

AUDIT AND STANDARDS COMMITTEE

Wednesday, 4th March, 2020
6.30 pm





AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Wednesday, 4th March, 2020 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

5 - 8

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

3) Additional Items of Business

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

4) Declarations of Interest

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

5) Exclusion of the Public

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

6) Public Question Time

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

PUBLIC ITEMS

| | |
|--|---------|
| 7) Audit Plan 2019-20 | 9 - 26 |
| To consider an Audit Plan for 2019-20. | |
| 8) Internal Audit Report Q3 2019-20 | 27 - 34 |
| To consider an internal audit report for Q3 2019-20. | |
| 9) Strategic Risk Register | 35 - 56 |
| To consider the current Strategic Risk Register. | |
| 10) Work Programme | 57 - 58 |
| 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
 Councillor Kathryn Haworth, Habergham
 Eaves Parish Council
 Councillor Gill Smith, Cliviger Parish
 Council
 Stuart Arnfield, Burnley College

External Auditor- Grant Thornton

Chloe Edwards
 Mark Heap

Published: Tuesday, 25 February 2020

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AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Wednesday, 15th January, 2020 at 6.30 pm

PRESENT

MEMBERS

Councillor Paul Campbell, In the Chair.

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

OFFICERS

| | |
|----------------|--------------------------|
| Ian Evenett | – Internal Audit Manager |
| Salma Hussain | – Internal Auditor |
| Eric Dickinson | – Democracy Officer |

CO-OPTED MEMBERS

Louise Gaskell
Councillor Gill Smith

EXTERNAL AUDITORS

| | |
|----------------|------------------|
| Mark Heap | – Grant Thornton |
| Marianne Dixon | – Grant Thornton |
| Chloe Edwards | – Grant Thornton |

27. Apologies

Apologies for absence were received from Parish Councillor Kathryn Haworth.

28. Minutes of Audit and Standards Committee

The Minutes of the last meeting held on the 18th September 2019 were approved as a correct record and signed by the Chair.

29. Declarations of Interest

Councillor Sue Graham declared an Other (Prejudicial) Interest in Item 13 regarding a Standards Complaint Update.

30. External Audit Progress Report-January 2020

Marianne Dixon and Chloe Edwards, from Grant Thornton, reported on an External Audit Progress report as at January 2020.

They set out the progress made by the external auditors in delivering their responsibilities including a summary of emerging national issues and developments, and also the outline of the external audit plan for 2019/20.

Members of the Committee asked about recent changes to the Finance team and were assured by Officers that arrangements were being made regarding a Finance Manager.

The Chair thanked Marianne Dixon for the work she had done for the Committee as this was her last meeting.

IT WAS AGREED

That the report be noted

31. Final Accounts 2019/20 Arrangements

Ian Evenett reported on the Final Accounts 2019/20 Arrangements.

Members considered issues regarding decluttering, the apprenticeship levy, preparation, accounting policies, annual governance statement, and risks.

IT WAS AGREED

- (1) That the report and arrangements that the Council is making in advance of the closure of accounts for the year 2019/20 be noted;
- (2) That the proposed accounting policies to be followed in producing the Statement of Accounts as shown in Appendix 1 be approved; and
- (3) That the date for the final accounts workshop, provisionally set for 22 July 2020, be confirmed.

32. Annual Governance Statement 2019/20 Arrangements

Salma Hussain reported on the Annual Governance Statement 2019/20 Arrangements.

Members considered the assurance gathering process as set out in the Appendix to the report.

IT WAS AGREED

That the proposed process as set out in the report be approved.

33. Internal Audit Progress Q2

Salma Hussain reported on the Internal Audit Progress Q2 for 2019/20.

Members considered details of 11 audit reports and relevant performance statistics as set out in the Appendices to the report.

IT WAS AGREED

That the content of the progress report be noted.

34. Fraud Risk Assessment 2019/20

Salma Hussain reported on the Fraud Risk Assessment 2019/20.

Members considered Fraud relating to Council Tax, Housing Benefit and Council Tax Support, Business Rates, Housing Tenancy, Procurement, Insurance, Grant, Recruitment, and Payroll.

They also considered Cyber Risk, Organised Crime, National Anti-Fraud Network, and National Fraud Initiative.

Members discussed the following points;

- It was confirmed that the £489k of housing benefit identified as overpaid related to Burnley Council; and
- Cyber crime was focused on by Burnley Council within the strategic risk register and Officer Groups, as well as by cyber insurance, staff awareness campaigns and testing by the Public Service Network on cyber essentials to ensure that the Council complies with National Standards

IT WAS AGREED

That the current fraud trends that affect the public sector be noted.

35. Strategic Risk Register

Ian Evenett reported on the current Strategic Risk Register.

Members considered risk scores, interest rate increases, price increases, cyber attack, partnerships, flooding, and national risk changes.

IT WAS AGREED

That the current Strategic Risk Register be noted.

36. Standards Complaints Update

Councillor Graham did not take part in this item.

Members considered a Standards Complaints Update regarding a hearing on 3rd December 2019, which has already been reported to the 18th December 2019 Full Council.

IT WAS AGREED

That the decision of the Hearing Panel on 3rd December 2019 be noted.

37. Work Programme 2019/20

Eric Dickinson reported on the Work Programme 2019/20.

