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Ribble Valley
Borough Council

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Dear Councillor

The next meeting of the **ACCOUNTS AND AUDIT** Committee will be held at **6.30 pm** on **WEDNESDAY, 29 JUNE 2022** in the **Council Chamber, 13 Church Street, Clitheroe, BB7 2DD.**

I do hope you can be there.

Yours sincerely

M. H. Scott

CHIEF EXECUTIVE

AGENDA

1. **APOLOGIES FOR ABSENCE**
2. **TO APPROVE THE MINUTES OF THE PREVIOUS MEETING** (Pages 3 - 6)
3. **DECLARATIONS OF DISCLOSABLE PECUNIARY, OTHER REGISTRABLE AND NON REGISTRABLE INTERESTS**

Members are reminded of their responsibility to declare any disclosable pecuniary, other registrable or non-registrable interest in respect of matters contained in the agenda.

4. **PUBLIC PARTICIPATION**

ITEMS FOR DECISION

5. **INFORMING THE AUDIT RISK ASSESSMENT 2021/22** (Pages 7 - 36)
Report of Director of Resources enclosed.
6. **INTERNAL AUDIT PLAN 2022/23** (Pages 37 - 52)
Report of Director of Resources enclosed.
7. **INTERNAL AUDIT PROGRESS REPORT 2022/23** (Pages 53 - 68)
Report of Director of Resources enclosed.

ITEMS FOR INFORMATION

8. **ANNUAL INTERNAL AUDIT OPINION 2021/22** (Pages 69 - 80)
Report of Director of Resources enclosed.
9. **AUDIT PLAN - YEAR ENDING 31 MARCH 2022** (Pages 81 - 104)
Report of Grant Thornton enclosed.
10. **REPORTS FROM REPRESENTATIVES ON OUTSIDE BODIES**
None.
11. **EXCLUSION OF PRESS AND PUBLIC**
None.

Electronic agendas sent to members of Accounts and Audit – Councillor David Berryman (Chair), Councillor Susan Bibby, Councillor Judith Clark, Councillor Kerry Fletcher, Councillor Stewart Fletcher, Councillor Jonathan Hill, Councillor Richard Newmark, Councillor David Peat, Councillor James (Jim) Rogerson, Councillor Richard Sherras and Councillor Robin Walsh (Vice-Chair).

Contact: Democratic Services on 01200 414408 or committee.services@ribblevalley.gov.uk

Minutes of Accounts and Audit

Meeting Date: Wednesday, 6 April 2022, starting at 6.30 pm
Present: Councillor D Berryman (Chair)

Councillors:

S Bibby	S Hirst
L Edge	D Peat
S Fletcher	R Sherras
J Hill	

In attendance: Chief Executive, Director of Resources, Head of Financial Services and Head of Legal and Democratic Services and Sophia Iqbal (Grant Thornton)

796 APOLOGIES FOR ABSENCE

Apologies for absence were received for the meeting from Councillors K Fletcher, R Newmark and J Rogerson.

797 TO APPROVE THE MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 2 February 2022 were approved as a correct record and signed by the Chairman.

With reference to m650 the Head of Financial Services reported that an Internal Audit Manager had now been appointed.

798 DECLARATIONS OF DISCLOSABLE PECUNIARY, OTHER REGISTRABLE AND NON REGISTRABLE INTERESTS

There were no declarations of disclosable pecuniary, other registrable and non-registrable interests.

799 PUBLIC PARTICIPATION

There was no public participation.

800 INTERNAL AUDIT CHARTER 2022/23

The Director of Resources submitted a report seeking approval of the Internal Audit Charter for 2022/23.

Under the Public Sector Internal Audit Standards (PSIAS) the council is required to have an Internal Audit Charter in place. The only change was in respect of the Chief Audit Executive role being returned to the post of Internal Audit Manager as that post had now been recruited to.

The Charter establishes Internal Audit's position within the council, including the nature of the Head of Audit's reporting relationship with the Accounts and Audit Committee; authorises access to personnel, records, and physical properties relevant to audit work; and defines the scope of internal audit activities.

Approval of the Internal Audit Charter sits with the Council's Accounts and Audit Committee whose key function it is to ensure effective corporate governance arrangements are maintained in the Council.

RESOLVED THAT COMMITTEE:

Approve the Internal Audit Charter 2022/23 as outlined in the report.

801

REVIEW OF ACCOUNTING POLICIES 2021/22

The Director of Resources submitted a report seeking endorsement of the Accounting Policies to be used in producing the Financial Statements for the council for the 2021/22 financial year.

The Accounts and Audit (England) Regulations 2015 requires local authorities to prepare their annual financial statement of accounts in accordance with 'proper accounting practice'. These policies are the principals, bases, conventions, rules and practices applied by a local authority that specify how the effects of transactions and other events are to be reflected in its financial statements.

The report concluded that no major changes to The Code had been identified, so there were no material changes to the policies needed.

There had been an update to the delayed introduction of the new International Financial Reporting Standard (IFRS16) relating to leases. Whilst a further delay to its introduction was anticipated, there was much work being undertaken ready for its eventual introduction.

The policies reported may be subject to further changes should any be needed whilst the financial statements are being prepared. Such changes will be reported to committee with an explanation of the impact when the financial statements are presented to committee.

RESOLVED THAT COMMITTEE:

Endorse the use of the policies outlined in the report, subject to the need for any further changes identified as needed whilst the Statement of Accounts are produced.

