Public Document Pack

AUDIT AND STANDARDS COMMITTEE

Wednesday, 10th January, 2018
6.30 pm

AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Wednesday, 10th January, 2018 at 6.30 pm

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

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

Notice in writing of the subject matter must be given to the Head of Governance, Law & Regulation by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website www.burnley.gov.uk/meetings.

AGENDA

1) ***Apologies***

To receive any apologies for absence.

2) ***Minutes*** 5 - 8

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

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

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

4) ***Declarations of Interest***

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

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

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

6) ***Public Question Time***

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

PUBLIC ITEMS

7) ***External Audit Progress Report and Sector Update*** 9 - 28

To inform members of the progress report from the external auditors.

8) ***External Audit Certification Letter for the year ended 31st March 2017*** 29 - 32

To receive the External Auditors certification letter for Burnley Borough Council for the year ended 31st March 2017.

9) ***Final Accounts Arrangements*** 33 - 54

To update members on the arrangements made to date and the implications of the changes required for the Council ahead of the closure of the 2017/18 accounts. To seek approval for the accounting policies to be used in producing the Statement of Accounts and to set a date for a final accounts workshop for Audit Committee Members.

10) ***Annual Governance Statement*** 55 - 58

To consider the proposed arrangements to provide assurance for the Annual Governance Statement for 2017/18.

11) ***Internal Audit Q2 2017/18 Progress Report*** 59 - 64

To receive details of the work undertaken by the Internal Audit for the period 1st July to 30th September 2017.

12) ***Fraud Risk Assessment 2017/18*** 65 - 68

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

13) ***General Data Protection Regulation*** 69 - 72

To inform members of the requirements and progress on meeting the General Data Protection Regulation.

14) ***Standards Complaints Updates***

To receive an update on complaints about Members of the Council. (report to follow).

15) ***Work Programme*** 73 - 74

To consider the Work Programme for the current year.

MEMBERSHIP OF COMMITTEE

Councillors

Councillor Jean Cunningham (Chair)
Councillor Tony Harrison (Vice-Chair)
Councillor Joanne Greenwood
Councillor Mohammed Ishtiaq
Councillor Margaret Lishman
Councillor Andrew Newhouse
Councillor Mark Payne
Councillor Ann Royle
Councillor Andrew Tatchell

Co-opted Members

Colin Crowther, Burnley College
Louise Gaskell, East Lancashire

External Auditor

Karen Murray, Grant Thornton - External Auditor

Chamber of Commerce
Councillor Kathryn Haworth, Habergham Eaves Parish Council
Councillor Gill Smith, Cliviger Parish Council

Marianne Dixon, Grant Thornton - External Auditor

Published: Tuesday, 2 January 2018

AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Wednesday, 20th September, 2017 at 6.30 pm

PRESENT

MEMBERS

Councillor Jean Cunningham, In the Chair.

Councillors T Harrison (Vice-Chair), J Greenwood, A Newhouse and A Tatchell

OFFICERS

Ian Evenett – Internal Audit Manager
Imelda Grady - Democracy Officer

CO-OPTED MEMBERS

Colin Crowther
Councillor Kathryn Haworth

EXTERNAL AUDITORS

Zak Francis – Grant Thornton

13. Apologies

Apologies for absence were received from Councillors Margaret Lishman, Ann Royle and Jeff Summer and also from Louise Gaskell and Gill Smith.

14. Minutes

The minutes of the meeting held on 26th July 2017 were approved as a correct record and singed by the Chair.

15. Declarations of Interest

16. Annual Audit Letter 2016/17

The Committee received for information the Annual Audit Letter for 2016/17 which summarised the key findings of the audit.

The letter confirmed that the Council had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources during the year ended 31 March 2017 and there were no issues identified that required any action.

The External Auditor explained that the work to certify the Council's Housing Benefit Subsidy claim on behalf of the Department for Work and Pensions was not yet complete but would be finalised by 30 November 2017 and the results would be included in the Annual Certification Letter.

Colin Crowther asked how the audit of the pension fund was carried out and the external auditor explained that this work was assisted by a separate specialist team within Grant Thornton whose findings were fed into the Audit.

IT WAS AGREED

That the Annual Audit Letter 2016/17 be noted.

17. External Review Report

The Internal Audit Manager informed members of the external review of the Internal Audit against the Public Sector Internal Audit Standard (PSIAS).

Internal Audit is required to comment annually on its compliance with the standards and at least once in every five years the compliance must be externally assessed. This assessment, in the form of a Peer Review, had been undertaken in June 2017 by the Heads of Internal Audit in Hyndburn and Pendle.

The main outcome of the review was that the Council had complied 95% with the PSIAS requirements and there were no major areas of non-compliance.

Points that had been raised by the reviewers along with the Council's measures to be taken in response to them were detailed in Appendix 2 to the report and relevant items would be included in the internal audit's Quality Assurance and Improvement Programme (QAIP).

An issue that had been raised was the independence of the Head of Internal Audit and the potential of a conflict of interest with his role as S151 Officer and Head of Finance. This had been addressed and an officer outside of Internal Audit would act as the Chief Audit Executive instead of the Head of Finance where the potential conflict could be seen.

Colin Crowther asked at what point the actions would be implemented and Ian Evenett said that he would report back on this.

IT WAS AGREED

That the report be noted.

18. External Audit Appointment

Members were informed of the progress in the appointment of the External Auditor for 5 years commencing 2018/19.

Full Council had agreed to opt-in to the sector led body operated by PSAA and the procurement exercise had been conducted and consultation with appointment authorities was being carried out and a final decision was expected at the end of 2017.

The Chief Executive, Head of Finance and the Chair of Audit and Standards had been consulted and all were satisfied with the appointment of Grant Thornton (UK) LLB as the Council's external auditor for the five years commencing 1 April 2018.

Colin Crowther asked if there would be an annual review during the 5 year period of the contract and Ian Evenett said he was not aware that there would be, but confirmed that any compliance issues during the contract would be dealt with.

Arrangements for the potential removal of an appointed external auditor are addressed within the Local Audit (Auditor Resignation and Removal) Regulation 2014. This was to protect the external auditor's independence.

IT WAS AGREED

That the report be noted.

19. Internal Audit Report Quarter 1 , 2017/18

Members received for information details of the work undertaken by Internal Audit for the period 1st April to 20th June 2017.

IT WAS AGREED

That the report be noted.

20. Work Programme

Members gave consideration to the work programme for 2017/18 and noted the slippage of the Partnership Governance and Monitoring Arrangements (Liberata Contract) to the January meeting.

