreciation should be clarified with regards to the depreciation method used for Vehicles, Plant and Equipment. It is not clear whether the straight line or reducing balance method is used.	The depreciation method should be clarified. Management response Adjusted appropriately. These assets are depreciated on a straight line basis.	✓
Information relating to the material estimation uncertainty of property valuations has been repeated in both Note 2 (Critical judgements in applying accounting policies) and Note 4 (Sources of material estimation uncertainty).	This information should be disclosed once in the most appropriate place. Management response Amended to only describe the estimation uncertainty in Note 4 (Sources of estimation uncertainty).	✓
Clarification needed to Note 4 with regards to the material valuation uncertainty clause which only relates to Investment Properties and not Operational Land and Buildings.	The clause must be very clear to the reader and to ensure consistency with the auditor's emphasis of matter paragraph within the audit opinion. Management response Adjusted appropriately.	✓
An investment property disposed of for £99k was incorrectly classified as revalued to zero as opposed to disposed. The gain on disposal is therefore overstated by the same amount, however there is no impact on the Surplus/Deficit on provision of services.	The investment property transactions should be accurately presented. Management response Not adjusted due to materiality and complexity of amendments needed.	x

C. Audit Adjustments

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

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Disclosure corrections made to the CIES, since Investment Property rental income of £808k had been incorrectly included 'above the line' and not in the Financing and Investment section.	Ensure that primary statements are thoroughly checked prior to issuing draft financial statements. **Management response** Adjusted appropriately.	✓
Various formatting and reconciliation issues were noted in the draft Note 6 (Expenditure and Income Analysed by Nature).	Ensure that primary statements are thoroughly checked prior to issuing draft financial statements. **Management response** Management decided to redesign the Note 6 (Expenditure and Income Analysed by Nature) disclosure table for simplicity, greatly reducing the number of columns used.	✓
IFRS 16 (Leases) which comes into effect for Public Sector bodies from 1 April 2022, has been left out of Note 1 (Accounting standards issued but not adopted)	This standard should be listed in the note as it is still waiting to be adopted. **Management response** Adjusted appropriately.	✓
Note 26 Related Parties The disclosure for Members' allowances and expenses paid in year, refers to 2019/20, and the total amount quoted is slightly out from the working provided.	The year should be showing as 2020/21 members' expenses and the amount presented should match the workings.(£223,678). **Management response** Adjusted appropriately.	✓
Material disclosure errors noted in Note 25 Grant Income with relation to the Revenue Support Grant and the Section 31 Business Rates Compensation Grant	The grants must be presented accurately, and the total must reconcile to the CIES. **Management response** Adjusted appropriately.	✓
Note 13- Presentational error of 79k found where the in year transactions for the Council Tax Payers Impairment Allowance needed to be reallocated to the trade receivables and the housing benefit receivables impairment lines.	The impairment allowances must be presented accurately. **Management response** Adjusted appropriately.	✓

C. Audit Adjustments (Previous year)

Impact of prior year unadjusted misstatements made during the previous year audit

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements. These items have no material impact on the financial statements for 2020/21.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total comprehensive income and expenditure £'000	Reason for not adjusting
The Covid-19 revenue support grant was received prior to year end without conditions and should therefore be accounted for in the year of receipt, rather than as a grant received in advance.	75	75	75	Management expected to receive the funds in the new year.
Overall impact	**£75**	**£75**	**£75**	

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D. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£60,437	TBC
Total audit fees (excluding VAT)	£60,437	TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services Housing Benefit claim	£24,000	£24,000
Total non-audit fees (excluding VAT)	**£24,000**	**£24,000**

The fees reconcile to the financial statements following amendment to the draft accounts in note 32 (External Audit Costs).

Grant Thornton

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ITEM NO	[AgendaItem]

Internal Audit Progress Report

REPORT TO AUDIT AND STANDARDS COMMITTEE

	DATE	17/03/2022
	PORTFOLIO	Resources and Performance Management
	REPORT AUTHOR	Ian Evenett
	TEL NO	01282 425011
	EMAIL	IEvenett@burnley.gov.uk

PURPOSE

1. To inform members of the work undertaken by Internal Audit for the period 1st October to 31st December 2021.

RECOMMENDATION

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

REASONS FOR RECOMMENDATION

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

SUMMARY OF KEY POINTS

Audit Reports

4. From 1st October to 31st December 2021, there was 1 audit report produced for the Council (1 audit report produced for Burnley Leisure and 2 incident reports). Details of audits (excluding Burnley Leisure's) are given in **Appendix 1**.

Performance Statistics

5. The comparison between actual and planned audits can be seen in **Appendix 2**. Several audits have started, and to date have been completed but due to timing will form part of annual update 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 19 – against an annual target of 22 (17 for the Council and 2 for Burnley Leisure) and the percentage of high-priority actions from audit action plans implemented which was 100% and has a target of 100%.

Other Activity

7. Work has commenced on the Annual Governance Statement for 2021/22, and consultation with Heads of Service and Management Team for the Internal Audit Plan has been completed.

8. The service has been supporting a council wide information governance campaign on e-mail phishing and phishing education.

9. The audit team have been supporting the Council's business continuity response to the Coronavirus pandemic: -

    - assisting with Business Support Grants and processing related suspected fraud reports (Omicron and ARG (Additional Restrictions Grant) Grants)
    - supporting the Council's Covid responses.

10. Internal Audit dealt with an incident relating to alleged COVID grant fraud this quarter, and one relating to a payment made as part of the Heritage Action Zone in the Town Centre.