802

REVIEW OF REPRESENTATION ON OUTSIDE BODIES

The Chief Executive submitted a report informing the committee of the recommendations of the working group regarding representation on outside bodies.

Committee were reminded that each year at the Annual Council, the council appoints or nominates many of its members as representatives on outside bodies. On 3 February 2022, Committee had established a working group to review the current list of outside bodies.

The report detailed the outside bodies for which it recommends:

- the Council no longer make nominations
- representation is amended
- the type of appointment should be amended

The report gave reasons for the above decisions.

The working group proposed that the remainder of the nominations continued to be made as per previous arrangements.

Members discussed the representation on several of the outside bodies, particularly those that were appointed as Trustees.

The Head of Legal and Democratic Services informed committee that she had arranged for some training to be provided for members on 21 April 2022 that would address this issue.

***RESOLVED: Approve the proposals as follows and recommend them to Council:

1. No longer make nominations to Children's Trust, East Lancashire Health & Wellbeing Partnership, Pendle Club, Environment Agency Liaison Committee, Clitheroe Royal Grammar School Foundation, and Carer's Link.
2. Police and Crime panel nomination to be taken off the outside body list as it is a statutory appointment.
3. Amend the representation on Salesbury & Copster Green Commons Management Committee (subject to a change to the constitution), Hanson Cement Liaison Committee, Tarmac Liaison Committee, and Ribble Valley Community Safety Partnership.
4. Amend the type of appointments from Trustee to observer on Ribble Valley Sports & Recreation, Citizen's Advice Bureau, and Hyndburn & Ribble Valley Council for Voluntary Services.

803

THE COUNCIL'S ASSET MANAGEMENT SYSTEMS

The Chief Executive submitted a report for information on the Council's corporate asset management procedures.

The report explained that the Council owns a substantial amount of land and assets throughout the borough. Legal Services therefore hold a large number of legal agreements, leases and licences relating to the Council's assets. Both new and old documents were in the process of being scanned and saved electronically enabling joined up access through the asset management system.

The current version of the software was outdated, and officers are investigating moving to a new cloud-based version of the software to further improve asset management. Officers are seeking confirmation of the costs so that a capital bid can be made in the next round of bids.

Councillor Sherras left the meeting (6.55pm)

804

ANNUAL AUDIT REPORT

Grant Thornton submitted for information the Annual Report on Ribble Valley Borough Council covering the period up to 31 March 2022.

The report summarised the Authority was operating in a continuing uncertain financial environment. Despite this uncertainty, and the challenges posed by COVID-19, the Authority had maintained a good financial position. The Authority had put forward a balanced budget for the next three years.

The audit had not identified any significant weaknesses in relation to financial stability, governance, and economy, efficiency, and effectiveness but a number of improvement recommendations had been made, details of which could be found in

the report. Actions had been agreed and put in place to address these recommendations.

Committee was reminded that an unqualified audit report opinion was given on the financial statements on 29 November 2021.

The report also noted that the Council provided draft accounts on the 17 September 2021 with a good set of working papers to support them. The audit identified a small number of disclosure changes to the financial statements which had no impact on the Council's Comprehensive Income and Expenditure Statement. The Council agreed with these changes to the Financial Statements, and they were correctly processed.

805

INTERNAL AUDIT PROGRESS REPORT 2021/22

The Director of Resources submitted a report for information on the internal audit work progress to 18 March 2022.

The report concluded the audit coverage was lower than originally planned and as a result, additional external resources had been engaged and would continue whilst needed. This was due to staff vacancies and the services of Mersey Internal Audit Agency (MIAA) had been used to help ensure adequate coverage.

All originally planned audits were not covered, but together with the work of MIAA it was expected there would be adequate coverage to provide members with an informed Audit Opinion at the end of the year.

The Head of Financial Services was pleased to report that the post of Internal Audit Manager had now been recruited to and she would take up the role in mid-May.

It was therefore proposed that a new strategic internal audit plan would be submitted to committee at their next meeting in June.

806

REPORTS FROM REPRESENTATIVES ON OUTSIDE BODIES

There were no reports from representatives on outside bodies.

807

EXCLUSION OF PRESS AND PUBLIC

There were no items under this heading.

The meeting closed at 7.03 pm

If you have any queries on these minutes please contact the committee clerk, Olwen Heap 01200 414408 olwen.heap@ribblevalley.gov.uk.

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

meeting date: 29 JUNE 2022
title: INFORMING THE AUDIT RISK ASSESSMENT
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

- 1.1. To inform members of the responses made by management in response to a number of questions raised by Grant Thornton. These questions cover some important areas of the auditor risk assessment where there is a requirement to make inquiries of the Accounts and Audit Committee under auditing standards.
- 1.2. Relevance to the Council's ambitions and priorities:
 - Community Objectives – none identified.
 - Corporate Priorities – assessing the Council's system of internal control contributes to the achievement of the corporate priority of being a well-managed Council.
 - Other Considerations – none identified.

2 BACKGROUND

- 2.1. The document attached at Annex 1 details the management responses to a series of questions asked by Grant Thornton in assessing the audit risk. Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Accounts and Audit Committee. ISA(UK) emphasises the importance of two-way communication between the auditor and the Accounts and Audit Committee and specify matters that should be communicated.
- 2.2. This two-way communication assists both the auditor and the Accounts and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Accounts and Audit Committee and supports the Accounts and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.
- 2.3. The document has a series of questions to management of the council, covering:
 - General Enquiries of Management
 - Fraud
 - Laws and Regulations
 - Related Parties
 - Going Concern
 - Accounting Estimates
- 2.4. Accounts and Audit Committee should consider whether these responses are consistent with its undertaking and whether there are further comments it wishes to make.