IT WAS AGREED

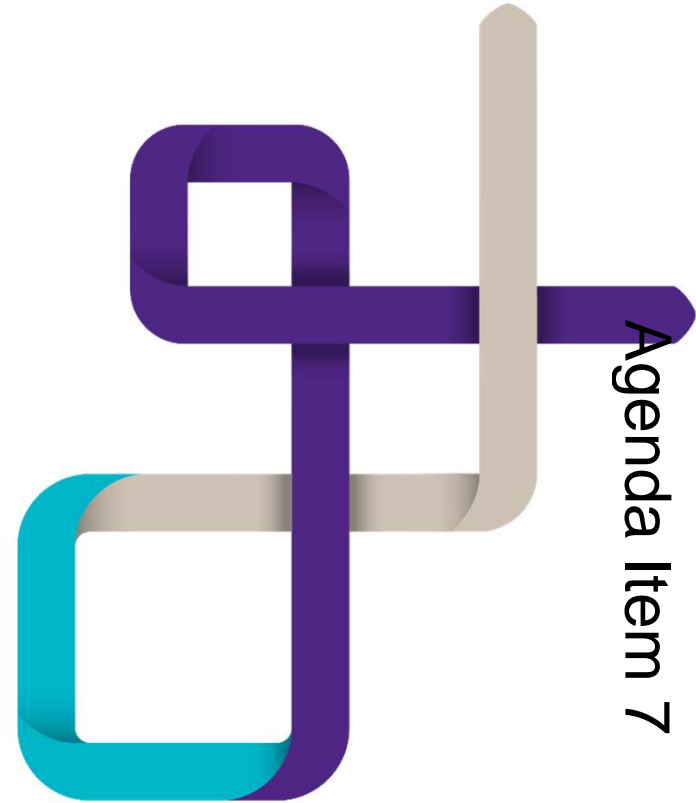
That the Work Programme 2019/20 be noted.

External Audit Plan

Year ending 31 March 2020

Burnley Borough Council
24 February 2020

Page 9



Contents



Your key Grant Thornton
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Page 10

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| Section | Page |
|--------------------------------------|------|
| 1. Introduction & headlines | 3 |
| 2. Key matters impacting our audit | 4 |
| 3. Significant risks | 5 |
| 4. Other matters | 8 |
| 5. Materiality | 9 |
| 6. Value for Money arrangements | 10 |
| 7. Audit logistics & team | 11 |
| 8. Audit fees | 12 |
| 9. Independence & non-audit services | 14 |
| Appendix | |
| A. Audit quality – national context | 16 |

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

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Burnley Borough Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out *in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA)*, the body responsible for appointing us as auditor of Burnley Borough Council. We draw your attention to both of these documents *on the [PSAA website](#)*.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Standards Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

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

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of land and buildings
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1,187,000 (PY £1,208,000), which equates to 2% of gross expenditure on your cost of services for the prior year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £59,000k (PY £60,000k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial sustainability
- Major capital schemes

Further details of these risks and our planned work is set out on page 10.

Audit logistics

Our interim visit will take place in March and our final visit will take place between June and September. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £46,437 (PY: £43,437), subject to the Authority meeting our requirements set out on page 11.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

2. Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. Burnley Borough Council delivered its planned outturn for 2018/19 with a balanced position against its net budget of £15,090,000, achieving savings of £1,862,000 and a net transfer to earmarked reserves of £468,000.

In February 2019 the Council set a balanced budget for 2019/20 as a net budget of £15,815,000. The Council's latest revenue position reporting (at month 9) indicates a current overspend of £140,000. Incorporated into the budget is a savings target of £400,000. At Month 9 £140,000 of this has yet to be identified.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty (update as appropriate). The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Major Capital schemes

In December 2018 the Council gave approval to the proposals for two significant capital schemes:

- Sandygate Square student accommodation scheme
- Pioneer Place town centre development scheme.

Major capital schemes carry significant inherent risks and require robust monitoring arrangements with appropriate contract management skills to deliver these effectively.

Our response

- 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 consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been discussed with the Director of Finance. However, the fees are still subject to both Authority and PSAA agreement.

- We will continue to review the governance arrangements the Council has in place to support appropriately informed decision making and to monitor and manage risks associated with such schemes.

3. Significant risks identified

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

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|--|
| ISA240 revenue risk – the Council’s reported revenue contains fraudulent transactions (rebutted) | <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Burnley Borough Council, mean that all forms of fraud are seen as unacceptable. | <p>As we do not consider this to be a significant risk for the Council, we will not be undertaking any specific work in this area other than our normal audit procedures, including validating total revenues to central government grant income, Council tax, and non domestic rates</p> |
| Management over-ride of controls | <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>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>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. |

Significant risks identified

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|--|
| <p>Valuation of land and buildings (Rolling revaluation)</p> | <p>The Authority revalues its land and buildings on a rolling five-yearly basis and annually for surplus assets. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£44.8 million) 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</p> | <p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings are not materially misstated and evaluate the design of the associated controls • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding/, the Authority's valuer's report and the assumptions that underpin the valuation. • test revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluating 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. |

Significant risks identified

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| <p>Valuation of the pension fund net liability</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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£57.6m million 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</p> | <p>We will:</p> <ul style="list-style-type: none"> • update 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; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test 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; • undertake 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 • obtain 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. |