IT WAS AGREED

That the work programme be noted.

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Agenda Item 7

Audit Progress Report and Sector Update

Burnley Borough Council
Year ending 31 March 2018

10 January 2018

Contents

Introduction

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

The paper also includes:

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

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

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

Progress at 22 December 2017

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We will be discussing the audit plan with officers in January 2018 before presenting it to the Audit and Standards Committee at its March 2018 meeting.

Page 12

We are due to commence our interim audit in February 2018. Our interim fieldwork visit will include:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at the March Audit and Standards Committee.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing the timetable with officers and aim to deliver an early audit opinion in advance of the deadline of 31 July 2018..

The final accounts audit is due to begin on the 29th May with findings reported to you in the Audit Findings Report by the end of June 2018 a number of weeks earlier than the deadline of 31 July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

•Informed decision making

•Sustainable resource deployment

•Working with partners and other third parties

We will make our initial risk assessment to determine our approach in January 2018 and report this to you in our Progress Report at the March Audit committee

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the end of June 2018 in advance of the deadline of 31 July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We met with Finance Officers in November as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in December to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our next event is the financial reporting workshops Your nearest events are on 23 January (Manchester) and 30 January (Leeds).

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

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	End January 2018	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit and Standards Committee.	June / July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	June / July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

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

Public Sector

Local government

Through a local lens: SOLACE summit 2017

The Industrial Strategy matters to places but places also matter to the Industrial Strategy.

This was a strong message coming out of discussions at the recent SOLACE (Society of Local Authority Chief Executives) summit where we facilitated 100 local authority CEOs and senior leaders to consider how the Industrial Strategy could be brought to life at a local level.

For some time now we have engaged in an ongoing and inclusive dialogue with communities and business, local authority and third sector leaders from across the country, to share aspirations, ideas and insight focused on building a vibrant economy for the UK. These discussions have helped to form the basis of our Vibrant Economy 'Blueprint for the UK' and they will go on to inform our recommendations to Government around a place-based approach to the Industrial Strategy.

This year's summit provided us with an invaluable opportunity to take this dialogue further.

We focused on the integral role local government will have in delivering the Industrial Strategy. Delegates applied a local lens to the national growth agenda, encouraging them to consider what strategies and approaches were already working in their place; what they could be doing more of to support growth in their area, and how they could steer the Industrial Strategy agenda from a local level.

Using the appreciative inquiry technique, we discussed the following questions:

What role would leaders and local institutions be playing if they were delivering positive outcomes from the industrial strategy?

Looking ahead and considering our diverse local authority agendas, the industrial strategy and surrounding policy landscape what aspects might work well for everyone?

You can see and hear what delegates thought on our website

Combined Authorities: Signs of Success

In her foreword to 'Building our Industrial Strategy' the Prime Minister states that the initiative "will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East."

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the levering in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

Click on the report cover to download and read more.

Grant Thornton Publication

Challenge question:

Is your Authority aware of how the combined authority model may evolve?

Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is the not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
  - For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
  - A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

Click on the report cover to download and read more

Grant Thornton Publication

Challenge question:

Is your Authority considering the risks and governance issues for its commercialisation agenda?

Cost Assurance

Did you know….

40
Number of Public Sector engagements to date

£125m
Annual spend analysed

£3.55m
Rebate opportunities identified

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£1.1m
Fee income identified

2.84%
Error rate – rebates versus spend volume

55%
Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton **Challenge question:**

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

Setting up a successful social enterprise

Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended.

The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

Key findings from the report:

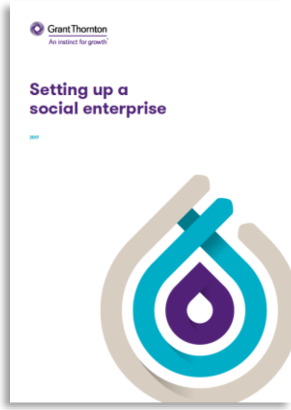
•Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre

•The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so

•Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice

•Some local authorities have converted exiting models into social enterprises; for example where a greater focus on social outcomes has been identified

Click on the report cover to download and read more



Grant Thornton Publication

Challenge question:

Is your local authority looking to transition a public service to a social enterprise model, and if so are you familiar with this report?

The Board: creating and protecting value

In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

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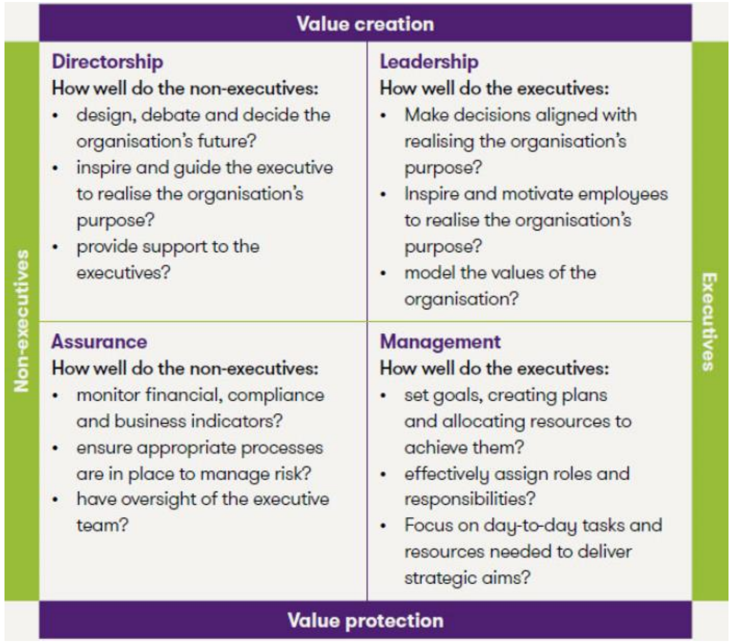
Grant Thornton's new report 'The Board: creating and protecting value' is a cross- sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance.

This powerful tool provides a framework with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

Click on the report cover to download and read more



Source: The Board: Creating and protecting value, 2017, Grant Thornton

Grant Thornton Publication

Challenge question:

Can you use the key questions raised in the report to consider the effectiveness of your own governing body?

Code of Practice on Local Authority Accounting and IFRS 9 and IFRS 15

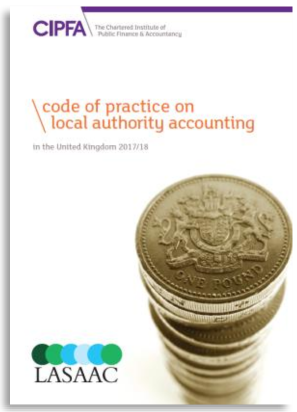
CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18 which specifies the principles and practices of accounting required to prepare a Statement of Accounts.