3 RISK ASSESSMENT

3.1 The approval of this report may have the following implications:

- Resources – there are no resources issues as a direct result of approving this report.
- Technical, Environmental and Legal – None identified as a direct result of approving the recommendations this report
- Political – None identified
- Reputation – None identified
- Equality & Diversity – None identified as a direct result of approving the recommendations this report

4 RECOMMENDED THAT COMMITTEE

4.1 Acknowledge the responses made to the Grant Thornton document '*Informing the audit risk assessment for Ribble Valley Borough Council 2021/22*' as attached at Annex 1.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA14-22/LO/AC

21 June 2022

BACKGROUND PAPERS

None

For further information please ask for Lawson Oddie

Informing the audit risk assessment for Ribble Valley Borough Council 2021/22

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Georgia Jones
Director
T 0161 214 6383
E Georgia.S.Jones@uk.gt.com



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 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 your business or any 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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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Ribble Valley Borough Council's external auditors and Ribble Valley Borough Council's Accounts and Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Accounts and Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Accounts and Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Accounts and Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Accounts and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Accounts and Audit Committee and supports the Accounts and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Local Governments's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Ribble Valley Borough Council's management. The Accounts and Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	The Covid pandemic has continued to impact on the council's financial statements.
2. Have you considered the appropriateness of the accounting policies adopted by Ribble Valley Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	A review has been undertaken of the accounting policies and we are happy that these will fulfil requirements without further additions
3. Is there any use of financial instruments, including derivatives? If so, please explain	<p>The only financial instruments are in respect of:</p> <ul style="list-style-type: none"> • Cash held by the Council, bank accounts, short term investments and subscribed for shares in the UK Municipal Bonds Agency plc (Local Capital Finance Company). • Long-Term Debtors, consisting of car loans and a loan to Roefield Leisure Centre. • Short-Term Debtors, representing net operational (sundry) debtors. • Long-Term and Short-Term borrowings, being loans with the Public Works Loan Board. • Short-Term Creditors, being the Council's operational creditors. <p>There is no use of derivatives</p>
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	Transactions outside the normal course of business have been in respect of the Coronavirus pandemic. However the response made would fall within our statutory duties.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	We are not aware of any changes in circumstances that would lead to an impairment of non-current assets - other than any residual impact from the Coronavirus pandemic on valuations when our valuer undertakes their annual review of our asset valuations. All service assets continue to be in use.
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Ribble Valley Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	No external solicitors have been instructed to act on litigation, save where this instruction is via a group action pursued by the LGA. Geldards LLP have been instructed on a number of non-contentious matters.

General Enquiries of Management

Question	Management response
9. Have any of the Ribble Valley Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Various advisors will have been engaged during the year across a wide range of council services eg valuation office, agents, consultants, archaeological advisors.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Credit loss provisions will be allowed for on the council's sundry debt balance, overpaid housing benefit balances being recovered from ongoing benefit, rent arrears, arrears on council tax and arrears on business rates.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Accounts and Audit Committee and management. Management, with the oversight of the Accounts and Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Accounts and Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Ribble Valley Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Accounts and Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Accounts and Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Accounts and Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Ribble Valley Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Ribble Valley Borough Council' assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Ribble Valley Borough Council's risk management processes link to financial reporting?</p>	<p>Yes</p> <p>Assurance levels given from audit reports and where necessary concerns flagged to members of Accounts and Audit Committee</p> <p>Risks are highlighted in committee reports and any financial implications highlighted for members attention.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>We assess the risk based priority of an audit area for inclusion in our Annual Audit Plan</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Ribble Valley Borough Council's as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>Within 2021/22 there was one internal referral made to internal audit which was subsequently investigated and closed</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Reports when necessary to Accounts and Audit Committee
5. Have you identified any specific fraud risks? If so, please provide details	Yes – Housing Benefit/LCTS and also the various Coronavirus business support grants
Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Ribble Valley Borough Council where fraud is more likely to occur?	Yes – above Fraud could occur in all locations if the control environment is not adequate and functioning as it should
6. What processes do Ribble Valley Borough Council have in place to identify and respond to risks of fraud?	Control environment, Internal Audit Plan, Whistleblowing and Anti Fraud and Corruption Policy

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Ribble Valley Borough Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Good</p> <p>Internal Audit Plan, Whistleblowing and Anti Fraud and Corruption Policy</p> <p>Continued staff shortages may impact the control environment</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Not aware of any</p>

