

AUDIT AND STANDARDS COMMITTEE

Wednesday, 19th September, 2018
6.30 pm





AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

**Wednesday, 19th September, 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 Democracy and Legal Services by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website www.burnley.gov.uk/meetings.

AGENDA

1) *Apologies*

To receive any apologies for absence.

2) *Minutes*

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

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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) Annual Audit Letter	11 - 22
To receive the Annual Audit letter for the year ending 31 st March 2018.	
8) External Auditor Appointment for Grant Claim 2018/19	23 - 24
To inform members of the appointment of an external auditor for the Housing Benefit Subsidy Grant Claim 2018/19.	
9) Internal Audit Progress Report	25 - 30
To receive information on the work undertaken by Internal Audit for the period 1st April to 30 th June 2018.	
10) Regulation of Investigatory Powers Act - Office of Surveillance Commissioners Inspection and Annual Return	31 - 32
To provide members with an update of authorisations issued under the Regulation of Investigatory Powers Act 2000 ("RIPA").	
11) Work Programme	33 - 34
To consider the Work Programme for the current year.	

MEMBERSHIP OF COMMITTEE

Councillors

Councillor Paul Campbell (Chair)
 Councillor Joanne Greenwood (Vice-Chair)
 Councillor Bill Brindle
 Councillor Dale Ferrier
 Councillor Anne Kelly

Councillor Neil Mottershead
 Councillor Ann Royle
 Councillor Andrew Tatchell
 Councillor Mark Townsend

Co-opted Members

Paul Prior, Burnley College
 Louise Gaskell, East Lancashire Chamber of Commerce
 Councillor Kathryn Haworth, Habergham Eaves Parish Council
 Councillor Gill Smith, Cliviger Parish Council

External Auditor

Marianne Dixon, Grant Thornton - External Auditor
 Mark Heap, Grant Thornton

Published: Tuesday, 11 September 2018

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AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Thursday, 19th July, 2018 at 6.30 pm

PRESENT

MEMBERS

Councillor Paul Campbell, In the Chair.

Councillors J Greenwood (Vice-Chair), D Ferrier and A Tatchell

OFFICERS

Ian Evenett	– Internal Audit Manager
Asad Mushtaq	– Head of Finance and Property
Howard Hamilton-Smith	– Finance Manager
Imelda Grady	– Democracy Officer

CO-OPTED MEMBERS

Councillor Kathryn
Haworth
Councillor Gill Smith

EXTERNAL AUDITORS

Marianne Dixon	– Grant Thornton - External Auditor
Mark Heap	– Grant Thornton

1. Apologies

Apologies for absence were received from Louise Gaskell and Councillors Tom Commis, Neil Mottershead, Anne Kelly, Ann Royle and Mark Townsend.

2. Minutes

The Minutes of the meeting held on 7th March 2018 were approved as a correct record and signed by the Chair.

3. Additional item of business and order of the agenda

To consider an additional item of business in respect of the membership of the Audit and Standards Committee and at item 13 on the agenda the purpose being to keep the committee membership up to date.

To correct and vary the order of the agenda to

- Move item 11 Padiham Town Council to be last item,
- to take item 8 appendix 2, Audit Findings as a separate item and it be considered alongside Item 8 on the agenda
- to insert a new item 8 appendix 2 , the letter of representation

In accordance with the provision of Section 100(B)(4)(b) of the Local Government Act 1972 the Chair agreed that the additional item of business should be taken and that the order of the agenda be varied as set out above.

4. Declarations of Interest

Councillor Andy Tatchell declared a prejudicial interest in item 11 – Padiham Town Council report in the public interest. He left the room during consideration of this item and took no part in the debate or vote on the item.

5. The Annual Governance Statement

The Annual Governance Statement for 2017/18 was submitted for approval.

Members were advised that the statement had been produced in accordance with the proper practice using guidance from CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives)

The Statement was supported by assurances statements from members, Heads of Service, Liberata and Senior Management to the Leader and Chief Executive and no issues had been reported.