The main changes to the Code include:

- amendments to section 2.2 for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 to introduce key reporting principles for the Narrative Report
- updates to section 3.4 covering the presentation of financial statements to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 affecting the Housing Revenue Account, to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)
- amendments to section 6.5 relating to the Accounting and Reporting by Pension Funds, to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Alongside the Code, CIPFA has also published Guidance Notes for Practitioners and a Disclosure Checklist for 2017/18 Accounts.

These publications may be obtained from CIPFA and are available here.



CIPFA/LASAAC has issued a companion publication 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'.

Looking further ahead, this sets out the changes to the 2018/19 Code in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

An Early Guide for Local Authority Practitioners covering IFRS 9 Financial Instruments is to be published in December 2017.

CIPFA Publication

Challenge question:

Is your Head of Finance aware of the changes affecting the preparation of the financial statements for 2017/18 and the forthcoming changes to financial instruments and revenue recognition.

Overview of General Data Protection Regulation (GDPR)

What is it?

GDPR is the most significant regulatory data protection development in 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that might reasonably be used to identify a living individual, either directly or indirectly. Various unique identifiers (including online cookies and IP addresses) will likely fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

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Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify relevant incidents to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- Privacy regulators can impose penalties of up to €1 million on public sector organisations, for the most serious violations
- Individuals and representative organisations may be able to seek compensation for infringements of data protection rights

GDPR

Challenge question:

Can your authority effectively erase Personally Identifiable Data?

Have you appointed a Data Protection Officer?

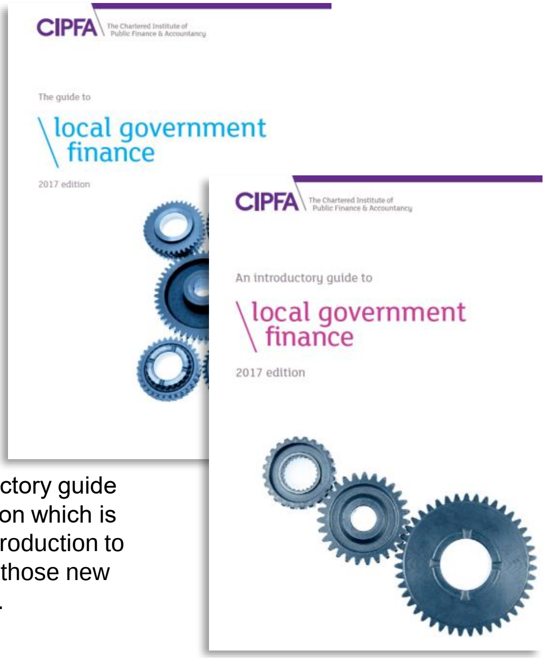
How will your authority ensure citizens' data isn't duplicated across different information siloes without their knowledge?

CIPFA publications

CIPFA have published ‘The guide to local government finance’ 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.



CIPFA have also published ‘An introductory guide to local government finance’ 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.

CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication ‘Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies’ (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA’s guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

CIPFA Publication

Challenge question:

Are these publications of use to you?

DCLG Consultation

DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed here.

Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining "why" not just "what" they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

DCLG consultation

Challenge question:

- Is the Council planning to respond to the consultation?

Local Authority 2016/17 Revenue Expenditure and Financing

DCLG has produced a summary of Local Authorities' 2016/17 final outturn for revenue spending and financing. It notes that local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure.

The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.6 billion for all local authorities in England in 2016-17. This was 1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. The 2016-17 financial year was the first year where local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.4 billion of this increase is due to the Greater London Authority.

The full report is available here.

Did you know….

This data set and many others are included in CFO Insights.

CFO Insights, is the Grant Thornton and CIPFA online analysis tool.

It gives those aspiring to improve the financial position of their organisation, instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

http://www.cfoinsights.co.uk/

CFO Insights

Links

Grant Thornton website links

https://www.grantthornton.co.uk/

http://www.grantthornton.co.uk/industries/publicsector

http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/

http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/

http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/

http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/

http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/

http://www.cfoinsights.co.uk/

CIPFA website links

http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice

http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online

http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online

http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition

DCLG website links

https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance

https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn

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18 December 2017

Dear Asad

Certification work for Burnley Borough Council for year ended 31 March 2017

We are required to certify the Housing Benefit subsidy claim submitted by Burnley Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to total subsidy claimed of £34.1 million. Further details are set out in Appendix A.

There were a number of issues from our certification work which we wish to highlight for your attention.

- Initial testing identified one error (in the calculation of claimant earnings) where such an error had also been identified in the previous year;
- There were three further errors arising from areas of extended testing that we carried out on this year's subsidy return which recurred from 2015/16;
- One area of extended testing did not identify any errors.

The extrapolated financial impact of the errors on the claim, which we have reported to the DWP, was relatively insignificant to the total subsidy receivable.

As a result of the errors identified, the claim was qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £9,675. This is set out in more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£34,091,154	No	N/A	Yes	See below

Findings from certification of housing benefits subsidy claim

Initial testing

Our initial testing of a sample of 27 individual's benefit claims identified one error:

- 1 case (total value £805.74) where benefit had been overpaid as a result of an incorrect earnings calculation being used to calculate the benefit.

Extended testing

Under the HB COUNT approach we are required to carry out additional testing as a result of the issue identified above and also in areas where errors were identified in the previous year (2015/16). These are set out below:

- Additional testing of 40 cases for classification of eligible overpayments identified 1 case (total value £204.57) where overpayment had not occurred and 2 cases (total value £13.00) where overpayments were incorrectly classified.

- Additional testing of 40 cases for incorrect award of carer's premium identified 1 case (total value £3,815.14) error where carer premium had not been removed when required.

- Additional testing of 40 cases for incorrect eligible rent did not identify any further cases of error.

We reported our extrapolation of errors identified in our Qualification Letter where we reported a projected overstatement of eligible overpayments by £3,725.

Other areas

Software supplier query

In our 2015/16 Qualification Letter to you, we informed you that in our initial testing of 20 cases in cell 94 we identified 1 case (total value £2.56) where we were unable to agree the cell 102 and cell 103 entries. Cell 102 appeared to be overstated by £2.56 and cell 103 appeared to be understated by the same amount. There was no explanation for this discrepancy and the query was referred to the software supplier Northgate. We can confirm that there has been no resolution offered by the software supplier to date.