11. The Council is planned to have its 5-Yearly External Review by the Lancashire Chief Auditors Group Peer Review Sub-Group on its compliance with the Public Sector Internal Audit Standards (PSIAS) and CIPFA (Chartered Institute for Public Finance and Accountancy) Local Government Application Note in August 2022. The Peer Review is likely to be by two of the Lancashire Local Authorities Heads of Internal Audit.

12. As part of the Governments response to reports on Local Government Audit (Measures to improve local audit delays - GOV.UK (www.gov.uk) , the Council has been invited to participate in a North West Chairs' of Audit Committee's Forum. Details have been provided to the organisers of this.

13. Unfortunately, an Auditor is leaving the Council this month. Whilst vacant this will be an impact until a recruitment exercise can be completed.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

14. None

POLICY IMPLICATIONS

15. None

DETAILS OF CONSULTATION

16. None

BACKGROUND PAPERS

17. None

FURTHER INFORMATION	
PLEASE CONTACT:	**Ian Evenett (Internal Audit Manager) Ext 7175**
ALSO:	**Salma Hussain (Auditor) Ext 3152**

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Appendix 1

Summary of Audit reports Issued Quarter 3 - 2021/22						
Audit	**Service**	**Audit Purpose**	**Audit Opinion**	**Key Actions Agreed**	**Implementation Detail**	**Score**
Debt Write Off's Q2	Finance and Property	To test check write-offs and prepare a report for authorisation	No Significant issues to report	None	None	N/A (1)
SIP Grant Incident Report IR 08 2122	Finance and Property	To investigate an allegation of ineligible payment of a Self-Isolation Payment (SIP)	Two ineligible grants had been paid	Grants should be recovered Report to Action Fraud	Completed	N/A
HAZ Payment Report IR 09 2122	Economy and Growth	To investigate an allegation over the payment of suppliers for HAZ (Heritage Action Zone)	The payment had been appropriately completed.	None	None	N/A

Audit Score Defined

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

Appendix 2

Audit	Started	Report Issued	Audit Score
Corporate			
Annual Governance Statement	✓	✓	N/A
NFI	✓	✓	N/A
Charities			
Debts Write-Off	✓	✓	N/A(1)
Fraud Risk Review	✓	✓	N/A
Partnerships	✓		
Strategic Partner Performance Indicators			
Safeguarding			
Finance & Property			
Benefits Calculation Check	✓		
Payments of Benefits			
Treasury Management	✓	✓	1
Payment of Creditors	✓		
Council Tax	✓	✓	1
Payroll	✓		
Related Party Interests	✓	✓	N/A
Utilities	✓		
Information Governance			
Information Governance	✓		
Housing & Development Control			
Empty Homes Initiatives	✓		
Legal & Democratic Services			
Electoral Registrations	✓	✓	1
Elections	✓	✓	1
Economy & Growth			
Vision Park Project			
External Clients			
Burnley Leisure – Service Level Agreement	✓	✓	
Burnley Leisure – Audit Agreed for 2020/21	✓	✓	

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ITEM NO	

Annual Accounts 2021/22 Arrangements

REPORT TO AUDIT AND STANDARDS COMMITTEE

DATE	**17 March 2022**
PORTFOLIO	**Resources & Performance Management**
REPORT AUTHOR	**Amy Johnson**
TEL NO	**(01282) 473162**
EMAIL	**ajohnson@burnley.gov.uk**

PURPOSE

1. To update the Audit and Standards Committee on the arrangements made to date and the implications of the changes required for the Council ahead of the closure of the 2021/22 accounts.
2. To seek approval for the accounting policies to be used in producing the Statement of Accounts as set out in Appendix 1.
3. To inform Members that a date will be confirmed nearer the time for a final accounts workshop for Audit and Standards Committee Members to allow officers to present the 2021/22 Statement of Accounts and explain the findings and issues.
4. Members will recall that following a consultation exercise by DLUCH the deadlines for completion of the draft and audited statement of Accounts were extended for the 2020/21 and 2021/22 financial years. The deadline for completion of the draft Statement of Accounts will be remain as 31st July (previously 31st May) and the deadline for publication of the audited Statement of Accounts will remain as 30th September (previously 31st July).

RECOMMENDATION

5. Note the report and arrangements that the Council is making in advance of the closure of accounts for the year 2021/22.
6. Approve the proposed accounting policies to be followed in producing the Statement of Accounts as shown in Appendix 1.

REASONS FOR RECOMMENDATION

7. The Council has a statutory duty to approve the accounts for 2021/22 by the 30 September 2022.
8. To ensure that the Council complies with requirements in relation to the Statement of Accounts.
9. To explain the actions being taken to minimise the risks to the final accounts process.

SUMMARY OF KEY POINTS

10. The 2021/22 accounts are to be produced under the Code of Practice on Local Authority Accounting in the UK for 2021/22 standards and will require similar detail and analysis.

11. Following a consultation exercise DLUCH announced that the deadline for completion of the draft Statement of Accounts would be extended from 31st May to 31 July and the audited Statement of Accounts from 31 July to 30 September for a 2-year period – 20/21 and 21/22. These deadlines are in accordance with recommendation 10 of the Redmond Review. The intention is for the amended deadline to be reviewed after that period when it will be clearer as to whether the audit completion rate has improved.