Fraud risk assessment

Question	Management response
<p>9. How does Ribble Valley Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported? If so, please provide details</p>	<p>Via our Procurement arrangements, induction process, staff meetings, press releases, training and various policies</p> <p>Financial regulations state staff should be alert to the possibility of fraud and to report any concerns. Reporting suspected irregularities is essential to the Anti-Fraud and Corruption Policy. The Council's Whistleblowing Procedure provides a clear path for individuals to raise concerns of malpractice in any aspects of the Council's work, without the fear of recrimination or victimisation</p> <p>Whilst not significant, within 2021/22 there was one internal referral made to internal audit which was subsequently investigated and closed.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>All posts with potential to override controls</p> <p>Via the control environment. Eg separation of duties, documentation of decisions, necessary authorisations, limitations on access to system permissions.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Each year, Members declare interests by completing a 'Disclosable Pecuniary Interests' form and a 'Related Party Relationships' form. These forms list any relationships and interests and are reviewed by management.</p> <p>By annually requiring members and all staff to complete these forms and ensuring directors are given copies for them to review.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Accounts and Audit Committee?</p> <p>How does the Accounts and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Internal staff can submit reports directly to the Audit Committee. The Head of Internal Audit role regularly provides a monitoring report which updates members regarding recent audits and assurance levels.</p> <p>The Audit Committee approves the annual Internal Audit Plan. They also receive regular updates on progress and in cases of breaches would receive detailed reports.</p> <p>Worked well</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Accounts and Audit Committee, is responsible for ensuring that Ribble Valley Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Accounts and Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Ribble Valley Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Local Government's regulatory environment that may have a significant impact on the Local Government's financial statements?</p>	<ul style="list-style-type: none"> • Code of Corporate Governance • Systems of internal control • Annual Governance Review • Monitoring Officer role • Codes of Conduct • Financial regulations • Contract Procedure Rules
<p>2. How is the Accounts and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Assurance given as part of the Annual Governance Review, where such issues are reviewed under Core Principle A – Behaving with integrity, demonstrating commitment to ethical values and respecting the rule of law.</p> <p>Where relevant, breaches would be reported to members</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>None that are known of</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Not aware of any current or potential litigation which could affect the financial statements</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Ribble Valley Borough Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>Claims are identified either by receipt of a claim form or legal letter. All claims are referred to the legal department who evaluate and put in place arrangements to deal with those claims.</p> <p>Subrogated claims are referred through the internal audit team (who deal with the council's insurance) to the insurers.</p> <p>Should the need arise we would put a contingent liability or a provision in the accounts dependant on the nature/certainty/materiality of the item</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>No</p>

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Related Parties

Matters in relation to Related Parties

Local Government are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Ribble Valley Borough Council's;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Local Government;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Local Government or of any body that is a related party of the Local Government. A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Local Government must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Ribble Valley Borough Council's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Ribble Valley Borough Council whether Ribble Valley Borough Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>None identified at this stage of the closedown process. Once the financial year has been closed a thorough review of transactions against declarations will be undertaken to confirm that this is the case</p>
<p>2. What controls does Ribble Valley Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Officer and Member disclosure forms completed annually. These are reviewed against in year transactions.</p> <p>Declarations of interest are also sought from members at meetings and this is minuted.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Steps are taken to ensure that any transactions where an interest had been declared did not involve the relevant officer or member.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Any significant transactions outside of the normal course of business would be considered initially by the Council's Corporate Management Team and then by relevant service committees and if there were financial implications outside that already allowed for within the budget, such items would also be considered by the Policy and Finance Committee</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies.

This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Ribble Valley Borough Council will no longer continue?	The council have a sound system of financial management in place, which includes work through the Budget Working Group and regular reporting to service committees. All committee decisions include risk assessments which include financial and legal considerations.
2. Are management aware of any factors which may mean for Ribble Valley Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by Ribble Valley Borough Council does Ribble Valley Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Ribble Valley Borough Council to cease to exist?	Ribble Valley Borough Council expect to continue to deliver them for the foreseeable future
4. Are management satisfied that the financial reporting framework permits Ribble Valley Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;

The body's information system as it relates to accounting estimates;

The body's control activities in relation to accounting estimates; and

How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Accounts and Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Accounts and Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<ul style="list-style-type: none"> • Pensions Liability • Arrears • Business Rates Appeals Provision • Property, Plant and Equipment Valuations
2. How does the local government's risk management process identify and address risks relating to accounting estimates?	Material items of income and expenditure are initially flagged for consideration to assess if there have been, or needs to be, any element of estimation. The materiality of this is then assessed against the likelihood of valuation fluctuation.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Latest best practice is followed where relevant when making any estimation. In a number of areas guidance is sought from external advisors and their expertise is followed – subject to any challenge we may make on assumptions that they may make.
4. How do management review the outcomes of previous accounting estimates?	Where a clear fixed outcome is possible to be identified, the estimation and outturn position are compared and used to help assist in any future estimations
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	The accounts closedown process is not yet at a stage to adequately answer this question

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	If the necessary in-house skills are not held by the council, external specialists would be sought.
7. How does the local government determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>The reasonableness of any estimations provided is always checked and challenged with the provider where relevant.</p> <p>Relevant qualifications are sought to ensure that the person or persons are able to provide what is requested.</p>
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Reference made to the organisation and their ability to provide what is required.
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Discussion with the S151 officer, for all material items, particularly in areas where there is a high level of uncertainty.</p> <p>Best fit estimation techniques are discussed and agreed.</p> <p>External advise sought where needed – ie asset and pension valuations</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes
12. How is the Accounts and Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Details are provided within the statement of accounts and clearly identified to members prior to approval.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Use of external valuer	Direct involvement in revaluation process and engagement of experts by Head of Financial Services	External Valuer Taylor Weaver	Valuations are compiled by a professional external valuer using professionally recognised basis	None planned
Depreciation	Based on previously identified asset lives from the prior year valuations	Set Policy		The main assumption in the depreciation is the useful life of the asset. Property assets have their useful life estimated by our expert valuer	None planned
Valuation of defined benefit net pension fund liabilities	Use of external actuary		External Actuary Mercers	Detailed information to support calculations and assumptions used is provided by the actuary based on data submitted by the employer. The only cause of uncertainty is the impact of the Covid pandemic and the current economic climate on financial markets	None planned
Fair value estimates	Notification from PWLB For Debtors and Creditors, fair value is taken to be the invoiced amount		Relevant in respect of PWLB debt – and provided by them	There are no complex borrowings – Fair Value estimates are prepared by PWLB via statements for long term borrowing.	None planned

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions – NDR Appeals	Calculated based on VO data and past experience, where this is available		No – other than VO for appeals data	Uncertainty due to variance in appeal decisions and significant backdating	None Planned
Provisions (if any are material)	N/a at this stage				None Planned
Credit loss and impairment allowances	Past experienced losses/impairments Also, stepped impairment rates based on debt age			Impact of the Covid pandemic and the current economic climate on financial markets	None Planned



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RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 29 JUNE 2022
title: DRAFT INTERNAL AUDIT PLAN – 2022/23
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

1.2 The purpose of this report is to present the Strategic Internal Audit Plan for 2022/23 to 2024/25 for consideration and approval by this Committee.