Software supplier balancing discrepancy

The Authority uses the Northgate benefits software. The software supplier provides the Benefits Subsidy Balancing Workbook to reconcile benefit granted per the benefit software to benefit paid per the benefit software.

This includes a difference of £1,928.87 on the "PTEN OP" tab of the balancing workbook. The Authority has not performed further work to identify an explanation for the imbalance. We reported a similar issue to you in the previous year.

Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£12,900	£9,675	£9,675	NIL	N/A
Total	£12,900	£9,675	£9,675	NIL	

Annual Accounts 2017/18 Arrangements

REPORT TO AUDIT AND STANDARDS COMMITTEE

Burnley .gov.uk

DATE	10 January 2018
PORTFOLIO	Resources & Performance Management
REPORT AUTHOR	David Donlan
TEL NO	(01282) 477172 or 01282 425011 x7172
EMAIL	ddonlan@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 2017/18 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 set a date for a final accounts workshop for Audit Committee Members to allow officers to present the 2017/18 Statement of Accounts and explain the findings and issues.

RECOMMENDATION

4. Note the report and arrangements that the Council is making in advance of the closure of accounts for the year 2017/18.
5. Approve the proposed accounting policies to be followed in producing the Statement of Accounts as shown in Appendix 1.
6. Confirm the date for the final accounts workshop which is provisionally set for Wednesday 5 July 2018.

REASONS FOR RECOMMENDATION

7. The Council has a statutory duty to approve the accounts for 2017/18 by the 31 July 2018.
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. In 2016/17, the Council again successfully achieved the implementation of changes required by the Code of Practice on Local Authority Accounting in the UK leading to an unqualified audit opinion on the 2016/17 accounts. The draft Statement of Accounts was completed by 31 May 2017 (one month earlier than last year’s deadline of 30 June). The 2017/18 accounts are to be produced under the Code of Practice on Local Authority

Accounting in the UK for 2017/18 standards and will require similar detail and analysis. There are only a few changes to the disclosures within the accounts that are required in 2017/18. The deadline for completion this year has been brought forward a month to 31 May. The accounts have to be certified by 31 July (two months earlier than last year's deadline of 30 September).

11. **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 Accounts and Audit Regulations 2015 introduced the requirement for a Narrative Statement. Further development of this will be undertaken with the aim to make the accounts more user friendly and clearer.
    - Disclosures under IFRS9 – Accounting for financial instruments. Officers believe that this will have no impact on the accounts.
    - Accounting for Leases – All new leases must be treated as finance leases and are to be accounted for as though the asset used is owned by the Council. Officers believe that this will have no impact on the accounts.

12. **Preparation**

    Training
    - Preparation for the closure of accounts 2016/17 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. This is crucial because the accounts will have to be completed by the end of May 2018 (one month earlier than currently) and audited by the end of July (two months earlier than at the moment). In preparation for these new deadlines, the Council successfully achieved them last year.
    - Staff will attend formal training courses by our auditors' Grant Thornton 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. A date has been provisionally set for 5 July 2018.

    Planning
    - The year-end closure memorandum will again be 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 in order to prepare the Council for the requirements of earlier closedown were made last year in advance.

13. **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 2017/18.

14. **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 and will then be brought back (and updated) to the July Committee meeting to consider alongside the Statement of Accounts. There are no significant changes in the requirements for the statement.

15. **Risks**
    The risks of non-compliance with the requirement to have a "fit for purpose" statement of accounts prepared by 31 May 2018 and reported to members with an unqualified audit opinion by 31 July 2018 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 2017.
    - 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 2017 Code. This is unlikely given the few changes from the 2016 Code.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

16. None

POLICY IMPLICATIONS

17. Changes to the Council's Accounting Policies.

DETAILS OF CONSULTATION

18. None

BACKGROUND PAPERS

19. 2017 Code of Practice on Local Authority Accounting in the UK.

20. Papers and publications held in Finance.

FURTHER INFORMATION	
PLEASE CONTACT:	**Dave Donlan – Accountancy Division Manager**
ALSO:	

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Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The authority 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 2017/18 (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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- 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 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 recognised 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.

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 and Changes in Accounting Policies

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 Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) 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 proportionatelt 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 allowances 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 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 17f. 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 absence occurs.

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

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 authority 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 authority 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 – this entails 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 ….% (based upon the indicative rate of return on high quality corporate bond (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), ie 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 Authority 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, which 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 Account is adjusted to reflect such events.
- non-adjusting Events – those that are indicative of conditions that arose after the reporting period. The Statement of Account 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.

Gains and Losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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 the 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

These are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables 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 for the instrument. For most of the loans that the Council has made, 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) of the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the assets original effective interest rate.

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.

Available for Sale Assets

Available-for-sale assets 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. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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 access 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.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-sale Financial Assets. The exception is where the impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered into Before 1 April 2006

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts, to the extent that provisions might me required or a contingent liability note is needed under the policies set out in the sections on Provisions, Contingent Liabilities and Contingent Assets.

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-ringfenced 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 Authority's Heritage Assets are held at Towneley Hall Art Gallery & Museum and Burnley Town Hall. The Authority has seven collections of heritage assets which are held principally for their contribution to knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage as detailed below. The Authority's collections of heritage assets are accounted for as follows.

Art Collection

The art collection includes paintings (both oil and watercolour), book illustrations and prints and is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation and valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Furniture

The collection of furniture includes various items, some of which date back as far as the 16th century, and is reported in the Balance Sheet at market value. These valuations are updated on a regular basis and are undertaken by an external valuer for insurance purposes. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation and valuations provided by the external valuers and with reference to appropriate commercial markets for the furniture using the most relevant and recent information from sales at auctions.

Sculptures

The collection of sculptures includes sculptures made from marble, bronze, plaster, alabaster and wood. The collection is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation and valuations provided by the external valuers and with reference to appropriate commercial markets for the sculptures using the most relevant and recent information from sales at auctions.

Ceramics, Ivories and Glassware

The collection of ceramics, ivories and glassware include a collection of Pilkington ceramics, ivory carvings and other ceramic and glass items from throughout the history of the local area. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation and valuations provided by the external valuers and with reference to appropriate commercial markets for the items using the most relevant and recent information from sales at auctions.

Medals, Watches and Silverware

The collection includes a number of medals, watches and other silverware from the history of the local area. The collection is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The assets within the collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation and valuations provided by the external valuers and with reference to appropriate commercial markets for the items using the most relevant and recent information from sales at auctions.

