

# AUDIT AND STANDARDS COMMITTEE

Wednesday, 18th September, 2019  
6.30 pm





# AUDIT AND STANDARDS COMMITTEE

## BURNLEY TOWN HALL

Wednesday, 18th September, 2019 at  
6.30 pm

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

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

Notice in writing of the subject matter must be given to the Head of Legal & Democracy by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website <https://bit.ly/2BWx7d2>

## **AGENDA**

### **1) Apologies**

To receive any apologies for absence.

### **2) Minutes**

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

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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**

<b>7) Standards Complaints Update</b>	13 - 20
To receive an update on standards complaints regarding Members of the Council.	
<b>8) Annual Audit Letter 2018-19</b>	21 - 36
To consider the annual audit letter for 2018-19.	
<b>9) Internal Audit Progress Report Q1</b>	37 - 42
To inform members of the work undertaken by Internal Audit for the period 1st April to 30th June 2019.	
<b>10) Strategic Risk Register</b>	43 - 60
To consider the current Strategic Risk Register.	
<b>11) Investigation of Regulatory Powers Act - OSC Inspection and Annual Return</b>	61 - 62
To consider a report on the Investigation of Regulatory Powers Act - OSC Inspection and Annual Return.	
<b>12) Work Programme</b>	63 - 64
To consider the Work Programme for the current year.	

## **MEMBERSHIP OF COMMITTEE**

### **Councillors**

Councillor Paul Campbell (Chair)  
 Councillor Sue Graham (Vice-Chair)  
 Councillor Tom Commis  
 Councillor Shah Hussain  
 Councillor Wajid Khan

Councillor Margaret Lishman  
 Councillor Andrew Newhouse  
 Councillor Mark Payne  
 Councillor Andrew Tatchell

### **Co-opted Members**

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

### **External Auditor**

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

Published: Tuesday, 10 September 2019

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## AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Wednesday, 17th July, 2019 at 6.30 pm

### PRESENT

### MEMBERS

Councillor Paul Campbell, In the Chair.

Councillors S Graham (Vice-Chair), T Commis, W Khan, A Newhouse and A Tatchell

### OFFICERS

Asad Mushtaq	– Head of Finance and Property
Ian Evenett	– Internal Audit Manager
Salma Hussain	– Internal Auditor
Ilyas Ismail	– Internal Auditor
Imelda Grady	– Democracy Officer

### CO-OPTED MEMBERS

Louise Gaskell  
Councillor Kathryn  
Haworth  
Councillor Gill Smith

### EXTERNAL AUDITORS

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

#### 1. Apologies

Apologies for absence were received from Councillor Margaret Lishman.

#### 2. Minutes

The Minutes of the meeting held on 6<sup>th</sup> March 2019 were agreed as a correct record and signed by the Chair..

### **3. Annual Governance Statement 2018/19**

The Internal Auditor, Salma Hussain presented the Annual Governance Statement for 2018/19 for approval by the Committee as those charged with governance under the Accounts and Audit Regulations 2015.

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 from Executive members and the Chair of Scrutiny, Heads of Service, Liberata and the Council's Management Team and no issues had been reported. Any minor weaknesses identified in governance had been addressed.

The Statement had been signed off by the Council Leader and the Chief Executive and would accompany the externally audited Statement of Accounts 2018/19.

#### **RESOLVED**

That the Annual Governance Statement be approved.

### **4. Audit Findings Report 2018/19 and Statement of Accounts 2018/19**

Mark Heap presented the external auditors' Audit Findings Report highlighting the key findings on the Council's financial statement and value for money arrangements. He explained that two adjustments had been made to the Statement to take account of the recent 'McCloud judgement' in respect of pension fund liabilities and also a prior year adjustment for the revaluation of a Council asset and the figures had been revised and updated accordingly. 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 and that he was ready to give an unqualified Audit opinion.

Louise Gaskell asked about the pension fund liabilities and if this would impact on the Council's financial position. The Head of Finance and Property explained the McCloud ruling was about age discrimination arising from public sector pension scheme transition arrangements and actuaries had been commissioned to quantify and provide an appropriate estimate to include in the 2018/19 accounts. Marianne Dixon also responded by saying that the formality for final sign-off of Burnley's accounts would occur once the Lancashire Pension Fund had its accounts audit completed which was expected within the next week.

#### **RESOLVED**

(1) That the Statement of Accounts be approved;

- (2) That the draft Letter of Representation be approved; and
- (3) That the findings of the external auditor be noted.

## **5. Internal Audit Opinion 2018/19**

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 2018/19.

He outlined the work that had been carried out during the year and concluded that the controls of the Council continued to operate effectively, complied with policy, separation of duties, authorisation, monitoring and internal checks. Where weaknesses had been identified they had been addressed as part of an agreed action plan and would be monitored for compliance.

### **IT WAS AGREED**

That the report be noted.

## **6. Internal Audit Plan 2019/20**

The Internal Auditor, Ilyas Ismail informed members of the audit planning process for 2019-20 and the Internal Audit Charter and Strategy 2019.

He explained that the Committee was the 'Board' in respect of the Public Sector Internal Audit Standards (PSIAS) and as part of this role it was required to consider approval of a risk based internal audit plan and ensure that the service is delivered effectively and in accordance with proper practices.

### **RESOLVED**

That the Internal Audit Plan and the Internal Audit Charter and Strategy be approved.

## **7. Internal Audit Effectiveness**

The Internal Audit Manager presented a report which considered the effectiveness of Internal Audit and the application of new key standards documents issued by CIPFA (Chartered Institute for Public Finance and Accountancy) on its Local Government Application Note and the Role of the Head of Internal Audit. There were no substantial changes and there were no significant issues to report and he concluded that the service continued to run satisfactorily.

### **IT WAS AGREED**

That the report be noted.

## **8. Work Programme**

The work programme for 2019/20 was noted.