12. **The changes affecting this Council are:**
    - Last years' successful exercise to declutter the Statement of Accounts should be undertaken again with a view to reducing the size of the Statement.
    - The implementation of IAS 16 (Leases) has been delayed for a further year to 1st April 2023.

13. **Preparation**

    Training
    - Preparation for the closure of 2021/22 accounts is to include both formal and informal training for staff in Finance which will again include examples of how to speed up the process of closure of accounts and the production of the statement of accounts.
    - Staff have attended formal training courses by the Council's auditors' Grant Thornton and CIPFA and have taken an active role in regular discussions among peer groups across Lancashire and the North West.

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

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

    Procedures & systems
    - Changes to procedures and systems which had been implemented during the previous three years will continue to be used and refined during 201/22 closedown.

14. **Calculation of Impact**

    Updating Accounting Policies

- The accounting policies have been reviewed. There are no significant changes and there is no material financial impact of adopting the changes. Appendix 1 shows the proposed accounting policies to be adopted in closing the accounts for 2021/22.

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

16. **Risks**
    The risks of non-compliance with the requirement to have a "fit for purpose" statement of accounts prepared by 31 July 2022 and reported to members with an unqualified audit opinion by 30 September 2022 are (not necessarily exhaustive):

    - Failure to have assets revalued by the date shown in the timetable. To mitigate this risk, officers have completed the great majority of this work in December 2021.
    - Key staff becoming unavailable during the closure process. Planning of staff availability will help mitigate the risk but this risk will be managed should the situation arise.
    - Failure to fully identify and incorporate the requirements of the 2021 Code. This is unlikely given the few changes from the 2021 Code.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

17. None

POLICY IMPLICATIONS

18. Changes to the Council's Accounting Policies.

DETAILS OF CONSULTATION

19. None

BACKGROUND PAPERS

20. 2021 Code of Practice on Local Authority Accounting in the UK.

21. Papers and publications held in Finance.

ITEM NO	

FURTHER INFORMATION	
PLEASE CONTACT:	**Amy Johnson – Finance Manager**
ALSO:	**Howard Hamilton-Smith – Head of Finance & Property**

Accounting Policies

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) supported by International Financial Reporting Standards (IFRS).

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

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

II. ACCRUALS OF EXPENDITURE & INCOME

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

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

III. CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

V. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

VI. COUNCIL TAX AND NON-DOMESTIC RATES

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

ACCOUNTING FOR COUNCIL TAX AND NDR

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

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

VII. EMPLOYEE BENEFITS

BENEFITS PAYABLE DURING EMPLOYMENT

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

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

TERMINATION BENEFITS

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

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

POST-EMPLOYMENT BENEFITS

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

THE LOCAL GOVERNMENT PENSION SCHEME

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

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

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

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

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

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

VIII. EVENTS AFTER THE REPORTING PERIOD

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

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

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

IX. FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES

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

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

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

FINANCIAL ASSETS

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

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

FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

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

EXPECTED CREDIT LOSS MODEL

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

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

- Level 3 inputs – unobservable inputs for the asset.

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

X. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

XI. HERITAGE ASSETS

TANGIBLE AND INTANGIBLE HERITAGE ASSETS

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

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

XII. INTANGIBLE ASSETS

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

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

This Council does not have any internally generated assets.

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

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

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

XIII. INVENTORIES AND LONG TERM CONTRACTS

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

XIV. INVESTMENT PROPERTY

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

XV. JOINT OPERATIONS

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

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

XVI. LEASES

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

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

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

THE AUTHORITY AS LESSEE

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

THE AUTHORITY AS LESSOR

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Where assets are acquired under operating leases the leasing rentals payable are recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease.

XVII. OVERHEADS AND SUPPORT SERVICES

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

XVIII. PROPERTY, PLANT AND EQUIPMENT

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

RECOGNITION

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

MEASUREMENT

Assets are initially measured at cost comprising:

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

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

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

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

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

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

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

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

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

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

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

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

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

IMPAIRMENT

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

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

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

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

DEPRECIATION

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

Depreciation is calculated on the following bases:

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

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

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

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

DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

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

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

XIX. PROVISIONS AND CONTINGENT LIABILITIES

PROVISIONS

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

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

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

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

CONTINGENT LIABILITIES

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

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

XX. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

XXI. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

XXII. VALUE ADDED TAX

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

XXIII. FAIR VALUE MEASUREMENT

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

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

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ITEM NO	[AgendaItem]

Strategic Risk Register

REPORT TO AUDIT AND STANDARDS COMMITTEE

DATE	17/03/2022
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Ian Evenett
TEL NO	01282 425011 Ext 7175
EMAIL	ievenett@burnley.gov.uk

PURPOSE

1. To update members on the Strategic Risk Register.

RECOMMENDATION

2. The Committee considers the Strategic Risk Register and comments on its contents.
3. That the Strategic Risk Register is recommended to the Executive.

REASONS FOR RECOMMENDATION

4. Members can monitor the Strategic Risk Register arrangements.
5. That the Executive receive the Strategic Risk Register.

SUMMARY OF KEY POINTS

Strategic Risk Register

6. The Strategic Risk Register (Appendix 1) was last presented to the committee in Jan.

7. Since then the revised Strategic Plan has been agreed in February and this requires an update to the risk register as they represent the actions that the council take to reduce these risks. These have been incorporated.