Vestments

This is a collection of vestments from Whalley Abbey and is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The vestments are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Civic Regalia

The collection of civic regalia includes the civic chains and badges (both before and after the government reorganisation that took place in 1974) and is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a regular basis and are undertaken by an external valuer. The civic regalia are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note xix in this summary of significant accounting policies. The Authority may occasionally dispose of heritage assets which are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xxi and xix in this summary of significant accounting policies). There have been no disposals, acquisitions or donations of heritage assets during the year that have a material value and the balance has remained the same for all heritage assets.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority 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 Authority 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 websites 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 Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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 value of works and services received under the contract 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 receivable 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. Leases

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.

Assets held by the Council for use in operating leases (acting as a lessor) are recorded in the Balance Sheet as property, plant and equipment and depreciated over their useful life. Rental incomes from such assets are recognised on a straight line basis and matched against costs of insurance and maintenance in the

Comprehensive Income and Expenditure Statement. The value of the incomes receivable are disclosed in Note …..

A finance lease is where the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the Council. There are no such arrangements at the present.

xvi. 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.

xvii. 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 Authority 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 (ie will not lead to a variation in the cash flows of the Authority). 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 Authority.

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 - current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value basis is fair value, estimated at highest and best use from a market participant's 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 that 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 fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 lines 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 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 lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines 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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie 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. 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 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 Authority'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.

xviii. 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 authority 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.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority 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 Authority. 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.

Landfill Allowances Scheme

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of non-biodegradable municipal waste disposed of into landfill sites. Burnley Borough Council, as waste collection authority for the borough, is a partner in a five year cost-share agreement with Lancashire County Council who are the disposal authority for this area. This agreement runs until 31 March 2018.

xix. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 appropriated back into the General Fund Balance in the movement in Reserves Statement 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, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xx. Revenue Recognition

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. Where the council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue. Revenue relating to the sale of goods is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the risks and rewards of ownership have passed to the purchaser. Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the stage of completion of the service can be measured.

xxi. Revenue Expenditure funded from Capital under Statute

This is 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. It 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 - see workings at Note …..

xxi. 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.

xxii. Fair Value Measurement

The Council measures some of its non-financial assets and liabilities such as surplus assets and investment properties at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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 uses in-house valuers to provide a valuation of its assets and liabilities, for recognition or disclosure as appropriate, in line with the highest and best use definition within IFRS 13 Fair Value Measurement. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority 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.

ITEM NO	

Arrangements For 2017/18 Annual Governance Statement

REPORT TO AUDIT AND STANDARDS COMMITTEE

DATE	10th January 2018
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Sophie Kenyon
TEL NO	Ext 3151
EMAIL	skenyon@burnley.gov.uk

PURPOSE

1. To inform the Audit and Standards Committee of the arrangements to provide assurance for an Annual Governance Statement for the financial year 2017/18.

RECOMMENDATION

2. That the Audit and Standards Committee approves the proposed process.

REASONS FOR RECOMMENDATION

3. The Audit and Standards Committee are required to approve the Annual Governance Statement.

SUMMARY OF KEY POINTS

4. As part of the annual accounts process the Council is required to review both its internal control and wider governance arrangements and publish an Annual Governance Statement (AGS) to accompany the Councils Statement of Accounts for 2017/18. This is a requirement under the Accounts and Audit Regulations 2015.

5. Members were presented with AGS reports in the July Audit and Standards Committee. Planning for the production of the 2017/18 AGS has now commenced. This will be in line with CIPFA (Chartered Institute for Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives) guidelines. The format of the 2017/18 AGS has been reviewed to incorporate the core principles, introduced in the 2016/17 AGS, in to the body of the statement; a draft version is attached at Appendix B.

6. The assurance gathering process remains the same and is shown in Appendix A. Heads of Service and specific Members of the Council will be asked to complete a statement of assurance supported by a governance questionnaire (reflecting the seven core principles) which will be passed onto Management Team. The Chief Executive and Leader will consider Management Team and Member statements before producing an Annual Governance Statement for the authority.

7. Similarly, Liberata have also been requested to provide an assurance statement after

considering CIPFA governance principles and internal controls for those services that have been transferred out.

8. The 2017/18 AGS will then be reported alongside the Statement of Accounts.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