# AUDIT AND STANDARDS COMMITTEE - HEARING

BURNLEY TOWN HALL

Tuesday, 23rd July, 2019 at 6.00 pm

## PRESENT

## MEMBERS

Councillor Mark Payne, In the Chair.

Councillors P Campbell, T Commis, A Khan and A Newhouse

## OFFICERS

Lukman Patel	– Chief Operating Officer
Eric Dickinson	– Democracy Officer
Catherine Waudby	– Head of Legal and Democratic Services

## INDEPENDENT MEMBER

Louise Gaskell

## INDEPENDENT PERSON

Pat Higginbottom

### 9. Appointment of Chair

Councillor Mark Payne was appointed Chair for this meeting.

### 10. Minutes

The Minutes of the last Hearing Panel on 27<sup>th</sup> September 2018 were agreed as a correct record.

### 11. Declarations of Interest

Following a query by the Monitoring Officer, there weren't any declarations of Interest by Members on the Hearing Panel.

### 12. Arrangements for dealing with complaints under the Code of Conduct for

## Members

The procedure that would be followed for the hearing was noted and introductions were made.

### 13. Investigation report

The Hearing Panel conducted a hearing into allegations that Councillor Alan Hosker had breached the Council's Code of Conduct for Members by referring to Burnley's MP in a derogatory manner by being misogynistic on his County and Borough Councillor Facebook page, and had breached respect, caused disrepute, and had breached the Leadership Principle.

The hearing was conducted in accordance with the Council's arrangements for investigating and taking decisions on alleged breaches of the Code of Conduct and the procedure was agreed by the Panel.

The Investigating Officer who had carried out an investigation into the allegations presented her report and made submissions to the Panel, and she did not call any witnesses.

Councillor Alan Hosker was invited to the Hearing but declined to attend.

The Panel carefully considered the investigation report and the Investigating Officer was asked a number of questions.

The Panel asked the public and the Investigating Officer to leave so that it could consider its findings and have regard to the views of the Independent Person.

Before considering its findings, the Panel took into account and had regard to the views of the Independent Person.

The Panel and all parties reconvened and gave its decision and reasons.

### Decision

The Hearing Panel found that Councillor Alan Hosker had breached the Council's Code of Conduct for Members in relation to the Leadership Principle.

Members should promote and support General Principles of the Code of Conduct by leadership and by example, and should act in a way that secures or preserves public confidence.

Councillor Alan Hosker had behaved in a manner which could reasonably be regarded as breaching this Leadership Principle.

## ***Reasons for decision***

- The action by Councillor Alan Hosker on his County and Borough Councillor Facebook page in liking the language referred to in the report was inappropriate.
- The management by Councillor Alan Hosker of his County and Borough Councillor Facebook page was inadequate

The Panel asked the public and the Investigating Officer to leave so that it could consider the actions it might take regarding the breach of Leadership.

Before considering any action to be taken, the Panel took into account and had regard to the views of the Independent Person.

The Panel and all parties reconvened and delivered the following sanctions;

### **Sanctions**

1. That the Panel publish its findings in respect of Councillor Alan Hosker's conduct;  
and
2. That the Panel report its finding to the Council for information.

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**COMPLAINT UNDER COUNCIL'S CODE OF CONDUCT**

**REPORT TO AUDIT AND STANDARDS COMMITTEE**



<b>DATE</b>	<b>18/09/2019</b>
<b>PORTFOLIO</b>	<b>Councillor Maggie Lishman</b>
<b>REPORT AUTHOR</b>	<b>Eric Dickinson</b>
<b>TEL NO</b>	<b>01282 477198</b>
<b>EMAIL</b>	<b>edickinson@burnley.gov.uk</b>

**PURPOSE**

1. To report the decision of the Audit and Standards Sub Committee Hearing Panel on 23<sup>rd</sup> July 2019 in relation to the conduct of Councillor Hosker.

**RECOMMENDATION**

2. That the Committee notes the decision of the Hearing Panel on 23<sup>rd</sup> July 2019.

**REASONS FOR RECOMMENDATION**

3. The Committee is charged with promoting and maintaining high standards of conduct by Members, Co – opted members and employees of the Council. The determination of complaints about members is delegated to the Audit and Standards Sub Committee, and it is appropriate to report the outcome of the Hearing to Committee.

**SUMMARY OF KEY POINTS**

4. On 23<sup>rd</sup> July 2019 the Audit and Standards Sub Committee Hearing Panel considered an allegation that Councillor Hosker had breached the Code of Conduct for Members by liking misogynistic comments on the Councillor Hosker County and Borough Councillor Facebook page.
5. Following a full hearing the Sub Committee determined that Councillor Hosker had breached the Code of Conduct for Members in relation to the Leadership Principle , as set out on the attached Minutes (including the Decision Notice) of the Audit and Standards Sub Committee Hearing Panel of 23<sup>rd</sup> July 2019 (Appendix 1).
6. The Hearing Panel recommended the following;
  - (i) That the findings of the Panel be published (this has been done);and
  - (ii) That the findings of the Panel be reported to the Full Council (intended for the next Full Council meeting on 25<sup>th</sup> September 2019) .

<b>FINANCIAL IMPLICATIONS AND BUDGET PROVISION</b>
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7. None

<b>POLICY IMPLICATIONS</b>
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8. None

<b>DETAILS OF CONSULTATION</b>
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9. None

<b>BACKGROUND PAPERS</b>
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10. None.

<b>FURTHER INFORMATION</b> <b>PLEASE CONTACT:</b> <b>ALSO:</b>
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# AUDIT AND STANDARDS COMMITTEE - HEARING

BURNLEY TOWN HALL

Tuesday, 23rd July, 2019 at 6.00 pm

## PRESENT

## MEMBERS

Councillor Mark Payne, In the Chair.