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

4. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

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

7. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

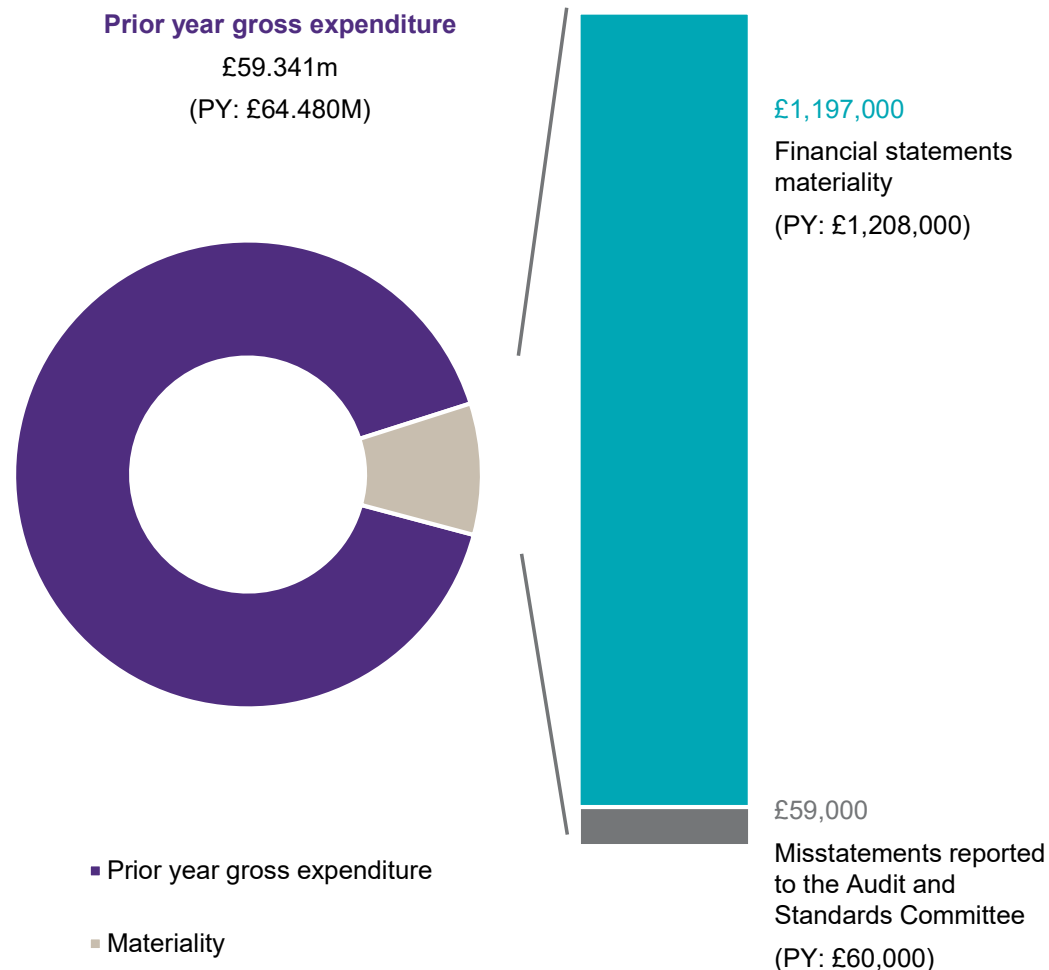
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1,187,000 (PY £1,208,000), which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £5,000 for Senior Officers' Remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £59,000 (PY £60,000).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Standards Committee to assist it in fulfilling its governance responsibilities.



8. Value for Money arrangements

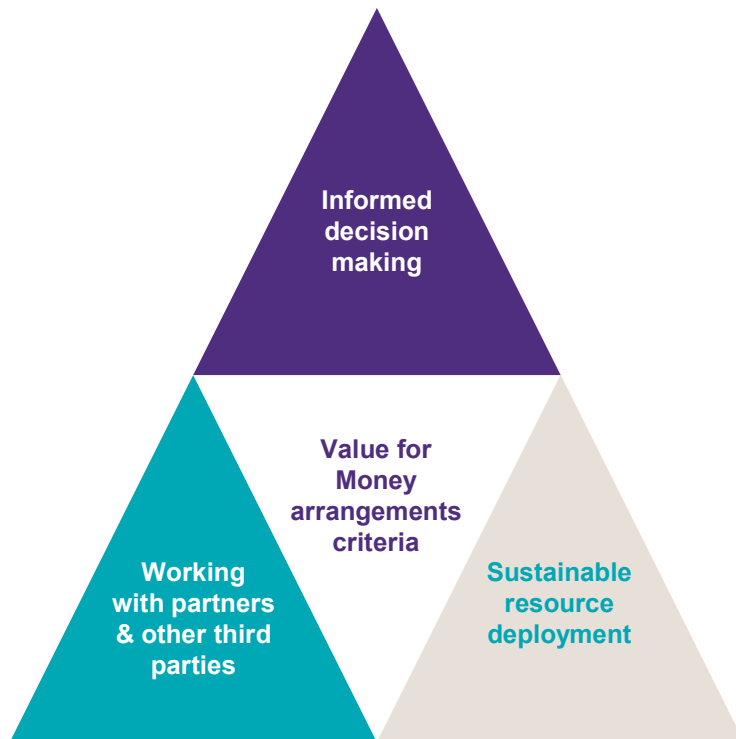
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single 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.”