8. Other work has been included in Risk Ref 11 relating to Malicious Attack, in the Council's work on Anti-Phishing training.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

9. None

POLICY IMPLICATIONS

10. None

DETAILS OF CONSULTATION

11. None

BACKGROUND PAPERS

12. None

FURTHER INFORMATION	
PLEASE CONTACT:	**Ian Evenett (Internal Audit Manager) Ext 7175**
ALSO:	

Burnley Borough Council

Strategic Risk Register

09 March 2022

Strategic Risk Register Summary

ID	Risk Description	Risk Score
1	Financial stability	9
9	Risks in responding to demographic changes and increased deprivation	9
6	Inability to deliver the regeneration programme	6
4	Changes in the political landscape	6
5	Changes in national policy/legislation	6
8	Inability to influence key decision makers	6
10	Workforce, skills and capacity challenges	6
14	Failure to respond to a widespread illness	6
2	Maintaining Partnership Performance	4
3	Damage to the Council’s reputation	4
7	Inability to drive improvements through information technology	3
11	Malicious Attack	3
12	Safeguarding Failure	3
13	Environmental Event	3

Risk Score: 1 - 3 Low Risk; 4 - 6 - Medium Risk; 9 - High Risk

Risk Prioritization Matrix

Likelihood	3		4, 5, 10	1, 9	Red High
	2		2, 3	6,8,14	Amber Medium
	1			7, 11, 12, 13	Green Low
		1	2	3	
		Impact			

Likelihood	Impact
1 Very Unlikely	1 Low
2 Likely	2 Medium
3 Virtually Certain	3 High

Risk Score: 1 - 3 Low Risk; 4 - 6 - Medium Risk; 9 - High Risk

Risk Ref: 1 Financial stability

Trigger or Cause	Possible Consquences of Risk
Further funding cuts	Organisational sustainability
Income loss (C19)	Reduced service delivery
Insufficient financial controls	Reduced customer satisfaction
Expensive decision making	Reduced reserves
External cost pressures	Overspends
Price or Interest Rate Increases	Damaged credit rating
Political growth	Damage to reputation
Failing to understand the financial problem	Workforce morale/planning/retention
National Economic Changes (C19)	Reduced reputation for financial management
Claims against the Council	Central Government Intervention

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	3	Score	9	High Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy 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 will continue to deliver services more efficiently.

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan. This will include embedding hybrid working patterns where this improves productivity.

PL6 - We will invest in our heritage assets for the benefit of this, and future, generations.

PR5 - We will support UCLan’s expansion, transforming Burnley into a University Town

PR6 - We will delivery our COVID-19 economic recovery plan.

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

Lead Responsibility : Head of Finance & Property

Risk Ref: 2 Maintaining Partnership Performance

Trigger or Cause	Possible Consquences of Risk
Procurement method	Reduced service delivery
Supply chain failure	Reduced customer satisfaction
Commissioning ‘v’ traditional culture	Political or reputation embarrassment
Political Change	Perceived council failure
Poor implementation	Poor co-ordination of existing providers and systems
Compliance/Legal	Poor relationships
Business continuity	Increased costs
Transformational cultural change not achieved	
Poor or weak contract management	
Partner failure or withdrawal	

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	2	Likelihood	2	Score	4	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.

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

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

PE3 - We will continue to work with partners to provide necessary support systems to reduce homelessness and to end rough sleeping in the borough.

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive, and environmentally friendly borough. This will include community engagement, enforcement and cleansing in ‘hotspot’ areas.

PL3 - We will work with partners to improve the quality and choice in the borough's housing stock.

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

PR3 - We will deliver the Town Centre and Canalside Masterplan, and strategic projects in Padiham Town Centre.

PR5 - We will support UCLan’s expansion, transforming Burnley into a University Town

Other Work

Contract Review and Extension Planning

Lead Responsibility : Management Team

Risk Ref: 3 Damage to the Council's reputation

Trigger or Cause	Possible Consquences of Risk
Service failure	Strategic plan delivery problem
Loss of key staff	Credibility of the leadership (both political and officer)
External events	Low morale
Customer Satisfaction not maintained	Loss of key staff
Partner failure or withdrawal	Recruitment and retention issues

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	2	Likelihood	2	Score	4	Medium Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy 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, attractive, and environmentally friendly borough. This will include community engagement, enforcement and cleansing in 'hotspot' areas.

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

PE4 - We will work on the wider determinants of poor health and will keep residents informed about changes to health services and how to access them.

Lead Responsibility : Chief Executive 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
Local Govt Reorganisation

Possible Consquences 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 Assessement	Impact	**2**	Likelihood	**3**	Score	**6**	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.

PR4 - We will implement the Local Plan, delivering new housing, employment sites, and infrastructure.

Other Work

Council Constitution

Lead Responsibility : Chief Executive Officer

Risk Ref: 5 Changes in national policy/legislation

Trigger or Cause	Possible Consquences of Risk
New functions/loss of existing functions Short term thinking Lack of capacity Changes from the devolution of Powers from Central Government Interest rate changes	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 Assessement	Impact	2	Likelihood	3	Score	6	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

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan. This will include embedding hybrid working patterns where this improves productivity.

Lead Responsibility : Management Team

Risk Ref: 6 Inability to deliver the regeneration programme

Trigger or Cause	Possible Consquences of Risk
Economic downturn (C19)	Inability of private sector partners to deliver
Lending squeeze/Interest rate increases	Delivery partner does not have the capacity to delivery
Procurement failure	Delays in delivery of the regeneration programme
Regeneration funding priorities change	Damaged reputation
Changes in funding from Central Government	Increase programme costs
Changes in Town Centre Use	Decreased programme funding

Strategic Link: Prosperity People

Residual Risk Assessement	Impact	3	Likelihood	2	Score	6	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 deliver the Town Centre and Canalside Masterplan, and strategic projects in Padiham Town Centre.