Councillors P Campbell, T Commis, A Khan and A Newhouse

## OFFICERS

Lukman Patel	– Chief Operating Officer
Eric Dickinson	– Democracy Officer
Catherine Waudby	– Head of Legal and Democratic Services

## INDEPENDENT MEMBER

Louise Gaskell

## INDEPENDENT PERSON

Pat Higginbottom

### 9. Appointment of Chair

Councillor Mark Payne was appointed Chair for this meeting.

### 10. Minutes

The Minutes of the last Hearing Panel on 27<sup>th</sup> September 2018 were agreed as a correct record.

### 11. Declarations of Interest

Following a query by the Monitoring Officer, there weren't any declarations of Interest by Members on the Hearing Panel.

### 12. Arrangements for dealing with complaints under the Code of Conduct for

## Members

The procedure that would be followed for the hearing was noted and introductions were made.

### 13. Investigation report

The Hearing Panel conducted a hearing into allegations that Councillor Alan Hosker had breached the Council's Code of Conduct for Members by referring to Burnley's MP in a derogatory manner by being misogynistic on his County and Borough Councillor Facebook page, and had breached respect, caused disrepute, and had breached the Leadership Principle.

The hearing was conducted in accordance with the Council's arrangements for investigating and taking decisions on alleged breaches of the Code of Conduct and the procedure was agreed by the Panel.

The Investigating Officer who had carried out an investigation into the allegations presented her report and made submissions to the Panel, and she did not call any witnesses.

Councillor Alan Hosker was invited to the Hearing but declined to attend.

The Panel carefully considered the investigation report and the Investigating Officer was asked a number of questions.

The Panel asked the public and the Investigating Officer to leave so that it could consider its findings and have regard to the views of the Independent Person.

Before considering its findings, the Panel took into account and had regard to the views of the Independent Person.

The Panel and all parties reconvened and gave its decision and reasons.

### Decision

The Hearing Panel found that Councillor Alan Hosker had breached the Council's Code of Conduct for Members in relation to the Leadership Principle.

Members should promote and support General Principles of the Code of Conduct by leadership and by example, and should act in a way that secures or preserves public confidence.

Councillor Alan Hosker had behaved in a manner which could reasonably be regarded as breaching this Leadership Principle.

## ***Reasons for decision***

- The action by Councillor Alan Hosker on his County and Borough Councillor Facebook page in liking the language referred to in the report was inappropriate.
- The management by Councillor Alan Hosker of his County and Borough Councillor Facebook page was inadequate



The Panel asked the public and the Investigating Officer to leave so that it could consider the actions it might take regarding the breach of Leadership.

Before considering any action to be taken, the Panel took into account and had regard to the views of the Independent Person.

The Panel and all parties reconvened and delivered the following sanctions;

### **Sanctions**

1. That the Panel publish its findings in respect of Councillor Alan Hosker's conduct;  
and
2. That the Panel report its finding to the Council for information.

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## **DECISION NOTICE FINDINGS; BREACH OF THE MEMBERS CODE OF CONDUCT**

### **Complaint**

On 23<sup>rd</sup> July 2019 the Audit and Standards Sub Committee Hearing Panel of this Council considered the report of the Investigating Officer in relation to a complaint into the alleged conduct of Councillor Alan Hosker, a Member of Burnley Borough Council. We have set out a general summary of the complaint below:

It was alleged that Councillor Alan Hosker had breached the Code of Conduct for Members by referring to Burnley's MP in a derogatory manner by being misogynistic on his County and Borough Councillor Facebook page, and had breached respect, caused disrepute, and had breached the Leadership Principle- which requires Members to promote and support the General Principles of the Code of Conduct by leadership and by example and by acting in a way that secures or preserves public confidence.

The cross-party Hearing Panel was chaired by Councillor Mark Payne.

Councillor Alan Hosker was invited to the Hearing but declined to attend.

### **Decision**

The Hearing Panel takes all complaints about Councillors very seriously and carefully considers all matters in accordance with its published criteria.

The Hearing Panel found that Councillor Alan Hosker had breached the Council's Code of Conduct for Members in relation to Leadership. Members should promote and support General Principles of the Code of Conduct by leadership, and by example, and should act in a way that secures or preserves public confidence. Councillor Alan Hosker had behaved in a manner which could reasonably be regarded as breaching this Leadership Principle.

## **Reasons for decision**

The Hearing Panel carefully considered the evidence set out in the Investigating Officer's report and the representations made by the Investigating Officer.

Before reaching its decision the Hearing Panel took into account and had regard to the views of the Independent Person and concluded that:

- The action by Councillor Alan Hosker on his County and Borough Councillor Facebook page in liking the language referred to in the report was inappropriate
- The management by Councillor Alan Hosker of his County and Borough Councillor Facebook page was inadequate

## **Sanctions**

Before considering the action to be taken, the Hearing Panel took into account and had regard to the views of the Independent Person.

The Hearing Panel resolved the following;

The Panel will publish its findings in respect of Councillor Alan Hosker's conduct.

The Panel will report its findings to the Council for information.

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Audit and Standards Sub-Committee – Hearing Panel

Decision Notice – 5<sup>th</sup> August 2019

# The Annual Audit Letter for Burnley Borough Council

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Year ended 31 March 2019  
23 August 2019



Agenda Item 8

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Your key Grant Thornton  
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## Section

1. Executive Summary
2. Audit of the Financial Statements
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 2019.

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 17 July 2019.

## Our work

<b>Materiality</b>	We determined materiality for the audit of the Council's financial statements to be £1,208,000, which was 2% of the Council's gross revenue expenditure.
<b>Financial Statements opinion</b>	We gave an unqualified opinion on the Council's financial statements on 29 July 2019.
<b>Whole of Government Accounts (WGA)</b>	We confirmed to the NAO that no further work was required under WGA as the Council does not exceed the NAO's threshold specified for Income, expenditure, assets or liabilities.
<b>Use of statutory powers</b>	We did not identify any matters which required us to exercise our additional statutory powers.
<b>Value for Money arrangements</b>	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 29 July 2019.
<b>Certification of Grants</b>	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 2019. We will report the results of this work to the Audit and Standards Committee separately.
<b>Certificate</b>	We certified that we have completed the audit of the financial statements of Burnley Borough Council in accordance with the requirements of the Code of Audit Practice on 29 July 2019.