The Statement provided assurance to the Council's stakeholders that the governance and internal control systems of the Council were robust and the Internal Audit Manager informed the Committee that no weaknesses had been identified and no actions were required to be taken.

The Statement had been signed off by the Council Leader and the Chief Executive and would accompany the Council's Statement of Accounts.

RESOLVED

That the Annual Governance Statement be approved.

6. Annual Accounts 2017/18 and Audit Findings report

The Head of Finance and Property presented the audited Statement of Accounts for 2017/18. He said that the statement reflected a small number of changes that had been agreed with the external auditors during the course of the audit and the accounts had been externally verified by Grant Thornton as a true and fair view of the Council's financial position.

The Committee considered the statement alongside the Annual Governance Statement and was satisfied with the governance and internal control environment within which the Statement of Accounts had been prepared.

Members also received the letter of representation from the Head of Finance and Property to Grant Thornton, the external auditors.

In presenting the report the Head of Finance and Property thanked the external auditors for their assistance during 2017/18 and also his staff for their involvement in the preparation of the accounts.

Mark Heap then presented the external auditors Audit Findings report outlining the key messages on the financial statements and value for money arrangements. He said it was to the Council's credit that the accounts had been submitted in good time and with comprehensive documentation. He concluded that the Council had proper arrangements for securing economy, efficiency and effectiveness in the use of its resources and that there were no matters of concern that needed to be brought to the attention of the Committee.

The Head of Finance and Property then asked that the Statement of Accounts 2017/18 and the letter of representation be approved and signed by the Chair.

RESOLVED

- (1) That the audited Statement of Accounts for 2017/18 be approved and signed by the Chair;
- (2) That the letter of representation to the External Auditor from the Head of Finance and Property be approved and signed by the Chair and the Head of Finance and Property; and
- (3) The findings of the external auditor be noted.

7. Internal Audit Opinion 2017/18

The Internal Audit Manager presented a report detailing the opinion of the Head of Finance and Property as the Chief Audit Executive, on the internal controls of the Council for the financial year 2017/18.

He confirmed that the controls of the Council continued to operate effectively, including compliance with policy, separation of duties, authorisation, monitoring and internal checks.

IT WAS AGREED

That the report be noted.

8. Governance of Strategic Partner 2017 18

The Internal Audit Manager reported on the governance of the Council's Strategic Partner during 2017/18.

He detailed the various strategic, operational and service level meetings that had taken place during the year between the Council and its Strategic Partner to ensure that the partnership was aligned with the Council's objectives and continued to meet both partner's needs.

He confirmed that there were no issues of concern to report and that the arrangements were effective.

The key performance indicators (KPI) and performance indicators (PI) had been audited and no significant issues had been identified.

IT WAS AGREED

That the report be noted.

9. Code of Conduct Review

The Democracy Officer presented a report seeking the Committee's endorsement of a review of section 5.1 of the Council's Code of Conduct in relation to complaints against council members and the changes required to ensure the arrangements were fit for purpose.

A periodic review of existing arrangements had identified some changes which would be beneficial to the complaints process, including timescales for investigations, keeping members informed on progress of an investigation, conduct of officers and members during an investigation and the adoption of a hearing procedure (as attached at Appendix 1 to the report).

The Committee in endorsing the changes said that they would provide a better and more efficient process for dealing with member complaints.

RESOLVED

- (1) That the Council's Member Complaints Procedure Guidance at 5.1 of the Constitution be updated in relation to investigation timescales, the maintenance of the general principles of the code during an investigation; and the inclusion of the appendix detailing the procedures for conducting a Code of Conduct Hearing; and

(2) That Full Council be recommended to adopt these changes.

10. Work Programme

That subject to Annual Audit letter replacing the external audit progress report in September and the external audit plan being moved from March to January, the work programme for 2018/19 was noted.

11. Appointment of Co-optees to the Committee

The Democracy Officer reported that Paul Prior, Director of Finance and Resources at Burnley College had accepted the offer to be an independent co-optee on the Audit and Standards Committee to replace Colin Crowther.