PR4 - We will implement the Local Plan, delivering new housing, employment sites, and infrastructure.

PR5 - We will support UCLan’s expansion, transforming Burnley into a University Town

PR6 - We will delivery our COVID-19 economic recovery plan.

PL3 - We will work with partners to improve the quality and choice in the borough's 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.

Lead Responsibility : Strategic Head of Economy and Growth

Risk Ref: 7 Inability to drive improvements through information technology

Trigger or Cause	Possible Consquences of Risk
IT partnership failure (to deliver past procurement) IT partnership procurement failure Current IT provision failure Information governance failure Cyber-attack	Inability to deliver and develop services and not deliver anticipated savings and service improvement Public confidence in use of Council services through IT lowered Data Loss and Service distruption Increased costs of recovery

Strategic Link: Performance

Residual Risk Assessement	Impact	3	Likelihood	1	Score	3	Low Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

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

Lead Responsibility : Chief Operating Officer

Risk Ref: 8 Inability to influence key decision makers

Trigger or Cause	Possible Consquences of Risk
Change of political control	Loss of external funding opportunities
Breakdown of key relationships	Reduced level of influence over key decision makers
Change of staff/key relationships	Inability to deliver through partnerships
Change in reputation for delivery	Reduced reputation of Council

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	2	Score	6	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.

PL3 - We will work with partners to improve the quality and choice in the borough's 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

PR5 - We will support UCLan’s expansion, transforming Burnley into a University Town

Lead Responsibility : Management Team

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

Trigger or Cause	Possible Consquences of Risk
Government policy	Not delivering on the regeneration programme
Economic downturn (C19)	Poor service delivery
Big ticket issues – crime, health, housing (C19)	Poor customer satisfaction
Benefit dependency (C19)	Low aspirations
Short term fixes	Damage to reputation
Negative reputation	Failure to improve
Failure to develop opportunities	Increased demand
Local Infection Increase (C19)	Increased costs
	Less funding
	Viability of Burnley

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	3	Score	9	High 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.

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, attractive, and environmentally friendly borough. This will include community engagement, enforcement and cleansing in 'hotspot' areas.

PL2 - We will improve the management and condition of private rented accommodation.

PL3 - We will work with partners to improve the quality and choice in the borough's 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

PL3 - We will work with partners to improve the quality and choice in the borough's housing stock.

PR4 - We will implement the Local Plan, delivering new housing, employment sites, and infrastructure.

Other Work
Community Hub

Lead Responsibility : Management Team

Risk Ref: 10 Workforce, skills and capacity challenges

Trigger or Cause	Possible Consquences of Risk
Loss of the workforce	Service failure/deterioration
Loss of organisational memory	Damaged reputation
Loss of organisational skills	Increased complaints
Lack of commitment to organisational development	Low morale
Lack of investment in training	Recruitment and retention issues
Political direction change	Increased workflow
	Business resilience
	Not having the right staff with the right skills

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	2	Likelihood	3	Score	6	Medium Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable financial footing. This strategy will set the framework for preparing annual budgets, ensuring the annual budget strategy 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 will continue to deliver services more efficiently.

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

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan. This will include embedding hybrid working patterns where this improves productivity.

Lead Responsibility : Chief Executive Officer

Risk Ref: 11 Malicious Attack

Trigger or Cause	Possible Consquences of Risk
Public Disturbance	Death of Public / Staff
National Risk Level	Loss of Assets
Lack of Stakeholder Engagement	Major impact on Services and Community
Lack of Planning	Evacuation
Poor and delayed information and communication	Financial Cost
Event Targeting	Reputational damage
Cyber-attack	Data Loss

Strategic Link: Cross-Cutting

Residual Risk Assessement	Impact	3	Likelihood	1	Score	3	Low Priority Risk

Strategic Commitments

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

PE4 - We will work on the wider determinants of poor health and will keep residents informed about changes to health services and how to access them.

Other Work

Emergency Planning
Local Improvement of Counter Terrorism Strategy (CONTEST)
Event Planning
Community Engagement
Local Resilience Forum
Anti Phishing Training

Lead Responsibility : Chief Operating Officer

Risk Ref: 12 Safeguarding Failure

Trigger or Cause	Possible Consquences of Risk
Weak or No response to reported issues	Injury to Clients
Historic issues which are identified	Resources diverted to address Risks
Safeguarding System Failure	Major impact on Services and Community
Failure of Background Checks	Financial Costs
Not recognising Safeguarding Risks	Reputational Damage
	Central Government Action

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	1	Score	3	Low Priority Risk

Strategic Commitments

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities that the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan. This will include embedding hybrid working patterns where this improves productivity.

Other Work

Safeguarding Policy
Open and Transparent Culture
Whistleblowing Policy
Communications
Corporate Complaints Process

Lead Responsibility : Chief Executive Officer

Risk Ref: 13 Environmental Event

Trigger or Cause	Possible Consquences of Risk
Extreme Weather	Death of Public / Staff
High Rainfall	Loss of Assets
Heatwave	Major impact on Services and Community
Changing Climate	Evacuation
High Snowfall	Financial Cost
Storms and Gales	
Flooding	

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	1	Score	3	Low Priority Risk

Strategic Commitments

PL5 - We will prepare and deliver a new Climate Emergency Strategy.