## 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.

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# Executive Summary

## Working with the Council

### Working with the Council

As in previous years we have worked with Council staff in preparing to meet the new statutory accounts deadline of 31 May. We were pleased to receive the draft financial statements on 29 May 2019.

Good comprehensive working papers were available in advance of the start of our audit visit on 30 May 2019. This demonstrates the Council's ongoing commitment to good quality, timely financial statements.

Finance staff responded promptly and knowledgeably to our questions and queries during the audit, enabling us to substantially complete our audit by 17 July 2019 and deliver our audit opinion on 29 July 2019.

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 2019



# Audit of the Financial Statements

## 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 financial statements to be £1,208,000, 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 also set a lower level of specific materiality for senior officer remuneration of £6,000.

We set a lower threshold of £60,000, 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 financial statements and the narrative report and annual governance statement published alongside the financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report 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 was based on a thorough understanding of the Council's business and is risk based.

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

The Financial Reporting Council (FRC) is responsible for reviewing and assessing the quality of local public audit work undertaken by Grant Thornton and the other audit firms. In response to the latest feedback from the FRC on local public audit work we have updated and refined our approach to the audit of PPE and Pensions Liabilities, which has resulted in additional audit procedures being undertaken. We have included fee adjustments to cover these additional procedures which are set out at page 12 of this report.

# Audit of the Financial Statements

## 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><b>Management override of internal controls</b></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. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>In response to this risk we</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals</li> <li>analysed the journals listing and determine the criteria for selecting high risk or unusual journals</li> <li>tested high risk / unusual journals recorded for appropriateness and corroboration</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence</li> <li>evaluated the rationale for changes in accounting policies, estimates or significant unusual transactions.</li> </ul>	<p>Our audit work did not identify any issues in respect of management override of controls.</p>
<p><b>Valuation of land and buildings</b></p> <p>The Authority revalued its land and buildings on a rolling programme basis over a five year period. This valuation represents a significant estimate by management in the financial statements due to the size of the valuation estimated and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter for the audit.</p>	<p>In response to this risk we:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>wrote to the valuer to confirm the basis on which the valuation was carried out</li> <li>challenged the information and assumptions used by the valuer to assess the completeness of source data and consistency with our understanding,</li> <li>tested revaluations made during the year to see if they have been input correctly into the Authority's asset register</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>	<p>We identified the need for a Prior Period Adjustment to reflect the omission of a revaluation in 2017/18, where the Council had originally recognised this in 2018/19. This was amended by management.</p> <p>Our audit work has not identified any issues in respect of valuation of land and buildings at 31 March 2019. Our work did not identify any other issues relating to the valuation of land and buildings that we need to bring to your attention</p>

# Audit of the Financial Statements

## Significant Audit Risks - continued

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><b>Valuation of net pension liability</b></p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the estimated valuation in the Authority's balance sheet and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>In response to this risk we :</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtained assurances from the auditor of Lancashire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>	<p>On 12 July 2019 the Actuary issued a revised estimate of the pension funds assets and liabilities, recognising the additional liabilities arising from the McCloud judgement.</p> <p>The Council revised the financial statements to reflect the revised estimation provided by the Actuary.</p> <p>We were satisfied with the adjustment management had made to the financial statements.</p> <p>Our work did not identify any other issues relating to the valuation and reporting of the pension fund net liability that we needed to bring to your attention</p>

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# Audit of the Financial Statements

## **Audit opinion**

We gave an unqualified opinion on the Council's financial statements on 29 July 2019.

## **Preparation of the financial statements**

The Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the financial statements**

We reported the key issues from our audit to the Council's Audit and Standards Committee on 17 July 2019.

## **Annual Governance Statement and Narrative Report**

We are required to review the Council's Annual Governance Statement and Narrative Report. 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.

## **Whole of Government Accounts (WGA)**

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold

## **Certificate of closure of the audit**

We certified that we have completed the audit of the financial statements of Burnley Borough Council in accordance with the requirements of the Code of Audit Practice on 29 July 2019.

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# 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 risks where we concentrated our work.

The 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 2019.

# Value for Money conclusion

## Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Financial sustainability</b></p> <p>As with most authorities, Burnley Borough Council continues to operate under significant financial pressures. The Medium Term Financial Strategy (MTFS) highlighted the requirement to make £3.23 million of savings over the 3 year period to 2021/22. This was comparable with over 21% of the Council's Revenue Budget.</p> <p>Savings amounting to just over £1.23 million had been approved at the stage of planning our audit, however almost £2million of savings had yet to be identified and approved.</p>	<p>We monitored the Authority's financial position through regular meetings with senior management and considered how the Authority managed its budget and assessed progress in the identification and delivery of the future savings required.</p>	<p><b><u>Revenue Outturn 2018/19</u></b></p> <p>Consistent with previous years the Council delivered its planned outturn for 2018/19 with a balanced position against its net budget of £15,090,000, delivering savings of £1,862,000 and a net transfer to earmarked reserves of £468,000. Individual budgets delivered broadly on target and the strategic partnership arrangement continues to offer considerable stability to the £3,610,000 budget for the provision of revenues, benefits and other support services. The Council maintained its General Fund Balance at £1,379,000 which has been the level the Council has set for several years.</p> <p><b><u>2019/20 Budget and Medium Term Financial Strategy</u></b></p> <p>In February 2019 the Council approved a balanced budget for 2019/20 as a net budget of £15,815,000. As in previous years the budget was set with prudent assumptions, with allowances included for inflation, pay increases and a range of other growth factors which are likely to occur over the course of the year, together with realistic assumptions on the levels of income from fees and charges in the current economic climate. Savings of £1m were originally identified as being required and have now been identified.</p> <p>The Council's MTFS has been extended and now covers the four financial periods 2020/21 to 2023/24. The MTFS recognises the ongoing pressures from core spending reductions and considers scenarios ranging from 0% to 4% reduction in core spending power and resulting in a potential cumulative financial gap of between £2m and £4.5m over the 4 year period.</p> <p>The MTFS recognises the significant risks arising from key pressures such as inflationary expenditure costs, volatility in business rates and limits on Council Tax increases, together with the further risks arising from new risks arising from the necessary borrowing for major capital projects (potentially up to £32m). Mitigating actions have been identified where possible and most importantly around the conditions required for construction to commence on major capital schemes. It will be crucial for these pre conditions to be scrutinised and challenged prior to any commitments to construction taking place.</p> <p><b>It is clear that a robust plan has been prepared for 2019/20 and the MTFS remains realistic in terms of current understanding on central government plans, however uncertainty remains around the Local Government Spending Review, which has now been deferred for another year and will not take effect until the 2021-22 financial year. Both Officers and Members need to make sure that effective financial management continues to be at the heart of all decisions to ensure that the Council is best placed to deal with the challenges ahead.</b></p> <p><b>We have concluded that the Council has effective arrangements in place for sustainable resource deployment.</b></p>