1.3 Relevance to the Council's ambitions and priorities:

Corporate priorities – the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.

Other considerations – As defined in the Public Sector Internal Audit Standards (PSIAS) and the Accounts & Audit Regulations 2015, the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards”.

2 BACKGROUND AND KEY ISSUES

2.2 The plan defines the scope and rationale behind each of the individual assignments and the resource requirements to deliver it. It also provides assurance to the Chief Executive, s151 Officer, senior managers and other stakeholders regarding the effectiveness of controls and the management of risk. The Accounts & Audit Committee has the responsibility to ‘monitor internal audit progress with the Annual Audit Plan, evaluating the effectiveness of Internal Audit, the use of audit resources and where necessary, recommending adjustments to the Internal Audit Plan’. The plan further provides the Accounts & Audit Committee with that relevant, independent assurance.

2.3 The anticipated audit resources are considered sufficient to deliver the effective 3-Year Strategic Internal Audit Plan. In 2022/23, the estimated resource for the Internal Audit Service is 656; with 409 days available days to undertake the risk-based plan.

2.4 The plan is risk-based and is supported by a strong risk assessment underpinning the arrangements in place at the Council. It has focused on the Council's risk register as this represents their own assessment of the risks to achieving the Corporate Strategy (2019 to 2023). The plan has been developed through:

- A detailed risk assessment.
- Mandated/ core system requirements in compliance with the PSIAS.
- Consultations (both verbally and through the Director Assurance Statements) with senior management, Directors and Heads of Service; with formal approval sought from the Corporate Management Team (CMT).

3 RISK ASSESSMENT

3.2 The approval of this report may have the following implications:

- Resources – there are no resource implications arising as a result of this report.
- Technical, Environmental and Legal – This report fulfills the statutory requirements placed upon by the council by the Accounts & Audit (England) Regulations 2015. This report is a key contributor to the Annual Governance Statement, which assesses the effectiveness of the Council’s own management of its objectives.
- Political – There are no political implications arising from this report.
- Reputation – There are no reputational implications arising from this report.
- Equality and Diversity – There are no equality or diversity implications arising as a result of this report.

4 RECOMMENDATION

- 4.2 The Accounts & Audit Committee is asked to consider and approve the Strategic Internal Audit Plan 2022/23 to 2024/25 as attached in Appendix A.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA13-22/RP/AC
21 June 2022

DRAFT

Internal Audit Plan

2022/23



Ribble Valley
Borough Council

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Appendix A: Internal Audit Plan – 2022/23

Appendix B: 3-Year Strategic Internal Audit Plan

Appendix C: Internal Audit Key Performance Indicators

1. Executive Summary

As defined in the Public Sector Internal Audit Standards (PSIAS) and the Accounts & Audit Regulations 2015, the Council “*must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards*”.

To support this, the Chief Audit Executive (Internal Audit Manager) is required to develop a risk-based Internal Audit Plan considering the requirements of the Annual Internal Audit Opinion.

The plan defines the scope and rationale behind each of the individual assignments and the resource requirements to deliver it. It also provides assurance to the Chief Executive, Section 151 Officer, senior managers and other stakeholders regarding the effectiveness of controls and the management of risk. The Accounts & Audit Committee has the responsibility to ‘*monitor internal audit progress with the Annual Audit Plan, evaluating the effectiveness of Internal Audit, the use of audit resources and where necessary, recommending adjustments to the Internal Audit Plan*’. The plan further provides the Accounts & Audit Committee with that relevant, independent assurance.

2. Internal Audit Risk Assessment

The plan is risk-based and is supported by a strong risk assessment underpinning the arrangements in place at the Council. It has focused on the Council’s risk register as this represents their own assessment of the risks to achieving the Corporate Strategy (2019 to 2023). The plan has been developed through:

- A detailed risk assessment.
- Mandated/ core system requirements in compliance with the PSIAS.
- Consultations (both verbally and through the Director Assurance Statements) with senior management, Directors and Heads of Service; with formal approval sought from the Corporate Management Team (CMT).

3. Resource Availability

The anticipated audit resources are considered sufficient to deliver the effective 3-Year Strategic Internal Audit Plan. In 2022/23, the estimated resource for the Internal Audit Service is 656; with 409 days available days to undertake the risk-based plan. The following provides a detailed summary:

	Internal Audit Manager*	Internal Auditor**	Internal Audit Assistant	ICT Audit	Total
Total working days	215	176	248	17	656
<i>Less:</i>					
Annual Leave	20	22	25	0	67
Study Leave/ Personal Development	3	40	54	0	97
Planning, Management, Reporting & Meetings	18	0	0	0	18
Insurance	5	-	60	-	65
NET AVAILABLE DAYS – RISK-BASED PLAN	169	114	109	17	409

*commenced May 2022; **reduced availability due to vacancy part-year.