This is supported by three sub-criteria, as set out below:



Page 18

Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Financial sustainability

Burnley Borough Council delivered its planned outturn for 2018/19 with a balanced position against its net budget of £15,090,000, achieving savings of £1,862,000 and a net transfer to earmarked reserves of £468,000.

In February 2019 the Council set a balanced budget for 2019/20 as a net budget of £15,815,000. The Council's latest revenue position reporting (at month 9) indicates a current overspend of £140,000.

Incorporated into the 2019/20 budget is a savings target of £400,000. At Month 9 £140,000 of this has yet to be identified.

The Council's MTFS for 2020/21 to 2023/24 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.

We will continue to monitor the Council's financial position through meetings with senior management and also assess progress in the identification and delivery of the future savings required as identified in the MTFS.



Major capital schemes

In December 2018 the Council gave approval to the proposals for two significant capital schemes:

- Sandygate Square student accommodation scheme
- Pioneer Place town centre development scheme.

Whilst these schemes are at different stages, around £6m of capital expenditure is expected to be incurred in 2019/20.

Major capital schemes carry significant inherent risks and require robust monitoring arrangements with appropriate contract management skills to deliver these effectively.

We will continue to review the governance arrangements the Council has in place to support appropriately informed decision making and to monitor and manage risks associated with such schemes.

7. Audit logistics & team



Mark Heap, Key Audit Partner

Mark leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring highest professional standards are maintained and a commitment to add value to the Council.



Chloe Edwards, Engagement Manager

Chloe plans, manages and leads the delivery of the audit. She is the first point of contact for your finance team for discussing any emerging issues.



Aaron Gouldman, Audit Incharge

Aaron's role is to assist in planning, managing and delivering the audit fieldwork, ensure the audit is delivered efficiently and effectively and to supervise and coordinate the on-site team.

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

8. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been discussed with the Head of Finance, but remains subject to Authority and PSAA agreement.

| | Actual Fee 2017/18 | Actual Fee 2018/19 | Proposed fee 2019/20 |
|--|--------------------|--------------------|----------------------|
| Audit fee scale set by PSAA | £50,567 | £38,937 | £38,937 |
| Audit fee variations – additional work required (see page 13) | Nil | £4,500 | £7,500 |
| Total audit fees (excluding VAT) | £50,567 | £43,437 | £46,437 |

Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

| Audit area | £ | Rationale for fee variation |
|---|---------------|---|
| Scale fee | 38,937 | |
| Raising the bar | 2,500 | The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. |
| Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19 | 1,750 | The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we plan to increase the level of scope and coverage of our work in respect of IAS 19 this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion. Specifically, we have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting. |
| PPE Valuation – work of experts | 1,750 | As above, the FRC has also determined that auditors need to improve the quality of audit challenge on PPE valuations across the sector. We have therefore increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. |
| New standards/developments | 1,500 | IFRS 16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a ‘right of use’ asset and corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements. |
| Revised scale fee (to be approved by PSAA) | 46,437 | |

9. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified

| Service | £ | Threats | Safeguards |
|---|-------|---|--|
| Audit related: | | | |
| Certification of Housing Benefit Subsidy return | 9,750 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £9,750 (on the basis that the Council complete the HB workbooks) in comparison to the total fee for the audit of £46,437 (after fee variations) and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Standards Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.ie/about/transparency-report/>

Appendices

A. Audit Quality – national context

Page 23

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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Internal Audit Progress Report

REPORT TO AUDIT AND STANDARDS COMMITTEE



| | |
|----------------------|---|
| DATE | 04/03/2020 |
| PORTFOLIO | Resources and Performance Management |
| REPORT AUTHOR | Ilyas Ismail |
| TEL NO | 01282 425011 Ext 3151 |
| EMAIL | iismail@burnley.gov.uk |

PURPOSE

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

4. **Audit Reports**
From 1st October to 31st December 2019 there have been 5 audit reports produced. Details the four of Burnley Council audits are given in **Appendix 1**.
5. **Performance Statistics**
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 – 26 against an annual target of 22 and the percentage of high-priority actions from audit action plans implemented which was 100% and has a target of 100%.
7. The reports produced have exceeded the target as audits from the previous year and additional work has been reported.

Other Activity

- 8. The Internal Audit Plan has been resourced and good progress is being made.
- 9. Internal Audit has carried out follow up reviews on previously completed audits to review completed actions and provided advice and assistance to various services.
- 10. The team has been involved with the Talent Management scheme. We have been supporting the Council's Renewable Energy Group, Risk Management Group and updating the Council's Business Continuity plans. We helped Burnley Leisure Trust management in response to an irregularity.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