# Value for Money conclusion

## Value for Money Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Major capital scheme developments</b></p> <p>The Council has approved proposals and financial business cases for significant capital schemes to be carried out over the next 2 years.</p> <p>These schemes are in support of the Council's 'Place and Prosperity' objective as part of the Town Centre and Canalside masterplan.</p> <p>Such schemes carry significant inherent risks and require robust governance arrangements in place to ensure that appropriately informed decisions are made and risks are carefully managed.</p>	<p>We reviewed the governance arrangements the Council has in place to support appropriately informed decision making and to monitor and manage risks associated with such schemes.</p>	<p>In December 2018 the Council gave approval to the proposals for two significant capital schemes:</p> <ul style="list-style-type: none"> <li>• Sandygate Square student accommodation scheme</li> <li>• Pioneer Place town centre development scheme.</li> </ul> <p>Prior to presentation to members for approval, officers obtained in cooperation with the University of Central Lancashire (UCLAN) detailed market assessments for 'Sandygate' based on student numbers and, accommodation availability supported by appropriate external advisers. Building costs and design advice were also obtained for the Council's Joint Venture partner.</p> <p>Briefings and presentations have been made to members setting out the significant impact on the Council in terms of borrowing requirements and occupancy levels.</p> <p>For the town centre development of Pioneer Place, the Council had previously sought appropriate external advisers to scrutinise the development plans of the Council's approved developer partner. The Cinema and Supermarket developments that form the key elements of the scheme are subject to the risk of obtaining sufficient level of tenancy. The agreement between the Council and the developer sets out the level of pre lets required before construction commences.</p> <p><b>At this early development stage, the Council has appropriately sought external advice and has reviewed and reported the risks associated with the development of the capital schemes. Members have received training briefings and support in understanding the risks involved prior to making key decisions in approving scheme proposals and business cases.</b></p> <p><b>It will be essential that the development of schemes is closely monitored by officers with appropriate contract management skills and scrutiny from members, particularly prior to significant commitments to capital expenditure being made (see previous page on financial resilience risks)</b></p> <p><b>We are satisfied that the Council has effective arrangements in place for informed decision making.</b></p>

# A. Reports issued and fees

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

## Reports issued

Report	Date issued
Audit Plan	January 2019
Audit Findings Report	July 2019
Annual Audit Letter	August 2019

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	Planned £	Actual fees £	2017/18 fees £
Statutory audit	38,937	TBC*	50,567
Housing Benefit Grant Certification	9,750	TBC	9,675
<b>Total fees</b>	<b>48,687</b>	<b>TBC</b>	<b>60,242</b>

## Audit scale fee

As outlined in our audit plan, the 2018-19 scale fee published by Public Sector Audit Appointments Ltd (PSAA) of £38,937 assumes that the scope of the audit does not significantly change. Where the scope of an audit changes and/or additional work is required to be carried out, PSAA consider whether additional fees may be charged.

The PSAA is currently considering the additional work required for 2018/19 relating to the McCloud case for pensions and other areas of work. We will update the Head of finance and the Committee where there are any implications for the audit fee.



# A. Reports issued and fees continued

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

## Fees for non-audit services

Service	Fees £
<b>Audit related services</b>	
- RGF Grant – Weavers Triangle	2,950
<b>Non-Audit related services</b>	Nil
None	

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## 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.

## Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the area up to date and to assist in designing a tailored audit approach

## Our relationship with our clients – why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.

## New opportunities and challenges for your community

### The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

## Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

## Grant Thornton in Local Government

### Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

### Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

### Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

### Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

### Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies



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## Internal Audit Progress Report

### REPORT TO AUDIT AND STANDARDS COMMITTEE



<b>DATE</b>	<b>18/09/2019</b>
<b>PORTFOLIO</b>	<b>Resources and Performance Management</b>
<b>REPORT AUTHOR</b>	<b>Ilyas Ismail</b>
<b>TEL NO</b>	<b>01282 425011 Ext 3151</b>
<b>EMAIL</b>	<b>iismail@burnley.gov.uk</b>

#### PURPOSE

1. To inform members of the work undertaken by Internal Audit for the period 1st April to 30th June 2019.

#### 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 2019 there have been 9 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 – 9 against an annual target of 22 (eight 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 Plan 2019/20 was approved by the Committee at the last meeting. The

Plan has been resourced and good progress is being made. The Internal Audit Charter and Strategy have also been updated to reflect changes in definitions and standards.