9. None

POLICY IMPLICATIONS

10. None

DETAILS OF CONSULTATION

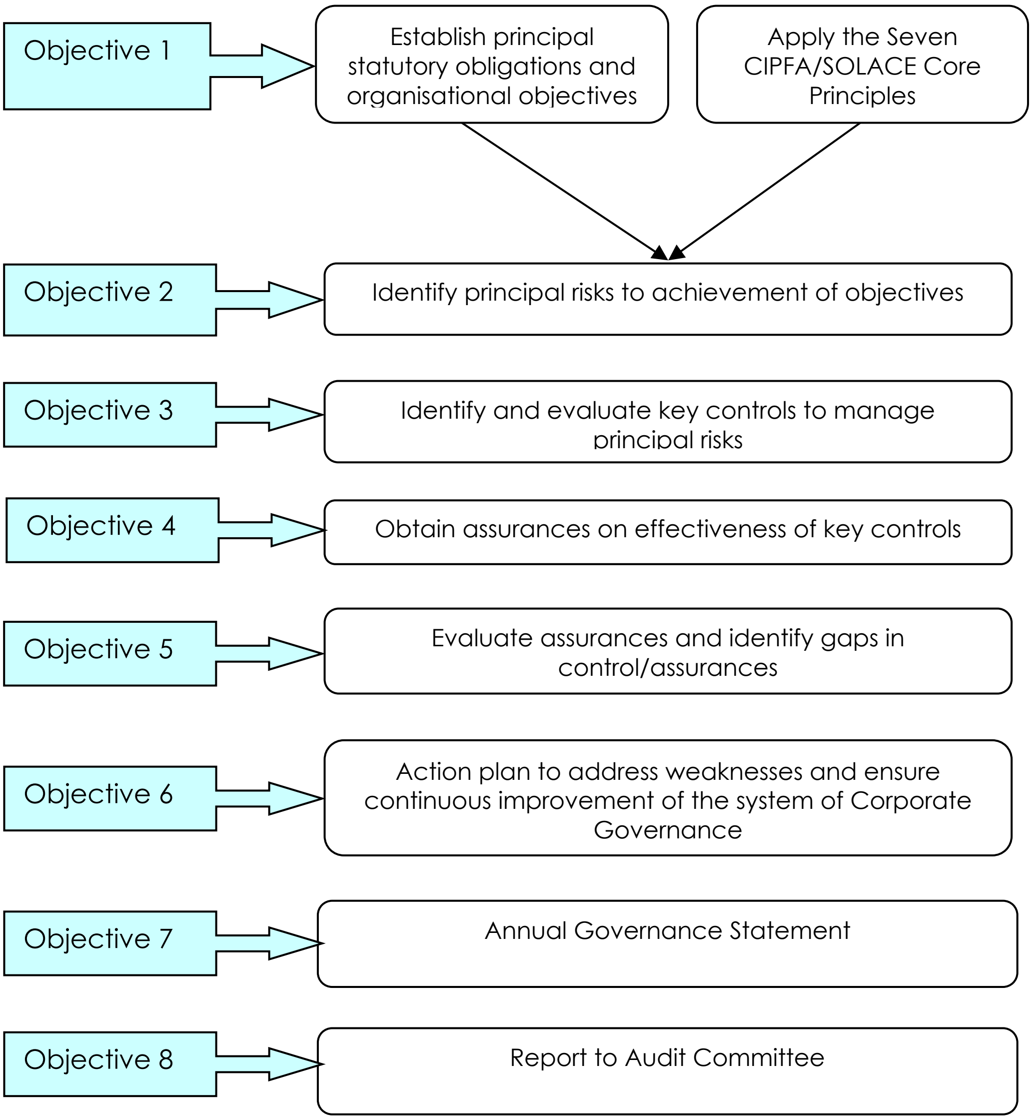
11. None

BACKGROUND PAPERS

12. None

FURTHER INFORMATION	
PLEASE CONTACT:	**Sophie Kenyon (Audit Assistant) Ext 3151**
ALSO:	**Ian Evenett (Internal Audit Manager) Ext 7175**

Appendix B: Annual Governance Statement and the Assurance Gathering Process



From: CIPFA Finance Advisory Network - The Annual Governance Statement – Rough Guide for Practitioners 2007

ITEM NO	[AgendaItem]

Internal Audit Progress Report

REPORT TO AUDIT AND STANDARDS COMMITTEE

Burnley .gov.uk

DATE	10/01/2018
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Nadeem Ukadia
TEL NO	01282 425011 Ext 3150
EMAIL	nukadia@burnley.gov.uk

PURPOSE

1. To inform members of the work undertaken by Internal Audit for the period 1st July to 30th September 2017.

RECOMMENDATION

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

REASONS FOR RECOMMENDATION

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

SUMMARY OF KEY POINTS

Audit Reports

4. From 1st July to 30th September 2017 there have been 5 audit reports produced. Details of Burnley Council audits are given in **Appendix 1**.

Performance Statistics

5. The comparison between actual and planned audits can be seen in **Appendix 2**. A number of audits have started, and to date have been completed but due to timing will form part of later quarter statistics to be reported.

6. Performance indicators for Internal Audit are reported in the Finance balanced scorecard. The service currently reports the number of audit reports produced – 10 against an annual target of 22 and the percentage of high-priority actions from audit action plans implemented which was 100% and has a target of 100%.

Other Activity

7. The Internal Audit Manager along with legal officers are reviewing and co-ordinating action to prepare the Council for compliance with new Data Protection regulations. These will become a requirement at the end of May 2018.

8. The Internal Audit team assisted in delivering a much eariler audited Statement of Accounts; this included contributing to the all member workshop on Statement of Accounts. These were approved by this committee in July rather than as previous years in September.

9. Further work was undertaken to progress the Financial Transformation Project after the launch in quarter 1. This is being done to improve budget monitoring and forecasting. Besides this support has been given to various corporate projects and working groups including risk management, business continuity management, information governance; and procurement projects.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

10. None

POLICY IMPLICATIONS

11. None

DETAILS OF CONSULTATION

12. None

BACKGROUND PAPERS

13. None

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

Summary of Audit reports Issued Quarter 2 2017/18

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score
Burnley Acorn Fund	Finance	To provide an independent examination report on the charity.	No issues to report.	None	None	1
Stocks Massey Accounts	Finance	To provide an independent examination report on the charity.	No issues to report.	None	None	1
Performance Indicators	Regulation	To review the accuracy of performance indicators as reported by the Regulation service.	Reliance can be placed on the outturn reported for each of the performance indicators.	Adopt a single spreadsheet on which all data is consolidated and calculations are done automatically avoiding manual intervention as much as possible.	Spreadsheet developed and use of which has commenced. Data populated from April 2017.	2
Income Management	Markets	To determine the income management procedures and comment on their effectiveness.	Income management procedures are effective. Rents are collected in a timely fashion with effective processes for missed payments.	Introduce requirement of deposit at commencement of tenancy, to mitigate against risk of loss of income.	Introduced.	2
Treasury Management	Finance	To review effectiveness of controls over treasury management.	Mechanisms have been established to record, monitor and make informed treasury decisions, thisis applied medthodically and consistently. Controls are effective.	None	None	1

Audit Score Defined

Score	Opinion	Definition of Opinion
1	Comprehensive Assurance	There is a sound system of controls designed to meet objectives and controls are consistently applied in all the areas reviewed.
2	Reasonable Assurance	There is a good system of controls. However, there are minor weaknesses in the design or consistency of application that may put the achievement of some objectives at risk in the areas reviewed.
3	Limited Assurance	Key controls exist to help achieve system objectives and manage principle risks. However, weaknesses in design or inconsistent application of controls are such that put the achievement of system objectives at risk in the areas reviewed.
4	No Assurance	The absence of basic key controls or the inconsistent application of key controls is so severe that the audit area is open to abuse or error.

N/A	Not Applicable	The audit review undertaken did not have as its primary objective an assessment of system, its controls and their effectiveness.

Internal Audit Activity Quarter 2 2017-18

Audit	Started	Report Issued	Audit Score
Corporate			
Annual Governance Statement	✓	✓	NA (Satisfactory)
Governance of Partnerships			
Charities			
J W Shaw	✓	✓	1
Mayor's Charity	✓	✓	1
Burnley Accorn Fund	✓	✓	1
Stocks Massey	✓	✓	1
Debts Write-Off	✓		
Strategic Partner Performance Indicators			
Regulation	✓	✓	2
Finance			
Benefits Calculation Check	✓		
Payment of Benefits	✓		
Bank Reconciliation			
Final Accounts	✓		
Payroll			
Budget Monitoring			
Council Tax			
General Ledger			
Creditors			
Payroll			
Income Management			
Treasury Management	✓	✓	1

Audit	Started	Report Issued	Audit Score
Regeneration & Planning Policy			
Burnley Indoor Market	✓	✓	2
Housing and Development Control			
Selective Licensing	✓		
Information Governance			
Data Protection			
iWorld – Application Control			
Website	✓		
Green Spaces			
Cemetary and Crematorium			
Governance, Law, Property and Regulation			
Elections			
County	✓	✓	1
Parlimentary	✓	✓	1
External Clients			
Burnley Leisure – Service Level Agreement	✓		

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ITEM NO	[AgendaItem]

Fraud Risk Assessment

REPORT TO AUDIT AND STANDARDS COMMITTEE

DATE	10/01/2018
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Sophie Kenyon
TEL NO	01282 425011 ext 3151
EMAIL	skenyon@burnley.gov.uk

PURPOSE

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

RECOMMENDATION

2. That Committee note the report.

REASONS FOR RECOMMENDATION

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

SUMMARY OF KEY POINTS

5. The current publicly published fraud reports are; CIPFA's Fraud and Corruption Tracker (CFaCT) report, the University of Portsmouth's Centre for Counter Fraud Studies 2016 Annual Fraud Indicator report and Protecting the English Public Purse 2016 report.