11. None

POLICY IMPLICATIONS

12. None

DETAILS OF CONSULTATION

13. None

BACKGROUND PAPERS

14. 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 3 2019/20

| Audit | Service | Audit Purpose | Audit Opinion | Key Actions Agreed | Implementation Detail | Score |
|--------------------------------------|---------------------|--|--|---|--------------------------------|-------|
| Desktop Software | Policy & Engagement | To review the controls in place to ensure desktop software is legally compliant, effectively managed and supported to deliver value for money. | A clear policy is in place for the administration of desktop software. Adequate procedures are in place to manage desktop software. | To define clear lines of responsibility for the administration of the Microsoft OL Agreement and to ensure it remains fit for purpose. [MEDIUM] The Learning & Development Team should resolve the issue with IT training guides on ELVIS, making them available to all Council employees to access. [LOW] | Ongoing December 2019 | 2 |
| Page 2 Income Management | Finance & Property | To ensure that there are effective controls in place around income management arrangements. | The Council's income management arrangements are diverse. For most activities examined, good controls are in place with supporting paperwork and income reconciliation. However, for some areas, there are weaknesses due to the number of people involved in the process. | Cheques should be held in a secure location. Cheques should be passed to the Contact Centre as soon as possible. It should be made clear as to who is responsible for ensuring the Council is compliant with Payment Card Industry Data Security Standards (PCI DSS). | December 2019 Completed | 2 |
| Service Level Agreements Healthcheck | Finance & Property | To assess the current service provision for Burnley Leisure. | N/A | None | None | N/A |
| Charging Orders Process Review | Corporate | To review the process of raising a charging order for Council Tax debts. | N/A | None | None | N/A |

Audit Score Defined

| Score | Opinion | Definition of Opinion |
|-------|-------------------------|--|
| 1 | Comprehensive Assurance | There is a sound system of controls designed to meet objectives and controls are consistently applied in all the areas reviewed. |
| 2 | Reasonable Assurance | There is a good system of controls. However, there are minor weaknesses in the design or consistency of application that may put the achievement of some objectives at risk in the areas reviewed. |
| 3 | Limited Assurance | Key controls exist to help achieve system objectives and manage 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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| Audit | Started | Report Issued | Audit Score |
|--|---------|---------------|--------------------|
| Corporate | | | |
| Annual Governance Statement | ✓ | ✓ | N/A (Satisfactory) |
| NFI | ✓ | | |
| Charities | | | |
| J W Shaw | ✓ | ✓ | N/A (Satisfactory) |
| Mayor's Charity | ✓ | ✓ | N/A (Satisfactory) |
| Acorn Fund | ✓ | ✓ | N/A (Satisfactory) |
| E Stocks Massey | ✓ | ✓ | N/A (Satisfactory) |
| Debts Write-Off | ✓ | | |
| Fraud Risk Review | ✓ | | |
| Governance of Partnerships | ✓ | | |
| Strategic Partner Performance Indicators | | | |
| Benefits | ✓ | ✓ | 2 |
| Council Tax NNDR | ✓ | ✓ | 1 |
| Debt Recovery | ✓ | ✓ | 2 |
| Facilities Management | ✓ | ✓ | 3 |
| Safeguarding | | | |
| | | | |
| Finance & Property | | | |
| Benefits Calculation Check | ✓ | ✓ | N/A (Satisfactory) |
| Final Accounts | ✓ | ✓ | N/A (Satisfactory) |
| Payment of Benefits | | | |
| Treasury Management | ✓ | ✓ | 1 |
| Budget Monitoring | ✓ | ✓ | 1 |
| Income Management | ✓ | ✓ | 2 |
| Council Tax | | | |
| Payroll | | | |
| Overpayment of Benefits | | | |
| Debt Recovery | | | |
| Bank Reconciliation | ✓ | ✓ | 2 |
| | | | |
| Information Governance | | | |
| Achieve - CRM | ✓ | | |
| Desktop Software | ✓ | ✓ | 2 |
| Information Governance / FOI | | | |
| | | | |
| Housing & Development Control | | | |
| Selective Landlord Licensing | ✓ | ✓ | 1 |
| | | | |
| Legal & Democratic Services | | | |
| Elections – By-Election | ✓ | ✓ | 1 |
| Elections – Local | ✓ | ✓ | 1 |
| Elections – Euro | ✓ | ✓ | 1 |
| Elections - Parliamentary | ✓ | | |
| | | | |

| Audit | Started | Report Issued | Audit Score |
|---|----------------|----------------------|--------------------|
| Green Spaces & Amenities | | | |
| Crematorium | ✓ | ✓ | 2 |
| Vehicles and Plant | | | |
| | | | |
| Economy & Growth | | | |
| Vision Park Project | | | |
| | | | |
| Streetscene | | | |
| Urbaser – Waste Contract | | | |
| | | | |
| Additional Work | | | |
| Service Level Agreements Healthcheck | ✓ | ✓ | N/A |
| Charging Orders Process Review | ✓ | ✓ | N/A |
| Fraud Investigation | ✓ | ✓ | N/A |
| | | | |
| External Clients | | | |
| Burnley Leisure – Service Level Agreement | ✓ | | |

Strategic Risk Register Mar 2020

REPORT TO AUDIT AND STANDARDS COMMITTEE



| | |
|----------------------|---|
| DATE | 04/03/2020 |
| PORTFOLIO | Resources and Performance Management |
| REPORT AUTHOR | Ian Evenett |
| TEL NO | 01282 425011 Ext 7175 |
| EMAIL | ievenett@burnley.gov.uk |

PURPOSE

1. To update members on the Strategic Risk Register.

RECOMMENDATION

2. The Committee considers the Strategic Risk Register and comments on its contents.

REASONS FOR RECOMMENDATION

3. Members can monitor the Strategic Risk Register arrangements.

SUMMARY OF KEY POINTS

Strategic Risk Register

4. The current Strategic Risk Register (Appendix 1) was reviewed in January and no updates are required since that date.

Governance Issues

5. Effective and up to date risk management is a key element of good corporate governance and contributes to an effective, focused organisation that has an understanding of the challenges facing it. The register links to the strategic actions that the Council has in place to control these risks and to strategic plans and actions to better serve the community. Risk Scoring provides a relative assessment of the risks and effectiveness of controls and plans to address the risks.