8. In addition to the Annual Governance Statement, internal audit provided resources to assist in delivering the 2018-19 Statement of Accounts by the end of May.
9. The service provided an Annual Internal Audit Opinion to Burnley Leisure, as per the Service Level Agreement.
10. The National Fraud Initiative (NFI) has been progressed. Checks on creditor matches are complete and checks by other services are ongoing. We have recently received further matches based on HMRC data sets. These are being worked on.
11. Internal Audit has carried out follow up reviews on previously completed audits to review completed actions and provided advice and assistance to various services.

### **External Auditor Appointments**

12. As reported to the Audit and Standards Committee in September 2018, the Council had to review its arrangements for the appointment of an auditor for the Housing Benefit Assurance Process to the Department of Work and Pensions. This appointment was revisited early in 2019 and the current external auditor, Grant Thornton was appointed to this role for three years, 2019/20 till 2021/22.

### **FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

13. None

### **POLICY IMPLICATIONS**

14. None

### **DETAILS OF CONSULTATION**

15. None

### **BACKGROUND PAPERS**

16. None

### **FURTHER INFORMATION**

**PLEASE CONTACT:**

**Ilyas Ismail (Internal Auditor) Ext 3151**

**ALSO:**

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

### Summary of Audit reports Issued Quarter 1 2019/20

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score
Statement of Accounts Review	Finance and Property	To review the Statement of Accounts for errors and accuracy	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	N/A (Satisfactory)
Benefits Quality Review	Finance and Property	To verify the accuracy of benefit assessment quality control.	No issues to report.	None	None	N/A (Satisfactory)
Budget Monitoring	Finance and Property	To audit the budget monitoring process and ensure compliance with Financial Procedure Rules.	No issues to report.	None	None	1
Performance Indicators – Benefits	Finance and Property	To review and assess the quality of the Benefits PI reported for 2018/19.	No significant issues. Minor discrepancies identified which did not have a material impact on the outcomes reported.	Liberata should consider for the year end performance figures to be sample verified by another officer prior to submission.	The Revenues & Benefits Delivery Manager agreed to carry out a year end check going forward.	2
Performance Indicators – Facilities Management	Finance and Property	To review and assess the quality of the Facilities Management PI reported for 2018/19.	The quality and accuracy of data needs to be improved for some PIs to ensure correct data is being reported.	The Property Services Manager will carry out accuracy checks on a monthly basis. Discussion will take place with Liberata to obtain clarification for some of the PIs.	Sampling will be carried out on a monthly basis with supporting evidence retained.  A meeting will be arranged to obtain clarification for the above PIs.	3
Elections (April By-Election)	Legal and Democratic Services	To audit the staffing payments for the elections in April 2019.	No issues to report.	None	None	1
Elections (May)	Legal and Democratic Services	To audit the staffing payments for the elections in May 2019.	No issues to report.	None	None	1
Elections (June European)	Legal and Democratic Services	To audit the staffing payments for the elections in June 2019.	No issues to report.	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.



Audit	Started	Report Issued	Audit Score
<b>Corporate</b>			
Annual Governance Statement	✓	✓	N/A (Satisfactory)
Charities			
J W Shaw			
Mayor's Charity			
E Stocks Massey			
Debts Write-Off	✓		
Governance of Partnerships			
Strategic Partner Performance Indicators			
Benefits	✓	✓	2
Council Tax NNDR	✓		
Debt Recovery	✓		
Facilities Management	✓	✓	3
<b>Finance &amp; Property</b>			
Benefits Calculation Check	✓	✓	N/A (Satisfactory)
Bank Reconciliation	✓		
Budget Monitoring	✓	✓	1
Council Tax			
Debt Recovery			
Final Accounts	✓	✓	N/A (Satisfactory)
Income Management			
Overpayment of Benefits			

Audit	Started	Report Issued	Audit Score
Payment of Benefits			
Payroll			
Treasury Management			
<b>Information Governance</b>			
Achieve - CRM	✓		
Desktop Software	✓		
Information Governance / FOI			
<b>Housing &amp; Development Control</b>			
Selective Landlord Licensing	✓		
<b>Legal &amp; Democratic Services</b>			
Elections	✓	✓	1
<b>Green Spaces &amp; Amenities</b>			
Crematorium	✓		
Vehicles and Plant			
<b>Economy &amp; Growth</b>			
Vision Park Project			
<b>Streetscene</b>			
Urbaser – Waste Contract			
<b>External Clients</b>			
Burnley Leisure – Service Level Agreement			



## Strategic Risk Register

### REPORT TO AUDIT AND STANDARDS COMMITTEE



DATE	18/09/2019
PORTFOLIO	Resources and Performance Management
REPORT AUTHOR	Ian Evenett
TEL NO	01282 425011 ext 7175
EMAIL	ievenett@burnley.gov.uk

#### PURPOSE

1. To report on the current Strategic Risk Register.

#### RECOMMENDATION

2. That the Committee considers the Strategic Risk Register and recommends it to the Executive

#### REASONS FOR RECOMMENDATION

3. The Audit and Standards Committee's role is to monitor the Council's risk management processes and to advise the Executive on this matter

#### SUMMARY OF KEY POINTS

4. The Strategic Risk Register presented at Appendix 1 has been updated in several ways.

##### **Simplification**

5. Previous registers have been based on a 6 by 6 risk assessment that is a range of 6 possible impacts assessments and 6 possible likelihoods. A revised risk management approach has reduced this to a 3 by 3 assessment with 3 possible risk impacts (High, Medium and Low and 3 possible likelihoods, (Virtually certain, Likely and Very unlikely). This is more aligned to the RAG (Red, Amber, Green) rankings of risks.

##### **New Risk**

6. A risk has been included in the register for Environmental impact. These risks are recorded in both the National and Regional Risk Registers. (see Background Papers). This risk has been added to assess the strategic impact and to record the actions which the Council plans to address this risk. This has been assessed and recorded in the register as risk 13.

##### **Leaving the EU**

7. A high level of uncertainty is currently being debated about the impact of leaving the European Union. The Council recorded in the register as potential triggers for risks. The Council has reviewed the advice that has been prepared by Central Government, for Local Government and the appropriate sector advice has been reviewed for its various

services. As such it is not appropriate to record this as a separate risk within the register, but rather to recognise its role as a potential additional trigger for risks.