6. According to the Fraud and Corruption Tracker (CFaCT) the main types of fraud affecting the Public Sector remain the same as reported in previous years: Council Tax, Housing Benefit and Housing Tenancy.

7. The report, The Financial Cost of Fraud 2017, *Crow Clark Whitehill,* suggests that the average loss to fraud is 5.85%

Council Tax & Housing Benefit

8. Housing Benefit and Council Tax Reduction fraud continues to be a problem at a national level with estimated fraud rates at 1.78% and 1.22% respectively, according to the 2016 Annual Fraud Indicator.
9. During 2016/17 the Council paid £34m in Housing Benefit (HB) and £7.8m in Council Tax Support (CTS), using the above figures £605k of HB and £95k of CTS could be being claimed fraudulently.

10. The Council is no longer responsible for the investigation of HB fraud but it is responsible for referral of potential fraud cases and the collection of amounts identified as fraud. It is still considered a risk as the financial loss of benefit is borne by councils once the investigation is complete.
11. Over the previous 12 months there were 32 referrals to the Single Fraud Investigation Service (SFIS) and 212 requests for information from the SFIS and £59,000 of Housing Benefit and £6,600 of Council Tax Support has been identified as overpaid.
12. Work is currently underway on the NFI exercise, but to date there have been 150 matches totalling £31,500

Housing Tenancy Fraud

13. As reported previously, tenancy fraud continues to be a national issue but does not directly affect Burnley Borough Council as it no longer has responsibility for social housing. Continued participation with the National Fraud Initiative means we share benefit information with Housing Associations which could assist them in identifying tenancy fraud.
14. The Council works closely with Registered Social Landlords and ‘B-with-Us’ (a Pennine Lancashire choice based letting service) which can also help reduce the risk of tenancy fraud. The details of this waiting list were included in the NFI data sets for 2016/17.

Procurement

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

Personation Fraud

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

Cyber Risk

22. Cyber based frauds presents both new methods of committing fraud and new fraud opportunities. This is probably the most frequently attempted fraud against the Council as automation allows thousands of attempts a day.
23. Viruses and ‘phishing’ e-mails represent the most common. Phishing e-mails are attempts to gain personal details of users, this is commonly bank details but can include passwords etc. Most automated attempts are non-specific and are automatically blocked by the Council’s systems.

24. Increasingly there are trends more complex attempts of fraud, where the culprit has taken time to check the council's details and uses this to attempt to get the Council to make a payment into a bank account which is quickly cleared. Common examples of this are CEO fraud, as above and Mandate fraud, where correspondence is received purporting to come from a large Council creditor saying that they have changed their bank details.
25. An awareness session on Cyber fraud was provided to staff as part of Colleague conferences in 2017.

Organised Crime

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

Election fraud

27. In January 2017 the government's anti-corruption tsar Sir Eric Pickles published his report on Election Fraud with 50 recommendations including
    - clamping down on postal vote 'harvesting' by political activists
    - piloting some form of identification at polling stations for elections in 2018
    - action to tackle the links between electoral fraud and immigration fraud
    - stronger checks and balances against municipal corruption

    The government is considering these recommendations.
28. The Electoral Commission's analysis of reported fraud in elections in 2016 indicates that there were 260 cases alleged electoral fraud recorded by the Police, almost half the total reported in 2015 (481). 138 cases had no further action and 79 were resolved locally. Of the remaining cases 2 resulted in court proceedings.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

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

POLICY IMPLICATIONS

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

DETAILS OF CONSULTATION

31. None

BACKGROUND PAPERS

32. CIPFA Fraud and Corruption Tracker
    http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker

33. Annual Fraud Indicator 2017
https://www.experian.co.uk/assets/identity-and-fraud/annual-fraud-indicator-report-2017.pdf
34. National Cyber Security Strategy 2016-2021
https://www.gov.uk/government/publications/national-cyber-security-strategy-2016-to-2021
35. UK Anti-corruption plan progress update
https://www.gov.uk/government/publications/uk-anti-corruption-plan-progress-update
36. Securing the ballot: Report of Sir Eric Pickles' review into electoral fraud.
https://www.gov.uk/government/publications/securing-the-ballot-review-into-electoral-fraud
37. Electoral Commissions Fraud Analysis 2016
https://www.electoralcommission.org.uk/__data/assets/pdf_file/0020/223184/Fraud-allegations-data-report-2016.pdf

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

ITEM NO	[AgendaItem]

General Data Protection Regulation

REPORT TO AUDIT AND STANDARDS COMMITTEE

Burnley .gov.uk

DATE	**10/01/2018**
PORTFOLIO	**Resources and Performance Management**
REPORT AUTHOR	**Ian Evenett**
TEL NO	**01282 425011 Ext 7175**
EMAIL	**ievenett@burnley.gov.uk**

PURPOSE

1. To inform members of the requirements and progress on meeting the General Data Protection Regulation

RECOMMENDATION

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

REASONS FOR RECOMMENDATION

3. Members can monitor the management of the risk and the control arrangements.

SUMMARY OF KEY POINTS

General Data Protection Act Regulation (GDPR)

4. The GDPR has been in discussion in the European Union for several years. This must be implemented in the UK by May 2018, this will be before the UK leaves the EU and so are enforceable. The Government is progressing a bill through Parliament to implement aspects of the GDPR (the Directives) to apply in the UK (The Data Protection Bill). This bill also addresses some other related areas of Data Protection.

5. The regulation directly replaces the Data Protection Act 1998 and update this area of legislation for the changes information uses which have evolved.

6. Once the UK has left the EU it will be up to the Government as to how it will legislate in this area. The stated intention is to follow the new requirements.