Assurance Mapping

6. This approach presents a presentation of the assurance that the Council's Strategic Risks are being appropriately managed. The model applied is that of the government and uses three lines of defence as illustrated in Appendix 2.
7. The detail and the outcomes of the assurance mapping is presented at Appendix 3. It is not necessary that each risk should have a line of associated defence but that there is

appropriate assurance to ensure that risks are managed effectively.

8. The outcome of the assessment is that there is no specific improvement actions required.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

9. None

POLICY IMPLICATIONS

10. None

DETAILS OF CONSULTATION

11. None

BACKGROUND PAPERS

12. None

FURTHER INFORMATION

PLEASE CONTACT:

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

ALSO:



Burnley Borough Council

Strategic Risk Register

17 February 2020

Strategic Risk Register Summary

| ID | Risk Description | Risk Score |
|----|--|------------|
| 1 | Financial stability | 6 |
| 5 | Changes in national policy/legislation | 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 |
| 6 | Inability to deliver the regeneration programme | 4 |
| 4 | Changes in the political landscape | 3 |
| 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 | Environmental Event | 3 |

Risk Prioritization Matrix

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

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

Risk Ref: 1 Financial stability

Trigger or Cause

Further funding cuts
 Income loss
 Insufficient financial controls
 Expensive decision making
 External cost pressures
 Price or Interest Rate Increases
 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 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 will continue to deliver services more efficiently.
- PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.
- 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 Ref: 2 Maintaining Partnership Performance

Trigger or Cause

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

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 |
|--------------------------|--------|---|------------|---|-------|---|----------------------|

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 will continue to deliver services more efficiently.

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.

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

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

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

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

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
 Partner failure or withdrawal

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
 Assesement

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. This will include a focus on reducing dog fouling.

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

Lead Responsibility : Chief 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 **1** Likelihood **3** 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.

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

PF5 - We will undertake a review of the council’s governance structure.

PF6 - We will set up cross party working groups to investigate issues that matter to everyone in our borough.

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
 Interest rate changes

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 | 3 | Score | 6 | Medium Priority Risk |
|--------------------------|--------|----------|------------|----------|-------|----------|----------------------|

Strategic Commitments

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

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

Lead Responsibility : Management Team

Risk Ref: 6 Inability to deliver the regeneration programme

Trigger or Cause

Economic downturn
 Lending squeeze/Interest rate increases
 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 deliver
 Delays in delivery of the regeneration programme
 Damaged reputation
 Increase programme costs

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
- PR6 - We will aim to localise public sector spend as far as possible.
- 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

Possible Consequences of Risk

| | |
|--|---|
| IT partnership failure (to deliver past procurement) | Inability to deliver and develop services and not |
| IT partnership procurement failure | deliver anticipated savings and service |
| Current IT provision failure | improvement |
| Information governance failure | Public confidence in use of Council services |
| Cyber attack | through IT lowered |

Strategic Link: Performance

| | | | | | | | |
|---------------|--------|----------|------------|----------|-------|----------|-------------------|
| Residual Risk | Impact | 3 | Likelihood | 1 | Score | 3 | Low Priority Risk |
| Assesement | | | | | | | |

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 will continue to deliver services more efficiently.

Lead Responsibility : Chief Operating Officer

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: 9

Risks in responding to demographic changes and increased deprivation

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

Strategic Link: Cross Cutting

| | | | | | | | |
|--------------------------|--------|----------|------------|----------|-------|----------|-------------------|
| Residual Risk Assessment | Impact | 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. This will include a focus on reducing dog fouling.

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

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

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

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

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

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

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 will continue to deliver services more efficiently.
- PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.
- 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.
- PF5 - We will undertake a review of the council's governance structure.

Lead Responsibility : Chief Executive Officer

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
 Cyber attack

Possible Consequences of Risk

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

Strategic Link: Cross-Cutting

Residual Risk
 Assesement

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. This will include a focus on reducing dog fouling.

Other Work

- Business Continuity Plans
- Emergency Planning
- Local Improvement of Counter Terrorism Strategy (CONTEST)
- Event Planning
- Community Engagement
- Local Resilience Forum

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 Assesment | 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. This will include a focus on reducing dog fouling.

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.

Other Work

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

Lead Responsibility : Chief Executive Officer

Risk Ref: 13 Environmental Event

Trigger or Cause

Extreme Weather
 High Rainfall
 Heatwave
 Changing Climate
 High Snowfall
 Storms and Gales
 Flooding

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

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

PL1 - We will implement a range of initiatives to maintain a clean, safe, attractive and environmentally friendly borough. This will include a focus on reducing dog fouling.