8. These changes to a 3 by 3 approach have been supported by a revision to the risk management method with gives details of the impacts and likelihoods to enable this approach to be applied by officer.

<b>FINANCIAL IMPLICATIONS AND BUDGET PROVISION</b>
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9. None.

<b>POLICY IMPLICATIONS</b>
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10. None.

<b>DETIALS OF CONSULATION</b>
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11. None.

<b>BACKGROUND PAPERS</b>
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12. National Risk Register - <https://www.gov.uk/government/publications/national-risk-register-of-civil-emergencies-2017-edition>
13. Lancashire Risk Register - <https://www.lancashire.gov.uk/council/strategies-policies-plans/emergency-planning/risks-in-lancashire/>
14. Advice to Local Authorities - <https://www.gov.uk/guidance/local-government-brexit-preparedness>

<b>FURTHER INFORMATION</b>	
<b>PLEASE CONTACT:</b>	<b>Ian Evenett <a href="mailto:ievenett@burnley.gov.uk">ievenett@burnley.gov.uk</a></b>
<b>ALSO:</b>	<b>Asad Mushtaq <a href="mailto:amushtaq@burnley.gov.uk">amushtaq@burnley.gov.uk</a></b>



## **Burnley Borough Council**

### **Strategic Risk Register**

27 August 2019

## Strategic Risk Register Summary

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

# Risk Prioritization Matrix

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

Likelihood	Impact
1 Very unlikely	1 Low
2 Likely	2 Medium
3 Virtually certain	3 High

**Risk Ref:** 1 Financial stability

Trigger or Cause

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

Possible Consequences of Risk

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

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

3

Likelihood

2

Score

6

Medium Priority Risk

Strategic Commitments

- PF1 - We will embed the partnership with Liberata within the Council's budget, strategic vision and commercial strategy.
- PF2 - We will adopt a Medium Term Financial Strategy that will put the Council on a sustainable footing. This strategy will set the framework for annual budgets, ensuring the annual budget is set within the context of the longer term outlook.
- PF3 - We will develop our digital strategy, so that more residents transact with us online and we are able to deliver services more efficiently.
- PL1 - We will implement a range of initiatives to maintain a clean, safe borough.
- PL4 - We will implement our 2015-25 Green Space Strategy.
- PR1 - We will contribute to the strategic direction of local, sub-regional and regional partnerships, and will position the borough for economic development investment
- PR2 - We will proactively support the borough's businesses to innovate and expand, and make the borough a natural choice for business relocation
- PR3 - We will deliver the Town Centre and Canalside Masterplan, and strategic projects in Padiham Town Centre.
- PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan.

Lead Responsibility Head of Finance & Property

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



**Risk Ref:** 8 Inability to influence key decision makers

Trigger or Cause

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

Possible Consequences of Risk

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

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

3

Likelihood

2

Score

6

Medium Priority Risk

Strategic Commitments

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

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

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

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

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

Lead Responsibility Management Team

**Risk Ref:** 10 Workforce, skills and capacity challenges

Trigger or Cause

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

Possible Consequences of Risk

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

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

2

Likelihood

3

Score

6

Medium Priority Risk

Strategic Commitments

PF1 - We will continue the successful partnership with Liberata.

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

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

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

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

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan.

Lead Responsibility Chief Executive Officer

**Risk Ref:** 2 Maintaining Partnership Performance

Trigger or Cause

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

Possible Consequences of Risk

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

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact	2	Likelihood	2	Score	4	Medium Priority Risk
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Strategic Commitments

- PE1 - We will work with partners to make the borough a place of aspiration, including supporting efforts to increase education attainment and skills development, and improve residents' health.
- PE2 - We will continue to develop the leisure and cultural offer of Burnley in partnership with Burnley Leisure.
- PF1 - We will continue the successful partnership with Liberata.
- PF3 - We will develop our digital strategy, so that more residents transact with us online and we are able to deliver services more efficiently.
- PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough.
- PL3 - We will work with partners to improve the quality and choice in the borough's housing stock.
- PL4 - We will implement our 2015-25 Green Space Strategy.
- PR3 - We will deliver the Town Centre and Canalside Masterplan, and strategic projects in Padiham Town Centre.

Lead Responsibility Management Team

**Risk Ref:** 3      **Damage to the Council’s reputation**

Trigger or Cause

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

Possible Consequences of Risk

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

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

2

Likelihood

2

Score

4

Medium Priority Risk

Strategic Commitments

PF1 - We will continue the successful partnership with Liberata.

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

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

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

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

Lead Responsibility      Chief Executive Officer

**Risk Ref:** 4 Changes in the political landscape

Trigger or Cause

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

Possible Consequences of Risk

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

Strategic Link: People Performance

Residual Risk Assessment

Impact

2

Likelihood

2

Score

4

Medium Priority Risk

Strategic Commitments

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

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

Lead Responsibility Chief Executive Officer

**Risk Ref:** 5 Changes in national policy/legislation

Trigger or Cause

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

Possible Consequences of Risk

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

Strategic Link: Prosperity

Residual Risk Assessment

Impact

2

Likelihood

2

Score

4

Medium Priority Risk

Strategic Commitments

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

Lead Responsibility Management Team

**Risk Ref:** 6 Inability to deliver regeneration

Trigger or Cause

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

Possible Consequences of Risk

Inability of private sector partners to deliver  
 Delivery partner does not have the capacity to delivery  
 Delays in delivery of the regeneration programme  
 Damaged reputation

Strategic Link: Prosperity People

Residual Risk Assessment

Impact

2

Likelihood

2

Score

4

Medium Priority Risk

Strategic Commitments

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

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

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

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

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

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

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

Lead Responsibility Strategic Head of Economy and Growth

**Risk Ref:** 7 **Inability to drive improvements through information technology**

Trigger or Cause

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

Possible Consequences of Risk

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

Strategic Link: Performance

Residual Risk Assessment

Impact

3

Likelihood

1

Score

3

Low Priority Risk

Strategic Commitments

PF1 - We will continue the successful partnership with Liberata.