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive, and environmentally friendly borough. This will include community engagement, enforcement and cleansing in 'hotspot' areas.

PF1 - We will manage our contract with Liberata robustly, so it delivers value for money and good services.

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

Other Work

Business Continuity Plans
Emergency Planning
Event Planning
Community Engagement
Local Resilience Forum
Sustainability

Lead Responsibility : Head of Streetscene

Risk Ref: 14 Failure to respond to a widespread illness

Trigger or Cause	Possible Consquences of Risk
Pandemic	Death of Public / Staff
Influenza	Major impact on Services and Community
SAR	Financial Cost
MERS	Event Closure
COVID	Buildings Closure
Local Infection Increase (C19)	Business and Economy failures
Variant Strains	

Strategic Link: Cross Cutting

Residual Risk Assessement	Impact	3	Likelihood	2	Score	6	Medium Priority Risk

Strategic Commitments

PR6 - We will delivery our COVID-19 economic recovery plan.

PE4 - We will work on the wider determinants of poor health and will keep residents informed about changes to health services and how to access them.

PE3 - We will continue to work with partners to provide necessary support systems to reduce homelessness and to end rough sleeping in the borough.

Other Work

Business Continuity Plans
Emergency Planning
Community Engagement
Local Resilience Forum
Transistional/Recovery Arrangements
Test/Trace/Vaccination/Isolation Payments
Cremation Services
Community Hub
Grant Schemes

Lead Responsibility : Management Team

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ITEM NO	[AgendaItem]

Internal Audit Plan 2022 23

Report to Audit and Standards Committee

	DATE	17/03/2022
	PORTFOLIO	Resources and Performance Management
	REPORT AUTHOR	Ian Evenett
	TEL NO	01282 477175
	EMAIL	ievenett@burnley.gov.uk

PURPOSE

1. To inform on the audit planning process and seek approval from members on the proposed Internal Audit plan for 2022-23.

RECOMMENDATION

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

REASONS FOR RECOMMENDATION

3. Audit and Standards Committee are ‘the Board’ in respect of the Public Sector Internal Audit Standards (PSIAS). As part of this role, they should consider approval of a risk-based internal audit plan.

4. To ensure that the service is delivered effectively in accordance with proper practices.

5. To ensure delivery of an audit opinion for 2022-23.

SUMMARY OF KEY POINTS

Internal Audit Plan 2022/23 (Appendix 1)

6. The PSIAS requires to have a risk-based audit plan for a period of no longer than one year. We have consulted management to establish the auditable activities for 2022/23. Members of the audit team liaised with each head of service to discuss key areas of risk and potential audits within their area of activity.

7. The audit universe, which contains all elements identified for audit, was subsequently updated with the new risk scores following these discussions. The risk scoring matrix

contains several factors such as size, volume and value of transactions, levels of control and time since the last audit.

8. The proposed Internal Audit Plan 2022/23 is based on the result of this risk assessment exercise, whilst also maintaining audit coverage across all services of the Council. The audits that have been delivered so far are those that were carried over from the 2021/22 plan.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

9. None

POLICY IMPLICATIONS

10. None

FURTHER INFORMATION:	
PLEASE CONTACT:	**Ian Evenett (Internal Audit Manager) Ext 7175**
ALSO:	**Salma Hussain (Auditor) Ext 3152**

Appendix 1

Service	Audit Activity	Audit Days	Total	Priority
Corporate	Annual Governance Statement	25		22
	NFI (National Fraud Initiative)	10		20
	Charities	5		19
	Debts Write-Off	8		21
	Fraud Risk Review	5		18
	Strategic Partner Performance Indicators	20		5
			73	
Finance & Property	Benefits Calculation Check	15		17
	NDR	15		5
	Covid Grants	15		1
	Budget Monitoring	10		3
	Bank Reconciliation	10		8
	Fees and Charges	6		10
	General Ledger	15		9
	Building Repairs	15		11
			101	
Information Governance				
	IT (Information Technology) Continuity Plans	10		12
	Website and Digital Services	10		4
	MLUCLG Resilience Funding Action Plan	15		2
			35	
Housing & Development Control	Landlord Selective Licencing	9		13
			9	
Street Scene	Trade Waste	10		15
	Out of Hours Response	8		7
			18	
Economy & Growth	Charter Walk Procurement	15		13
	Markets	10		16
			25	
External Clients				
	Burnley Leisure – Service Level Agreement	15	15	

Service	Audit Activity	Audit Days	Total	Priority
	Frauds and Investigations	15		
	Emergent Risks	20		
	Follow-Up	11		
	Advice and Guidance	9	55	
	Total Available Days		331	

ITEM NO	[AgendaItem]

Audit and Standards Committee Terms of Reference

Report to Audit and Standards Committee

	DATE	**17/03/2022**
	PORTFOLIO	**Resources and Performance Management**
	REPORT AUTHOR	**Ian Evenett**
	TEL NO	**01282 477175**
	EMAIL	**ievenett@burnley.gov.uk**

PURPOSE

1. To review the terms of reference for the committee.

RECOMMENDATION

2. Members consider the report and provides comment on any changes for the committee's terms of reference.

REASONS FOR RECOMMENDATION

3. Periodic review of the Terms of reference of the committee is best practice for Audit Committees.
4. To ensure that the committee is effective in meeting its aims.