The Internal Audit Service is currently recruiting to the post of Internal Auditor.

The plan considers risks in respect of ICT and cyber security. The Internal Audit Manager will seek to commission services of MIAA through the Lancashire County Council (LCC) Framework to undertake this work. Further costings regarding this will be considered in line with the Council's Contract Procedure Rules, however members should note that funds for such works have previously been set aside in Reserves.

4. Internal Audit Plan – 2022/23

The Internal Audit Plan (Appendix A) considers core, mandated, national and regional risks as identified in the Council's risk register. This draft plan outlines the coverage and remains flexible to respond to emerging risks the Council may face.

Appendix B further outlines the Council's 3-year Strategic Plan and will be continuously reviewed; with a formal 6-month review to ensure the plan remains focused on the key risks and challenges. This will be done through effective engagement with senior management and members of the Council.

The Internal Audit Service should demonstrate independence and effectiveness in line with the PSIAS. To embed this, it is proposed that a number of key performance indicators are introduced and reported to senior management/ Accounts & Audit Committee on a regular basis; these are outlined in Appendix C.

INTERNAL AUDIT PLAN 2022/23 – (incorporating the risk assessment)

APPENDIX A: Internal Audit Plan – 2022/23 (incorporating the risk assessment)

Review & Scope	Rationale/ Risk-based (inherent risk score from the Corporate Risk Register)	Qtly Delivery	Days	Audit Sponsor
Chief Executives				
Civic Centre - to ensure that key aspects of the operation of the Civic Suite are in accordance with agreed procedures and that all monies due are paid in and properly accounted for.	Risk-based (6)	Q1	10	Chief Executive/ Head of Legal & Democratic Services
Management of Conflicts of Interest, Gifts & Hospitality - to evaluate the design and operating effectiveness of the arrangements in place to manage declarations of interest, gifts and hospitality.	Core system review	Q2	15	Corporate Management Team
Corporate Strategy – to ensure that the Strategy continues to reflect the Council’s changing priorities through regular review, and that the revised Strategy for 2023 is being developed through consideration of the needs of the Borough’s communities, will be monitored and measures of success introduced.	Core system review	Q2	10	Chief Executive
Corporate Health & Safety – to ensure that the Council complies with its Corporate Health and Safety Policy and current legislation.	Risk-based (9)	Q3	15	Director of Resources
Section 106 Agreements – to ensure that applications submitted to the Council are considered in line with legal obligations and that agreements are prepared and appropriately approved.	Risk-based (5)	Q3	15	Director of Economic Development & Planning
Data Protection Impact Assessments (DPIA) – to assess the processes in place for processing DPIAs and to minimize the risks to individuals.	HoS request	Q3	14	Head of Legal & Democratic Services

INTERNAL AUDIT PLAN 2022/23 – (incorporating the risk assessment)

Review & Scope	Rationale/ Risk-based (inherent risk score from the Corporate Risk Register)	Qtly Delivery	Days	Audit Sponsor
Electoral Registration – to assess compliance with statutory and legislative requirements relating to electoral registration in preparation for the 2023 local elections.	Risk-based (5)	Q3	13	
Land Charges - to ensure compliance with the Land Charges Act 1972 and that robust records are maintained for the register of land charges, budget monitoring and effective communication channels between departments.	Risk-based (7)	Q4	15	
Community Services				
Commercial Waste Management – to ensure that key aspects of the Environmental Protection Act 1990 are implemented in relation to commercial waste, and that income is correctly accounted for.	Risk-based (9)	Q4	15	Director of Community Services
Resources				
Key Financial Controls – to provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.	Core system review	Q4	30	Director of Resources
Housing Benefits – to ensure that the system for benefits aligns to the appropriate regulations, are processed timely, supported by detailed evidence and recouped when necessary.		Q4	16	
Council Tax & NNDR – to evaluate the effectiveness of the processes in place for Council Tax & National Non-Domestic collection.		Q4	15	

INTERNAL AUDIT PLAN 2022/23 – (incorporating the risk assessment)

Review & Scope		Rationale/ Risk-based (inherent risk score from the Corporate Risk Register)	Qtly Delivery	Days	Audit Sponsor
Procurement - to ensure the key controls in relation to procurement processes are in accordance with national guidelines.		Core system review	Q1	15	Director of Resources
Insurance - to ensure that the Council has effective arrangements in place for the assessment and handing of claims in line with a robust Insurance Strategy.		Risk-based (9)	Q2	10	
Grants – to ensure payments are valid, accurate, timely and meet the conditions of the funding	<ul style="list-style-type: none"> Contain Outbreak Management Fund 	Head of Internal Audit sign-off required	Q1	13	
	<ul style="list-style-type: none"> Disabled Facilities Grant 	Core system review	Q2	15	
Overtime Payments – to ensure that overtime payments are made in line with agreed policy, approved appropriately and processed timely.		Risk-based (9)	Q3	14	
Payroll – to evaluate the robustness and effectiveness of controls that support the payroll system and ensure validity, accuracy and timeliness of payments made to employees.		Core system review	Q4	14	
Cyber Security - to assess the effectiveness of the organisation's cyber defence framework			Q2	17	
ICT Asset Management – to ensure that ICT assets are identified, monitored and disposed of accordingly.			Q3	15	

INTERNAL AUDIT PLAN 2022/23 – (incorporating the risk assessment)