She further reported that Louise Gaskell, Director of Finance and Policy at East Lancs Chamber of Commerce had agreed to continue to serve on the Committee as an independent co-optee and that Gillian Smith of Cliviger Parish Council had also agreed to serve a further term as a parish representative co-optee.

RESOLVED

That Full Council be recommended to ratify the appointments.

12. Padiham Town Council Report

Members were informed that Padiham Town Council had been unable to provide its external auditor with a return for 2016/17 and consequently there was no external auditor's audit opinion for that year.

The Town Council had been impacted by flooding at Padiham Town Hall in December 2015 but had submitted a return for 2015/16. The 2015/16 return had identified a governance issue of there being no risk assessment which was highlighted as a weakness along with other budgetary issues.

An annual return covers four principles elements of an annual governance statement, an accounting statement, an external auditor's examination and an Internal Auditors annual report.

The Town Council had appointed a new member of staff, Padiham's First Officer and had provided and published the accounts for 2017/18. A new internal auditor had been appointed.

Members accepted that Padiham had had difficulties but that it was moving forward and was satisfied that the new accounting regimes put in place would be adequate.

IT WAS AGREED

That the report be noted.

Annual Audit Letter

Year ending 31 March 2018

Burnley Borough Council

23 August 2018

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Agenda Item 7

Contents



Your key Grant Thornton
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Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

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Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Burnley Borough Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit and Standards Committee as those charged with governance in our Audit Findings Report on 19 July 2018.

Respective responsibilities

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

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

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

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1,286,000, which is 2% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 23 July 2018.
Whole of Government Accounts (WGA)	We confirmed to the NAO that no work is required as the Council does not exceed the NAO's threshold specified for Income, Expenditure, Assets or Liabilities.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 19 July 2018.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Audit and Standards Committee in our Annual Certification Letter.
Certificate	We certify that we have completed the audit of the accounts of Burnley Borough Council in accordance with the requirements of the Code of Audit Practice.

Executive Summary

Working with the Council

In previous years we have worked with Council staff in preparing to meet the new statutory accounts deadline of 31 May (draft) and 31 July (audited) for 2017/18. We were pleased to receive the draft financial statements on 17 May 2018.

Good comprehensive working papers were available in advance of the start of our audit visit on 1 June 2018. This demonstrates the Council's commitment to good quality, timely financial statements.

Finance staff responded promptly and knowledgeably to our questions and queries during the audit, enabling us to deliver our audit opinion on 23 July 2018.

During the year we also:

- Shared our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Provided training – we provided your teams with training on financial accounts and annual reporting.

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

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

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

We determined materiality for the audit of the Council's accounts to be £1,286,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower threshold of £64,300, above which we reported errors to the Audit and Standards Committee in our Audit Findings Report.

The scope of our audit

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

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

We also read the remainder of the Statement of Accounts, the narrative report and annual governance statement published alongside the Statement of Accounts to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

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

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

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

Audit of the Accounts

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> gained an understanding of accounting estimates, judgements and decisions made by management obtained a full listing of journal entries, and identified and tested unusual journal entries for appropriateness evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our work did not identify any issues relating to the management override of controls that we needed to bring to your attention</p>
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Council revalues its land and buildings to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration</p> <p>The assets are revalued according to the 5 year rolling programme following the full valuation of all land and buildings at 31 March 2015.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work considered the competence, expertise and objectivity of any management experts used. reviewed the basis on which the valuation is carried out and challenged the key assumptions. reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding. tested revaluations made during the year to ensure they are input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and considered how management has satisfied themselves that these are not materially different to current value. 	<p>Our work did not identify any issues relating to the valuation of PPE that we need to bring to your attention.</p>

Audit of the Accounts

Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> Identified and assessed the controls put in place by management to ensure that the pension fund liability is not materially misstated. obtained assurance on the controls established by the Lancashire County Pension Fund from the pension fund auditor evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made, including the use of an audit expert. reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our work did not identify any issues relating to the valuation and reporting of the pension fund net liability that we needed to bring to your attention</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 23 July 2018, in advance of the national deadline.