SUMMARY OF KEY POINTS

Current Terms of reference (Appendix 1)

5. The format of the committee reference is a combination of the Audit role and the Standards role. As can be seen the points 1 to 3 relate to Standards and 4 relate to Audit.
6. The mechanism for changing this would require consideration by the Member Structures and Support Working Group, who would make recommendations to Full Council.

Example Terms of Reference from Central Government (Appendix 2)

7. This is a good practice example for the terms of reference and there are many overlaps with the current terms of reference. The main differences are:
    a. Executive members are not allowed to be members of the board.

b. A focus on Strategic Risk (this is included into our committee work programme but not in the terms of reference).

8. The role of the Audit committee is to be independent of an organisation's Executive hence the requirement to not to have Executive Members on the board. This is common to other best practice terms of reference.

CIPFA's (Chartered Institute for Public Finance and Accountancy) Position Statement on Audit Committees in Local Authorities and Police 2018 (Appendix 3)

9. Like the National Audit Office example this stresses independence from the Executive and in this case also includes Scrutiny.
10. This also includes a specific role in Treasury Management (in clause 5). The exact reference in the 2021 Treasury Management Code of Practice is for an Audit Committee or Scrutiny Committee to review the Treasury Management policy and procedures. The Scrutiny Committee cover this role.
11. It is likely that CIPFA will publish updated guidance for audit committees in 2022.

Conclusions

12. One of the requirements of the Audit Committee functions is to be independent of the Executive and other committee, which is inconsistent with the current membership requirements.
13. Strategic risk is included in the work programme but not clearly reflected in the Terms of reference of the Committee.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

14. None

POLICY IMPLICATIONS

15. None

FURTHER INFORMATION: **PLEASE CONTACT:** **ALSO:**	**Ian Evenett (Internal Audit Manager) Ext 7175** **Salma Hussain (Auditor) Ext 3152**

Appendix 1

Current Terms of Reference

Extracts from the Council's Constitution Part 3 Scheme of Delegation (28th February 2022)
[Burnley Council : Agenda for Constitution on Monday, 28th February, 2022, 10.49 am (moderngov.co.uk)]
Section 1 sub-Section c)

c) Audit Committee and Standards Committee
1. **The promotion and maintenance of high standards of conduct within the Council** - To advise the Council on the adoption or revision of its code of conduct. To monitor and advise the Council about the operation of its code of conduct in the light of best practice, changes in the law,
2. **Assistance to members and co-opted members of the authority** - To ensure that all members of the Council have access to training in all aspects of the member code of conduct, that this training is actively promoted, and that members are aware of the standards expected of local councillors under the code
3. **Other functions** - Functions relating to standards of conduct of members under any provision of, or regulations made under the Local Government Act 2000 or Localism Act 2011.
4. **To consider audit activity, the regulatory framework, and accounts.**
Monitoring Officer
1. To grant dispensations under the Localism Act 2011 in consultation with the Chair of the Audit and Standards Committee

Section 2 sub-section B) Terms of Reference of Committees, Panels and Working Groups.

1. Council Functions

(f) AUDIT AND STANDARDS COMMITTEE

(Membership to include 9 elected members including an Executive Member and the Scrutiny Committee Chair and 2 independent co-optees and 2 parish co-optees

The Committee combines responsibility for overseeing the effective auditing of all the Council's processes with a separate role in ensuring the ethical propriety and good conduct of individual Councillors.

The Audit function covers both external and internal processes, the external scrutiny brought by the external auditors and the internal control of processes administered by an internal audit team. The Committee approves an annual work programme and receives regular reports on the progress of audit work and assessments.

Terms of Reference

The Audit and Standards Committee will have the following roles and functions:

Audit Activity

a) To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.

b) To consider summaries of internal audit reports

c) To consider reports dealing with the management and performance of the providers of internal audit services

d) To consider reports from internal audit on agreed recommendations not implemented within a reasonable timescale.

e) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance

f) To consider specific reports as agreed with the external auditor.

g) To comment on the scope and depth of external audit work and to ensure it gives value for money.

h) To appoint the council's external auditor

i) To commission work from internal and external audit.

Regulatory Framework

a) To maintain an overview of the council's constitution in respect of Standing Orders for Contracts, Financial Procedure Rules and codes of conduct and behaviour.

b) To review any issue referred to it by the chief executive or the Chief Operating Officer, or any council body.

c) To monitor the effective development and operation of risk management and corporate governance in the council

d) To monitor council policies on whistleblowing and the anti-fraud and corruption policy and the council's complaints process

e) To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.

f) To consider reports on internal audits effectiveness.

g) To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

h) To consider the council's compliance with its own and other published standards and controls.

Accounts

a) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

b) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Value for Money

a) To review and monitor Council activities relating to value for money.

Standards Activity

a) To promote and maintain high standards of conduct by Members, Co-opted Members and employees of the Council

b) To support Members, Co-opted members and employees to observe the Council's Code of Conduct

c) To advise, train or arrange to train Members, Co-opted Members, Parish and Town Council Members and employees of the Council on the Council's Codes

d) To monitor and advise the Council about the operation of its Code of Conduct for Members and Employees in light of best practice, changes in the law, and government guidance

e) To advise the Council on the adoption or revision of the Codes of Conduct, including the adoption of Protocols which support high standards of conduct by Members and employees of the Council

f) To actively engage with the Borough, Parish and Town Councils on the role and purpose of the Committee, governance and standards

g) To actively engage with the public, the media and key partners on the role and purpose of the Committee, governance and standards to promote public confidence in the Council h) To grant dispensations to Members with disclosable interests

i) To grant exemptions for politically restricted posts

j) To determine complaints about Members in accordance with the Localism Act 2011 and associated Regulations and local procedures

k) To adopt and keep under review policies and procedures for the determination of complaints about Members