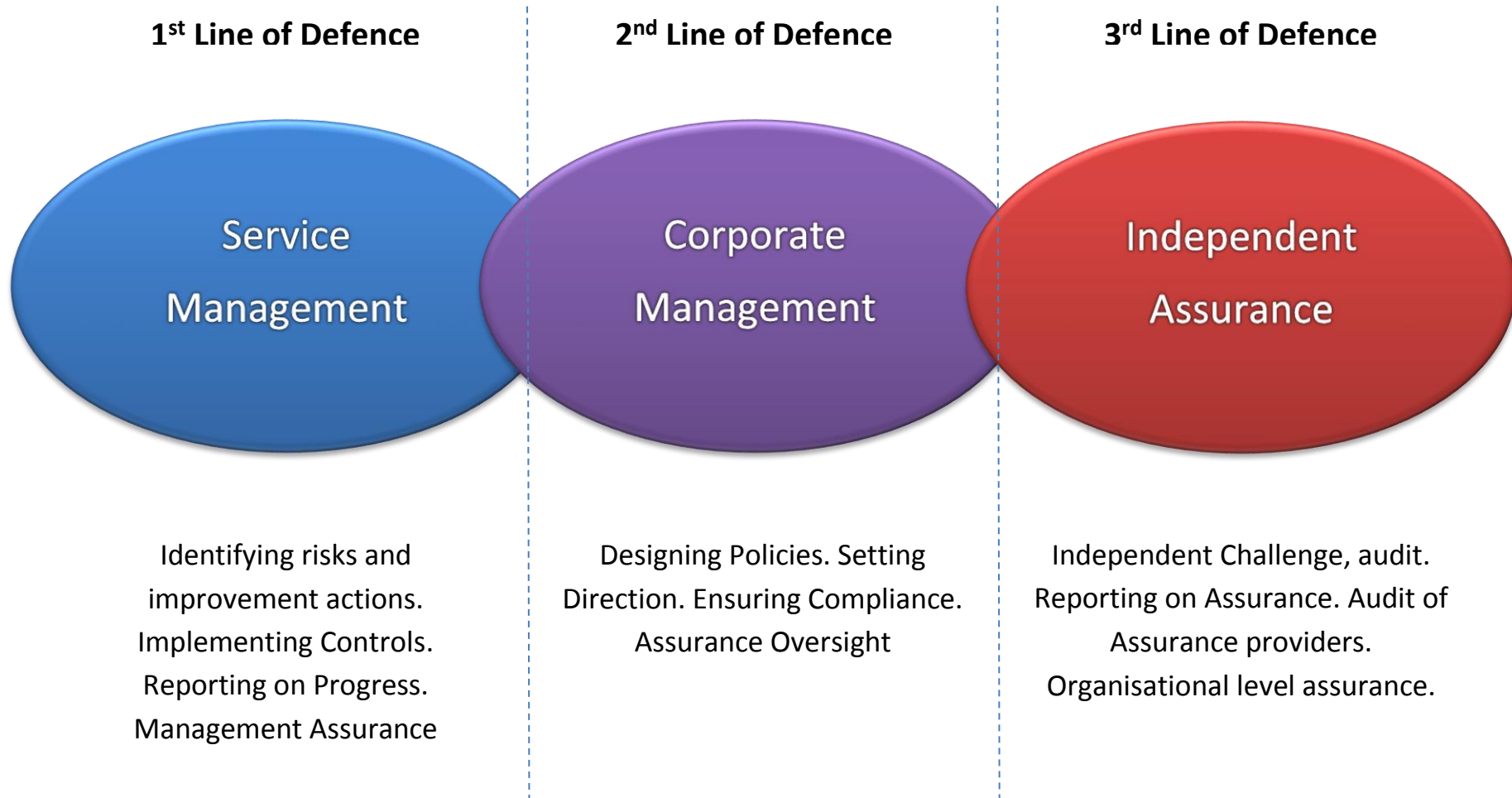
PF1 - We will continue the successful partnership with Liberata.

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

Other Work

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

Lead Responsibility : Head of Streetscene



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Appendix 3 – Assurance Mapping

| | | Assurance Providers | | | | Assessment | | |
|----------|---|--|---|---|--|------------------------------|---------------------------|---------------------|
| | | Service Management (First Line) Identifying risks and improvement actions. Implementing controls. Reporting on Progress. Management Assurance | Corporate Management (Second Line) Designing policies. Setting direction. Ensuring compliance. Assurance Oversight | Independent Assurance (Third Line) Independent Challenge, audit. Reporting on Assurance. Audit of Assurance providers. Organisational level assurance. | | Control RAG Rating (see key) | Assurance Sufficient? Y/N | Improvement Actions |
| Risk Ref | Risk | | | Internal Audit | Other Independent Sources of Assurance | | | |
| 1 | Financial stability | Medium Term Financial Strategy Budget Setting Budget Monitoring General Ledger Procurement systems Strategic Partner Selection Savings Plans | Budget Reports MTFS Budget Monitoring Financial Procedure Rules | Income Management Treasury Management Write-Offs Payroll Fraud Risk Assessment | External Audit | Amber - 6 | Y | |
| 5 | Changes in national policy/legislation | Strategic Plan Service Plans | Committee Reports on Required Changes Monitoring Officer Consultation Strategy and Policy updates and Reviews LEP Role | Annual Governance Statement | | Amber - 6 | Y | |
| 8 | Inability to influence key decision makers | Community Strategy Local Plan Delivery | Member Complaints Officer Member Protocol LEP Role | Annual Governance Statement | Planning Inspector Reviews | Amber - 6 | Y | |
| 10 | Workforce, skills and capacity challenges | Organisational Development Strategy PDR's & Job Chat's Training Budget Spend | PDR Completion Internal liP Review | | liP Accreditation | Amber - 6 | Y | |
| 2 | Maintaining Partnership Performance | Project Management Partnerships Governance Arrangements | Contract Monitoring Complaints Process | Performance Indicator Audits | | Amber - 4 | Y | |
| 3 | Damage to the Council's reputation | Staff Satisfaction Surveys | Strategic Plan Delivery Reporting Staff PDRs and 121s. Citizen Panel Surveys Complaints Process | Charities Elections Annual Governance Statement | Mystery Shopper reviews | Amber - 4 | Y | |
| 6 | Inability to deliver the regeneration programme | Project Management Budget Monitoring Capital Programme | Local Plan Town Centre Masterplan | | Independent Consultant Reviews Planning Inspector Reviews | Amber - 4 | Y | |