Preparation of the accounts

The Council presented us with draft accounts on 17 May 2018, a number of weeks in advance of the national deadline, and provided a good set of working papers to support them in advance of the start of our audit visit on 1 June 2018. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit and Standards Committee on 19 July 2018.

Annual Governance Statement and Narrative Report

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

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Burnley Borough Council in accordance with the requirements of the Code of Audit Practice.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial sustainability</p> <p>Whilst the Council had been successful in recent years in reducing its net expenditure, the Council still needed to find savings of around £5m over the 4 year period 2018/19 - 2021/22, which is equivalent to around 33% of the Council's net budget</p> <p>This risk relates to the Council's arrangements for sustainable resource deployment.</p>	<p>To address this risk to our vfm conclusion we:</p> <ul style="list-style-type: none"> reviewed the medium term financial strategy (MTFS) to confirm that it reflects an accurate assessment of the Council's financial position and consideration of the progress made by officers in developing plans to address the financial gap reviewed the Council's organisational development strategy to ensure that strategic prioritisation and service transformation are recognised within the strategic plan reviewed evidence that the Council has taken sufficient steps to ensure it has a realistic expectation that the savings required can be achieved. reviewed the outturn position for 2017/18. 	<p>The Council set a balanced budget for 2018/19 in February 2018, determining a net revenue budget of £15,090,000. The budget appropriately recognised increases in spending pressure such as pay and activity growth pressures, as well as a realistic estimate of revenue increases from business rates and Council Tax. Further budget savings of £179,000 were identified as being required and allocated across operational budgets.</p> <p>The Council also updated the MTFS for the period 2019/20 to 2021/22 incorporating key assumptions such as loss of New Homes Grant, ongoing pay growth, and retaining Council Tax increases at 1.99%. The cumulative budget gap over the 3 year period has been identified as £3.2 million or 21% of the Net Revenue Budget for 2018/19. To date the Council has approved around £355,000 of savings to be made over the first 2 years of the MTFS, with work ongoing to address the cumulative gap.</p> <p>The Medium Term Financial Strategy (MTFS) clearly sets out the assumptions that have been made about future levels of income and expenditure, identifying any risks attached to them and demonstrating an accurate assessment of the Council's financial position.</p> <p>The Council approved its Capital Budget for 2018/19 in February 2018 as £10,141,000. However, this has now been revised to £11,451,000 following the re-profiling of slippage from the 2017/18 capital programme.</p> <p>The Council is continuing to work with its strategic partner Liberata to obtain efficiencies and improvements through the service transformation of Revenues and Benefits. The performance of these services has remained high throughout the transitional phase. Developments introduced in 2017/18 include:</p> <ul style="list-style-type: none"> increased service automation for citizens through the development and imminent launch of 'Citizens Access' with support for vulnerable customers; improving 'self service' functionality for both citizens and businesses; working towards more effective customer contact, reducing the need for unnecessary repeat contacts. <p>Developments are generally on track to deliver the savings and benefits anticipated from the strategic partnership which is a key part of the Council's organisational development plan. The Council continues to focus on a more 'commercial' way of delivering services with its strategic partner as part of its strategic plan.</p> <p>The Council has again delivered its planned outturn position for 2017/18 with a budget surplus of £92,000 against its Net Revenue Budget of £14,596,000, with a reduction of £1,254,000 in Earmarked Reserves to retain a General Fund Balance of £1,379,000 consistent with previous years.</p> <p>The Council has a strong track record of understanding its financial position and being able to make tough decisions in terms of actions needed to deliver outturns and achieve a sustainable financial position in the medium term</p> <p>We concluded that the Council had effective arrangements in place for sustainable resource deployment</p>

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	23 February 2018
Audit Findings Report	19 July 2018
Annual Audit Letter	23 August 2018

Fees for non-audit services

Service	Fees £
Audit related services	
- RGF Grant – Aerospace scheme	2,950
Non-Audit related services	Nil
- None	

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Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	50,567	50,567	50,567
Housing Benefit Grant Certification	6,732	*TBC	9,675
Total fees	57,299	TBC	60,242

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

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

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)



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External Auditor Appointment for Grant Claim 2018/19

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	19/09/2018
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 appointment of an external auditor for the Housing Benefit Subsidy Grant Claim 2018/19.