Appendix 2

Example Terms of Reference for a Central Government Audit Committee

Audit committee handbook - GOV.UK (www.gov.uk)

Example terms of reference

The Board has established an Audit and Risk Assurance Committee as a Committee of the Board to support them in their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

Membership

The members of the Audit and Risk Assurance Committee are:

- non-executive Board members: [list those who are appointed to the Audit Committee]
- independent External members: [list those who are appointed to the Audit and Risk Assurance Committee; (in all cases indicate the date of appointment and when the appointment is due to end / become eligible for renewal)]
- the Audit and Risk Assurance Committee will be chaired by [name]
- the Audit and Risk Assurance Committee will be provided with a secretariat function by [name] Reporting
- the Audit and Risk Assurance Committee will formally report in writing to the Board and Accounting Officer after each meeting
- the Audit and Risk Assurance Committee will provide the Board and Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year

Responsibilities

The Audit and Risk Assurance Committee will advise the Board and Accounting Officer on:

- the strategic processes for risk, control and governance and the Governance Statement
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors
- the planned activity and results of both internal and external audit
- adequacy of management response to issues identified by audit activity, including external audit's management letter

- assurances relating to the management of risk and corporate governance requirements for the organisation
- (where appropriate) proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations; and
- the Audit and Risk Assurance Committee will also periodically review its own effectiveness and report the results of that review to the Board

Rights

The Audit and Risk Assurance Committee may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience
- procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board Access

The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit and Risk Assurance Committee.

Meetings

- the Audit and Risk Assurance Committee will meet at least four times a year. The Chair of the Audit and Risk Assurance Committee may convene additional meetings, as they deem necessary
- a minimum of [number] members of the Audit and Risk Assurance Committee will be present for the meeting to be deemed quorate
- audit and Risk Assurance Committee meetings will normally be attended by the Accounting Officer, the Finance Director, Risk Manager, Head of Internal Audit, and a representative of External Audit [add any others who may routinely attend such as representatives of sponsoring / sponsored bodies]
- the Audit and Risk Assurance Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter
- the Audit and Risk Assurance Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters
- the Board or the Accounting Officer may ask the Audit and Risk Assurance Committee to convene further meetings to discuss particular issues on which they want the Committee's advice

Information requirements

For each meeting the Audit and Risk Assurance Committee will be provided (well ahead of the meeting) with:

- a report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate Risk Register
- a progress report from the Head of Internal Audit summarising:
- work performed (and a comparison with work planned)
- key issues emerging from the work of internal audit
- management response to audit recommendations
- changes to the agreed internal audit plan; and
- any resourcing issues affecting the delivery of the objectives of internal audit
- a progress report (written/verbal) from the External Audit representative summarising work done and emerging findings (this may include, where relevant to the organisation, aspects of the wider work carried out by the NAO (National Audit Office), for example, Value for Money reports and good practice findings)
- management assurance reports; and
- reports on the management of major incidents, "near misses" and lessons learned.

As and when appropriate the Committee will also be provided with:

- proposals for the terms of reference of internal audit / the internal audit charter
- the internal audit strategy
- the Head of Internal Audit's Annual Opinion and Report
- quality Assurance reports on the internal audit function
- the draft accounts of the organisation
- the draft Governance Statement
- a report on any changes to accounting policies
- external Audit's management letter
- a report on any proposals to tender for audit functions
- a report on co-operation between internal and external audit; and
- the organisation's Risk Management strategy

The above list suggests minimum requirements for the inputs which should be provided to the Audit and Risk Assurance Committee. In some cases, more may be provided. For instance, it might be agreed that Audit and Risk Assurance Committee members should be provided with a copy of the report of every internal audit assignment, or with copies of management Stewardship Reports (or equivalents) if these are used in the organisation.

Appendix 3

CIPFA's Position Statement: Audit Committees in Local Authorities and Police

(CIPFA (Chartered Institute for Public Finance and Accountancy))

CIPFA support and guidance for Audit Committees | CIPFA

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs (police and crime commissioners) and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
2. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
3. Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
    - act as the principal non-executive, advisory function supporting those charged with governance
    - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
    - in police bodies, be independent of the executive or operational responsibilities of the PCC (police and crime commissioners) or chief constable
    - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
    - be directly accountable to the authority's governing body or the PCC and chief constable.
4. The core functions of an audit committee are to:
    - be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
    - in relation to the authority's internal audit functions: – oversee its independence, objectivity, performance and professionalism
    - support the effectiveness of the internal audit process – promote the effective use of internal audit within the assurance framework

- consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
- monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption
- consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

5. An audit committee can also support its authority by undertaking a wider role in other areas including:
   - considering governance, risk or control matters at the request of other committees or statutory officers
   - working with local standards and ethics committees to support ethical values
   - reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA (Chartered Institute for Public Finance and Accountancy), 2017)
   - providing oversight of other public reports, such as the annual report.
6. Good audit committees are characterised by:
   - a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
   - a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
   - a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are: – promoting apolitical open discussion – managing meetings to cover all business and encouraging a candid approach from all participants – an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
   - unbiased attitudes – treating auditors, the executive and management fairly
   - the ability to challenge the executive and senior managers when required.
7. To discharge its responsibilities effectively the committee should:
   - meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public

- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
- have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
- report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

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