Appendix 3 – Assurance Mapping

| | | Assurance Providers | | | | Assessment | | |
|----------|--|--|--|---|---|------------------------------------|---------------------------------|------------------------|
| | | Service Management (First Line) Identifying risks and improvement actions. Implementing controls. Reporting on Progress. Management Assurance | Corporate Management (Second Line) Designing policies. Setting direction. Ensuring compliance. Assurance Oversight | Independent Assurance (Third Line) Independent Challenge, audit. Reporting on Assurance. Audit of Assurance providers. Organisational level assurance. | | Control RAG Rating (see key) | Assurance Sufficient? Y/N | Improvement Actions |
| Risk Ref | Risk | | | Internal Audit | Other Independent Sources of Assurance | | | |
| 4 | Changes in the political landscape | Strategic Plan Community Plan Service Plans | Member Complaints Officer /Member Protocol Codes of Conduct Audit and Standards Committee | Annual Governance Statement | | Low – 3 | Y | |
| 7 | Inability to drive improvements through information technology | IT Strategy IT Spend Monitoring IT Procurement control PCIDSS Assessments | Change Control IT Satisfaction PSN requirements IT Policies IT Governance Group | Achieve Data Protection | Penetration Testing PSN Accreditation Cyber Surveys | Low - 3 | Y | |
| 9 | Risks in responding to changes in demographics and increased deprivation | Strategic Plan Monitoring of Statistics - ONS, LCC, DWP Welfare System Impact monitoring | Member Complaints Discretionary Benefits/Discounts Council Tax Support | Housing Benefit Checks | Housing Benefit Grant Testing | Low – 3 | Y | |
| 11 | Malicious Attack | Business Continuity Plans Emergency Plan Testing IT Security Controls | Emergency Plan Business Continuity Policy IT Policies | | Penetration Testing | Low – 3 | Y | |
| 12 | Safeguarding Failure | Safeguarding training Safeguarding Awareness DBS Checking | Safeguarding Policy Safeguarding Structures/Responsibilities | | DBS Checking | Low - 3 | Y | |
| 13 | Environmental Event | Business Continuity Planning Weather Monitoring Working Groups Flood Plans | Emergency Plan Risk Management Business Continuity | | | Low – 3 | Y | |
| Key | | RAG Rating on the effectiveness of controls from assurance work undertaken | | | | | | |
| Red | High | Significant concerns over the adequacy/effectiveness of the controls in place in proportion to the risks. | | | | | | |
| Amber | Medium | Some areas of concern over the adequacy/effectiveness of controls in place in proportion to the risks. | | | | | | |
| Green | Low | Controls in place assessed as adequate/effective and in proportion to the risks. | | | | | | |
| White | Unknown | Insufficient information at present to judge the adequacy/effectiveness of controls | | | | | | |

AUDIT & STANDARDS COMMITTEE

Work Programme 2019/20

| <u>DATE OF MEETING</u> | <u>AREAS TO BE CONSIDERED</u> |
|---|--|
| <p>DONE</p> <p>17th July 2019</p> | <p>DONE</p> <ul style="list-style-type: none"> • <i>Annual Governance Statement 2018/19</i> • <i>Audit Findings Report 2018/19/Statement of Accounts 2018/19</i> • <i>Internal Audit Opinion 2018/19</i> • <i>Internal Audit Plan 2019/20</i> • <i>Internal Audit Effectiveness</i> • <i>Work Programme 2019/20</i> |
| <p>18th September 2019</p> | <p>DONE</p> <ul style="list-style-type: none"> • <i>Standards Complaints Update/Code of Conduct Review</i> • <i>Internal Audit Progress Report Q1</i> • <i>Strategic Risk Register</i> • <i>External Auditor Appointment Arrangements Update</i> • <i>Annual Audit Letter</i> • <i>Regulation of Investigatory Powers Act – OSC Inspection and Annual Return</i> • <i>Work Programme 2019/20</i> |
| <p>15th January 2020</p> | <ul style="list-style-type: none"> • <i>External Audit Progress Report</i> • <i>Certification Report- <u>now within external audit progress report</u></i> • <i>Draft Audit Plan 2019/20- <u>deal with at 4th March 2020 meeting</u></i> • <i>Final Accounts 2019/20 arrangements</i> • <i>Annual Governance Statement 2019/20 Arrangements</i> • <i>Internal Audit Progress Report Q2</i> • <i>Fraud Risk Assessment 2019/20</i> • <i>Strategic Risk Register 2019/20</i> • <i>Standards Complaints Update -Hearing 3rd December 2019</i> • <i>Work Programme 2019/20</i> |
| <p>4th March 2020</p> | <ul style="list-style-type: none"> • <i>Internal Audit Progress Report Q3</i> • <i>External Audit Plan 2019/20</i> • <i>Strategic Risk Register 2019/20</i> • <i>Work Programme 2019/20</i> |

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