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Review & Scope	Rationale/ Risk-based (inherent risk score from the Corporate Risk Register)	Qtly Delivery	Days	Audit Sponsor
Economic Development & Planning				
Tourism & Events - to provide assurance that the Council has robust arrangements in place to monitor performance in respect of functions carried out by the formed partnership with the Ribble Valley Tourism Association.	Risk-based (5)	Q3	15	Head of Regeneration & Housing
Risk Management, Follow Up & Contingency				
Risk Management – to ensure that the Council has robust risk management processes in place and that risks are monitored, mitigated and reported appropriately through the agreed governance arrangements. Audit days will be further utilised to support the organisation through training and development in relation to risk management processes.	Core system review	Q1 – Q4	25	Corporate Management Team
Follow Up	PSIAS requirement	Q1 – Q4	12	
Contingency		Q1 – Q4	15	
Planning & Reporting				
PSIAS self-assessment – the Internal Audit Service’s annual self-assessment against the PSIAS.	PSIAS requirement	Q1	7	Director of Resources
Investigations (reactive) – core service support, NFI and proactive anti-fraud programme		Q1 – Q4	14	
Annual Governance Statement/ Local Code of Corporate Governance	Mandated review	Q4	25	
TOTAL DAYS			409	

Appendix B: 3-Year Strategic Plan

We have mapped the key Corporate Ambitions and Objectives within the Corporate Strategy (2019-2023) to the 3-Year Strategic Internal Audit Plan. This will be reviewed as part of our risk assessment process to ensure that it remains focused on the Council’s key risks and challenges and adds value where necessary.

Strategic Objective	2022/23	2023/24	2024/25
<i>Ambition 1 – To ensure a well-managed Council providing efficient services based on identified customer need.</i>			
To maintain critical financial management and controls, and ensure the authority provides council taxpayers with value for money, within current financial constraints.	Key Financial Controls Grants Levelling Up Funding Housing Benefits Council Tax/ NDR		
	Cyber Security	ICT Strategy Staff & Member Allowances Budgetary Control Data Retention Policy Asset Management	Critical Application Business Continuity VAT Capital Programme Management of Freedom of Information requests
To treat everyone equally and ensure that access to services is available to all, including our most vulnerable citizens.			Equality Act 2010

3 YEAR STRATEGIC PLAN

Strategic Objective	2022/23	2023/24	2024/25
To engage with all our communities to ensure we deliver services to meet customer needs and expectations.	Corporate Strategy	Public Engagement Local Plan Key Performance Indicators	Complaints Management
<i>Ambition 2 – To sustain a strong and prosperous Ribble Valley</i>			
To encourage economic development throughout the borough with specific focus on tourism, the delivery of sufficient land for business development, and supporting high growth business opportunities.			Economic Plan
To work with our partners to ensure that the infrastructure in the Ribble Valley is improved.		Partnership Working	
To promote stronger, more confident and more active communities throughout the borough.	Tourism & Events		
<i>Ambition 3 – To help make people’s lives safer and healthier</i>			
To improve the health and wellbeing of people living and working in our area.		Parks & Open Spaces Environmental Health	Cemeteries
To improve the opportunity for people to participate in cultural, recreational and sporting activity.		Markets Edisford Pool	3G Pitches Platform Gallery
To ensure that Ribble Valley remains a safe place to live.	Corporate H&S	Safeguarding Community Safety Partnership	Use of Volunteers

Strategic Objective	2022/23	2023/24	2024/25
<i>Ambition 4 – To protect and enhance the existing environmental quality of our area</i>			
To retain weekly collections of residual waste.	Commercial Waste Management		Waste Management
To be an environmentally sustainable area, prepared for the future.		Car Parking/ Enforcement	
To aspire to be a carbon neutral borough by 2030.			Environmental/ Climate Change Strategy
<i>Ambition 5 – To match the supply of homes in our area with identified housing needs.</i>			
To meet the housing needs of all sections of the Community.		Homelessness	Empty Properties
To provide an adequate mix of additional affordable homes throughout the Ribble Valley.			Housing Allocations/ Affordable Housing Strategy
To develop the right housing in the right places.	Section 106 Agreements	Building Controls	

INTERNAL AUDIT KEY PERFORMANCE INDICATORS

APPENDIX C: Internal Audit Key Performance Indicators

The following operational key performance indicators have been proposed. These set clear expectations on the Internal Audit Service and enable the team to demonstrate the impact, effectiveness and compliance with PSIAS. These will be reported to CMT and the Accounts & Audit Committee in line with the reporting timescales.

Indicator	Target
Post Audit Evaluation Questionnaire issued following completion of every audit assignment.	100%
Post Audit Evaluation Questionnaire responses receiving either a good, very good or excellent rating	100%
Recommendations raised agreed by management.	100%
Recommendations which are implemented within agreed timescales.	90%
Management responses received within 10 working days of the Draft Report.	90%
Final Reports issued within 5 working days from receiving management responses.	90%
Audits completed within budget.	75%

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RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 29 JUNE 2022
title: INTERNAL AUDIT PROGRESS REPORT – JUNE 2022
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

1.2 The purpose of this report is to present the Progress Report as at June 2022 for consideration and approval by this Committee.

1.3 Relevance to the Council's ambitions and priorities:

Corporate priorities – the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.

Other considerations – As defined in the Public Sector Internal Audit Standards (PSIAS) and the Accounts & Audit Regulations 2015, the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards”.