RECOMMENDATION

2. The Committee notes the actions taken by Management to appoint Auditors.

REASONS FOR RECOMMENDATION

3. Members can monitor aspects of Audit within the Council..

SUMMARY OF KEY POINTS

Subsidy Grant Claim Audit

4. The Department of Work and Pensions (DWP) require an external audit examination of the Councils annual subsidy grant claim for Housing Benefit payments. In previous years this was linked to the Council's appointment of an external auditor and thus formed part of the external auditors report. After some transitional arrangements the Council is now able to appoint a suitably qualified auditor to this role directly effect from 1st March 2018. The decision on this was required from the Council by 2nd July 2018.

Appointment

5. Although the Council appoints the auditor, the appointed auditor have to work to guidelines provided by the DWP and National Audit Office. In addition they have to be a public auditor as included on the list maintained by the Institute of Chartered Accountants (England and Wales) - ICAEW.
6. Management had considered the time frame, the expected value of the work and undertook market testing suitable to a single years appointment in line with Standing Orders for Contracts.

7. The Council have appointed their existing external auditors – Grant Thornton for this task.

Future appointments

8. Officers will look review this arrangement early next year with an aim to appoint over a longer period.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

9. None

POLICY IMPLICATIONS

10. None

DETAILS OF CONSULTATION

11. None

BACKGROUND PAPERS

12. None

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

Internal Audit Progress Report

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	19/09/2018
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 work undertaken by Internal Audit for the period 1st April to 30th June 2018.

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 April to 30th June 2018 there have been 4 audit reports produced. Details of Burnley Council audits are given in **Appendix 1**.

Performance Statistics

5. The comparison between actual and planned audits is not available in the normal format. This has been due to the transitional phase of the service in undergoing a recruitment exercise for the vacant post. (see para 7 and 8 for details). An update on the audit plan and performance will be reported at the next committee meeting.
6. Performance indicators for Internal Audit are reported in the Finance balanced scorecard. The service currently reports the number of audit reports produced – 5 against an annual target of 22 (four for the Council and one for Burnley Leisure) and the percentage of high-priority actions from audit action plans implemented which was 100% and has a target of 100%.

Other Activity

7. The Internal Audit section has undergone changes to staffing and to the structure. As part of the restructuring of the Finance and Property Service the post of Senior Auditor and Audit Assistant were replaced on 1st April 2018 with two Auditor posts. The Senior Auditor postholder transferred to the Accountancy Service and Audit Assistant was transferred into one of the two new Auditor posts. A recruitment exercise was started to fill one of the new Auditor posts. Whilst this was underway the existing Auditor left the Council and permission was obtained to recruit two Auditors from the same exercise. The recruitment exercise was successful and two experienced candidates were appointed to the Auditor posts. Both the officers who have left the section had made significant contributions to the Internal Audit service.
8. These staffing changes has meant that the production of the Internal Audit plan for 2018/19 has been delayed until the available resources have been determined. Once complete the Plan for the remaining year will be provided to the Audit and Standards Committee for review. This does not mean that the Council is without a plan for this period. The audits which had not been completed during 2017/18 have been carried over and combined with the regular elements of the 2018/19 plan to ensure that Audit assurance will be enough to provide an opinion for 2018/19.
9. Burnley Internal Audit provided an Annual Audit Opinion on Burnley Leisure, as per the Service Level Agreement. In addition to the Annual Governance Statement, Internal Audit provided additional resources to assist in delivering the 2017-18 Statement of Accounts by the end of May. An Audit of the May 2018 Election was also delivered.
10. The GDPR and Data Protection Act 2018 came into effect in May 2018 and the Internal Audit Manager's role as the Council's Data Protection Officer meant that this was delivered and will continue to be part of the work of the Internal Audit Manager.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

11. The financial implications of the changes to the structure and the recruitment and selection have been incorporated into the services budget.