7. The objectives of the GDPR is to achieve a consistency of Data Protection (DP) legislation across the EU and a wider scope to wherever EU citizens data is processed. It aims to clarify the meanings of consent (the agreement of the data subject to allow their data to be processed. It increases the rights for data subjects over their data. It requires data systems to have data protection incorporated into them and the impact of new systems to be assessed. There are higher penalties for non-compliance, and a requirement to report data breeches. It also requires the appointment of Data Protection

Officers for some organisations.

8. The Information Commissioner (ICO) has provided some useful guides to prepare for the GDPR (https://ico.org.uk/media/1624219/preparing-for-the-gdpr-12-steps.pdf) , a guide to the GDPR (https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/) and the Data Protection Bill (https://ico.org.uk/for-organisations/data-protection-bill/). The 12 points of preparing for the GDPR are covered below.

Awareness

9. The first step in the process has been to make sure that key officers are aware of the GDPR. The Council has had in place a team of officers to plan the Council's response to the GDRP based on the advice and guidance which has been provided from various sources. The team has been meeting since May 2016, when the bill was passed in the EU and includes a member of Management Team.
10. The team has been monitoring the development of the GDPR guidance and planning the main elements of the responses.
11. Early changes were the incorporation of the GDPR requirements into the Council's IT Strategy and policy changes to incorporate the requirements of Data Protection by design.
12. In May 2017, the team of information governance officers across the Council and Liberata was briefed on the GDPR and the progression of the first steps. This team lead in services addressing Freedom of Information and Data Protection Issues.
13. In October 2017 a revamped Data Protection Awareness course was launched as mandatory training for colleagues.
14. A GDPR e-learing course is being prepared for wide use.

Information Held

15. The GDPR team decided that we needed to more about all the information that the council held. This information would be gathered by an on-line survey.
16. The objective of the survey is to record key data protection elements about the data we hold. This would provide the basis for further progress towards meeting the GDPR.
17. A GDPR survey was devised and launched in June 2017. It was hoped that this could be completed quickly but we do not expect completion until Dec 2017.

Communicating Privacy information

18. The Council's current privacy notice was reviewed quite recently so met the then current ICO guidance on Privacy Notices. The team's view is that the GDPR will need to be far more specific about what data is held, why it is held and how it is processed. The information for most of these details is being gathered as part of the survey.

Individuals Rights

19. There are some new rights provided to data subjects under the GDPR which need to be incorporated into Council data systems. For example, the deletion of a data subjects' information. Many of the Council's systems do not permit the deletion of data, the survey is gathering data on this. Many of the Council's data systems require data to be held and will be exempt from this provision but others will need to be adapted to cope with this.

Subject Access Requests

20. The Council receives and deals with Subject Access Requests on a periodic basis for a minimal charge. Under the GDPR these requests will become free and so it is anticipated that the number and frequency of requests will increase. We will also have less time to respond to these requests. Whilst the Council has a system part of the survey is do the

data systems have ways to deal with subject access requests.

Lawful basis for Processing Personal Data

21. This is altered under the GDPR. Key information systems are held by the Council as a legal requirement, others are held to deliver services in the public interest. It is important that the Council records and explains the lawful basis for processing the personal data and this then addresses some of the rights and exemptions which apply linked to that basis. For example the right to deletion for Council Tax is not applicable as this is a legal requirement.

Consent

22. This is where a data subject agrees to the processing and this is a legal basis for processing the data. The Council is reviewing where it collects consent to processing the data, too ensure that these consents meet the updated requirments and that these consents are retained.

Children

23. The survey is identifying where the data may relate to children and if consent is required then is the appropriate parental consent obtained.

Data Breaches

24. The Council has exisiting policies and procedures to address Data Breaches and these are being reviewed to consider the requirements to quickly detect, report and investigate serious Data Breaches.

Data Protection by Design and Data Protection Impact Assessments

25. As stated earlier we have already incorporated designing in data protection into our policies and procedues. The council has been following the ICO's code of practice on impact assessments for a few years now so this should require minimal adjustments.

Data Protection Officers

26. A public authority like the Council is required to have a Data Protection Officer. This is already covered in the Consistution as the Head of Governance, Law, Property and Regulation. However, given the new requirements of the role, this is being reviewed.

International

27. The Council only operates in the UK so this will not be a major issue and we will be covered by the Information Commission's Office (ICO) for compliance. However, the Council does process some data from EU citizens which will have implications after the UK leaves the EU. Where the Council holds data in cloud facilities, the locations of the data servers will need to be established.

Fines

28. Part of the legislation increases the maximum fines imposable for non-compliance with the GDPR. All the actions we are taking are working toward reducing the risk of fines and data breeches which would impact on the Council's reputation.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

29. It is intended to incorporate any changes within exisiting budgets although income from fees for subject access requests will need to be removed.

POLICY IMPLICATIONS

30. Further changes will be incorporated into the Councils IT security Policies. A specific Data protection policy to assit the process would be useful

DETAILS OF CONSULTATION

31. None

BACKGROUND PAPERS

32. None

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

AUDIT & STANDARDS COMMITTEE

Work Programme 2017/18

DATE OF MEETING	AREAS TO BE CONSIDERED
26th July 2017	• *Annual Governance Statement 2016/17* • *Grant Thornton – Audit Findings Report 2016/17* • *Statement of Accounts 2016/17* • *Internal Audit Charter and Plan 2017/18* • *Internal Audit Opinion 2016/17* • *Outside Body Report (Private)* • *Work Programme 2017/18*
20th September 2017	• *Internal Audit Progress Report (Quarter One) 2017/18* • *Partnership Governance and Monitoring Arrangements (Liberata Contract)* (moved to January meeting) • *PSIAS External Peer Review Report* • *External Auditor Appointment Arrangments Update* • *Annual Audit Letter* • *External Audit Progress Report* • *Work Programme 2017/18*
10th January 2018	• *Standards Complaints Update* • *Strategic Risk Register 2017/18* • *Fraud Risk Assessment 2017/18* • *Annual Governance Statement 2017/18 Arrangements* • *Annual Accounts 2017/18 Arrangements* • *Internal Audit Progress Report Q2* • *Work Programme 2017/18*
7th March 2018	• *Standards Complaints Update* • *Draft Annual Governance Statement 2017/18* • *Internal Audit Progress Report Quarter Three 2017/18* • *Risk Management Review 2017/18* • *Internal Audit Plan 2017/18* • *External Audit Plan 2017/18* • *Partnership Governance and Monitoring Arrangements (Liberata Contract)* • *Work Programme 2017/18*

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