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

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan.

Lead Responsibility Chief Operating Officer



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

Trigger or Cause

Government policy  
 Economic downturn  
 Big ticket issues – crime, health, housing  
 Benefit dependency  
 Short term fixes  
 Negative reputation  
 Failure to develop opportunities

Possible Consequences of Risk

Not deliverig regeneration  
 Poor service delivery  
 Poor customer satisfaction  
 Low aspirations  
 Damage to reputation  
 Failure to improve  
 Increased demand  
 Increased costs  
 Less funding  
 Viability of Burnley

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

3

Likelihood

1

Score

3

Low Priority Risk

Strategic Commitments

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

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

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

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

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

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

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

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

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

Lead Responsibility Management Team

**Risk Ref:** 11 Malicious Attack

Trigger or Cause

Public Disturbance  
 National Risk Level  
 Lack of Stakeholder Engagement  
 Lack of Planning  
 Poor and delayed information and communication  
 Event Targeting

Possible Consequences of Risk

Death of Public / Staff  
 Loss of Assets  
 Major impact on Services and Community  
 Evacuation  
 Financial Cost

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

3

Likelihood

1

Score

3

Low Priority Risk

Strategic Commitments

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

Lead Responsibility Chief Operating Officer

**Risk Ref:** 12 **Safeguarding Failure**

Trigger or Cause

Weak or No response to reported issues  
 Historic issues which are identified  
 Safeguarding System Failure  
 Failure of Background Checks  
 Not recognising Safeguarding Risks

Possible Consequences of Risk

Injury to Clients  
 Resources diverted to address Risks  
 Major impact on Services and Community  
 Financial Costs  
 Reputational Damage  
 Central Government Action

Strategic Link: Cross Cutting

Residual Risk Assessment

Impact

3

Likelihood

1

Score

3

Low Priority Risk

Strategic Commitments

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

PF4 - We will deliver our Organisational Development strategy, ensuring we plan for the structures and capabilities the organisation needs, and empowering our workforce to deliver the objectives of the Strategic Plan.

Lead Responsibility Chief Executive Officer

**Risk Ref:** 13 **Enviromental Event**

Trigger or Cause

Abnormal Weather  
 Rainfall  
 Heatwave  
 Climate Change  
 Snow Fall  
 Storms and Gales

Possible Consequences of Risk

Death of public/staff  
 Loss of assets  
 Major impact on services and community  
 Evacuation  
 Financial cost

Strategic Link: Place Performance

Residual Risk Assessment

Impact

**3**

Likelihood

**1**

Score

**3**

Low Priority Risk

Strategic Commitments

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

PF1 - We will continue the successful partnership with Liberata.

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

Lead Responsibility Head of Streetscene

## Regulation of Investigatory Powers Act - OSC Inspection and Annual Return

### REPORT TO AUDIT AND STANDARDS COMMITTEE



<b>DATE</b>	<b>18<sup>th</sup> September 2019</b>
<b>PORTFOLIO</b>	<b>Resources and Performance Management</b>
<b>REPORT AUTHOR</b>	<b>David Talbot</b>
<b>TEL NO</b>	<b>01282 477141</b>
<b>EMAIL</b>	<b>dtalbot@burnley.gov.uk</b>

#### 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 2018/2019 are detailed below (paragraph 7)
7. There has been no surveillance activity necessitating authorisation under RIPA in the financial year 2018/2019.

**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 2019/20

<u>DATE OF MEETING</u>	<u>AREAS TO BE CONSIDERED</u>
<p><b>DONE</b></p> <p>17<sup>th</sup> July 2019</p>	<p><b>DONE</b></p> <ul style="list-style-type: none"> <li>• <i>Annual Governance Statement 2018/19</i></li> <li>• <i>Audit Findings Report 2018/19/Statement of Accounts 2018/19</i></li> <li>• <i>Internal Audit Opinion 2018/19</i></li> <li>• <i>Internal Audit Plan 2019/20</i></li> <li>• <i>Internal Audit Effectiveness</i></li> <li>• <i>Work Programme 2019/20</i></li> </ul>
<p>18<sup>th</sup> September 2019</p>	<ul style="list-style-type: none"> <li>• <i>Standards Complaints Update/Code of Conduct Review</i></li> <li>• <i>Internal Audit Progress Report Q1</i></li> <li>• <i>External Auditor Appointment Arrangements Update</i></li> <li>• <i>Annual Audit Letter</i></li> <li>• <i>Regulation of Investigatory Powers Act – OSC Inspection and Annual Return</i></li> <li>• <i>Work Programme 2019/20</i></li> </ul>
<p>15<sup>th</sup> January 2020</p>	<ul style="list-style-type: none"> <li>• <i>External Audit Progress Report</i></li> <li>• <i>Certification Report</i></li> <li>• <i>Draft Audit Plan 2019/20</i></li> <li>• <i>Final Accounts 2019/20 arrangements</i></li> <li>• <i>Annual Governance Statement 2019/20 Arrangements</i></li> <li>• <i>Internal Audit Progress Report Q2</i></li> <li>• <i>Fraud Risk Assessment 2019/20</i></li> <li>• <i>Strategic Risk Register 2019/20</i> - <u><i>brought forward to 18<sup>th</sup> Sept 2019 meeting</i></u></li> <li>• <i>Standards Complaints Update</i></li> <li>• <i>Work Programme 2019/20</i></li> </ul>
<p>4<sup>th</sup> March 2020</p>	<ul style="list-style-type: none"> <li>• <i>Internal Audit Progress Report Q3</i></li> <li>• <i>External Audit Plan 2019/20</i></li> </ul>

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