POLICY IMPLICATIONS

12. None

DETAILS OF CONSULTATION

13. None

BACKGROUND PAPERS

14. None

FURTHER INFORMATION

PLEASE CONTACT:

Ian Evenett (Internal Audit Manager) Ext 7175

ALSO:

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Summary of Audit reports Issued Quarter 1 2018/19

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score
Write-Offs 2017/18	Finance and Property	To review the write-offs for 2017/18 and to present an analysis for authorisation of write-offs.	No issues to report.	None	None	1
Statement of Accounts Check	Finance and Property	To review the Statement of Accounts for errors and accuracy	No issues to report.	None	None	1
Elections (May)	Governance, Law and Regulation	To audit the staffing payments for the elections in May 2018.	No issues to report.	None	None	1
Annual Governance Statement	Corporate	To provide assurance on the Council's governance system.	No significant issues identified.	None	None	NA (Satisfactory)

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.

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Regulation of Investigatory Powers Act - OSC Inspection and Annual Return

REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	19th September 2018
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	David Talbot
TEL NO	01282 477141
EMAIL	dtalbot@burnley.gov.uk

PURPOSE

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

RECOMMENDATION

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

REASONS FOR RECOMMENDATION

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

SUMMARY OF KEY POINTS

4. RIPA regulates the Council's use of covert surveillance to prevent and detect criminal activity.
5. The Council is subject to regular inspection by the Office of Surveillance Commissioners ("OSC") to ensure that its policies and procedures are operated in a lawful manner.
6. One of the recommendations made by the OSC was that reports on RIPA activity (or lack of it) be made periodically to elected members – details of activity in the financial year 2017/2018 are detailed below (paragraph 7)
7. There has been no surveillance activity necessitating authorisation under RIPA in the financial year 2017/2018.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

8. None

POLICY IMPLICATIONS

9. None

DETAILS OF CONSULTATION

10. None

BACKGROUND PAPERS

11. OSC Inspection Report dated February 2017

FURTHER INFORMATION

PLEASE CONTACT: LUKMAN PATEL

ALSO: DAVID TALBOT

AUDIT & STANDARDS COMMITTEE

Work Programme 2018/19

<u>DATE OF MEETING</u>	<u>AREAS TO BE CONSIDERED</u>
19 th July 2018	<ul style="list-style-type: none"> • <i>Annual Governance Statement 2017/18</i> • <i>Grant Thornton – Audit Findings Report 2017/18</i> • <i>Statement of Accounts 2017/18</i> • <i>Internal Audit Opinion 2017/18</i> • <i>Governance of Liberata Partnership</i> • <i>Code of Conduct Review</i> • <i>Padiham Town Council</i> • <i>Work Programme 2018/19</i>
19 th September 2018	<ul style="list-style-type: none"> • <i>Standards Complaints Update</i> • <i>Internal Audit Progress Report Q1</i> • <i>External Auditor Appointment Arrangements Update</i> • <i>Annual Audit Letter</i> • <i>Internal Audit Plan 2018/19</i> • <i>Regulation of Investigatory Powers Act - OSC Inspection and Annual Return</i> • <i>Work Programme 2018/19</i>
16 th January 2019	<ul style="list-style-type: none"> • <i>Standards Complaints Update</i> • <i>Strategic Risk Register 2018/19</i> • <i>Fraud Risk Assessment 2018/19</i> • <i>Internal Audit Progress Report Q2</i> • <i>External Audit Plan 2018/19</i> • <i>Annual Governance Statement 2018/19 Arrangements</i> • <i>Annual Accounts 2018/19 Arrangements</i> • <i>Work Programme 2018/19</i>
6 th March 2019	<ul style="list-style-type: none"> • <i>Standards Complaints Update</i> • <i>Internal Audit Progress Report Q3</i> • <i>Internal Audit Plan 2018/19</i> • <i>Work Programme 2018/19</i>

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