2 KEY MESSAGES & ISSUES

2.2 Since the last meeting of the Accounts & Audit Committee, the following areas for 2021/22 have been a key focus:

- Treasury Management – High Assurance
- Accounts Receivable – High Assurance*
- Council Tax – Substantial Assurance
- National Non-Domestic Rates (NNDR) – Substantial Assurance
- General Ledger – Substantial Assurance
- Fleet Management – Substantial Assurance
- Grounds Maintenance – Moderate Assurance
- Accounts Payable – Moderate Assurance*

*awaiting detailed management responses.

2.3 Staffing issues continued throughout 2021/22 in respect of the internal audit service however, the post of Internal Audit Manager was recruited to in May 2022. Although this impacted audit coverage in the previous financial year, the services of MIAA were sought to undertake several individual assignments. Priority was given to performing core system work to enable the annual opinion to be reached.

2.4 A summary of internal audit recommendations due for implementation (as of June 2022) has been provided as part of the report. The Internal Audit Service is in the process of gathering evidence to support the status of implementation. Where agreed actions have not been

implemented in line with timescales, discussions will take place with management to substantiate these explanations and assess whether extensions to implementation dates are considered reasonable.

- 2.5 It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that internal audit providers maintain a Quality Assurance & Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement. This involves an annual self-review of conformance with the PSIAS, and fulfils the requirement established in the Accounts and Audit Regulations (England) 2015 for an annual assessment of the effectiveness of the Internal Audit Service.
- 2.6 An initial self-assessment has been undertaken by the Internal Audit Manager in June 2022 and found that in general, there was conformance with the PSIAS requirements. Seven recommendations have been made as part of the QAIP; six relating to partial compliance. The Council are unable to demonstrate that Standard 1300 has been met due to the expected 5-year external assessment not taking place. This was due to staff vacancies and the ongoing Covid-19 pandemic throughout 2021/22. This report outlines the summary of conformance against the PSIAS based on the initial self-assessment. The outcomes of the QAIP have been reported to CMT and will be reported to the Accounts & Audit Committee at each meeting along with the findings from the external assessment. The outcomes of the QAIP should be considered when producing the Annual Governance Statement.

3 RISK ASSESSMENT

3.2 The approval of this report may have the following implications:

- Resources – there are no resource implications arising as a result of this report.
- Technical, Environmental and Legal – This report fulfils the statutory requirements placed upon by the council by the Accounts & Audit (England) Regulations 2015 and Public Sector Internal Audit Standards (PSIAS). This report is a key contributor to the Annual Governance Statement, which assesses the effectiveness of the Council's own management of its objectives.
- Political – There are no political implications arising from this report.
- Reputation – There are no reputational implications arising from this report.
- Equality and Diversity – There are no equality or diversity implications arising as a result of this report.

4 RECOMMENDATION

4.2 The Accounts & Audit Committee is asked to consider the report and approve the changes in assurance definitions and proposed performance indicators.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA11-22/RP/AC
21 June 2022

Internal Audit Progress Report

June 2022



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1. Introduction

This report provides an update to the Accounts and Audit Committee in respect of progress made in delivery against the 2021/22 and proposed 2022/23 Internal Audit Plans. It brings to your attention, matters relevant as members of the Committee.

It provides a summary of internal audit activity which is a requirement of the Public Sector Internal Audit Standards (PSIAS).

Detailed reports and relevant findings, recommendations and agreed actions have been provided to lead officers within the Council and are available to committee members upon request. This report covers the period April to May 2022.

2. Key Messages

Since the last meeting of the Accounts & Audit Committee, the following areas for 2021/22 have been a key focus:

- Treasury Management – High Assurance
- Accounts Receivable – High Assurance*
- Council Tax – Substantial Assurance
- National Non-Domestic Rates (NNDR) – Substantial Assurance
- General Ledger – Substantial Assurance
- Fleet Management – Substantial Assurance
- Grounds Maintenance – Moderate Assurance
- Accounts Payable – Moderate Assurance*

The following reviews are in progress; the findings of which will be reported as per the suggested delivery as per Appendix A:

- Procurement – draft report
- Contain Outbreak Management Fund (COMF) – fieldwork completed
- Inventory – fieldwork completed
- Civic Centre – fieldwork completed
- Payroll – fieldwork in progress
- Housing Benefits – fieldwork in progress
- Amenity Cleansing – fieldwork in progress
- Cash & Receipting – fieldwork in progress
- Risk Management – fieldwork in progress

*reported as draft; awaiting detailed management responses.

Appendix A sets out the overview of delivery for the completion of the 2021/22 Internal Audit Plan and the 2022/23 Internal Audit Plan as agreed by Committee; the outputs of which will contribute to the Annual Internal Audit Opinion. If due to circumstances beyond our control we are unable to achieve sufficient depth or coverage, we may need to caveat opinions and explain the impact of this and what will be done to retrieve the position in future.

Changes to Plan

Accounts & Audit Committee approval will be requested for any amendments to the original plan and highlighted separately to facilitate the monitoring process. There have been no proposed changes to the plan.

Resources

Staffing issues continued throughout 2021/22 in respect of the internal audit service however, the post of Internal Audit Manager was recruited to in May 2022. Although this impacted audit coverage in the previous financial year, the services of MIAA were sought to undertake several individual assignments. Priority was given to performing core system work to enable the annual opinion to be reached.

The post of Internal Auditor will become vacant in July 2022. Following a recruitment exercise in June 2022, the Council were unsuccessful in recruiting to the post, however it will be readvertised imminently. The 2022/23 Strategic Internal Audit Plan has taken this vacancy into account when assessing resource requirements, with an expectation that a successful candidate will be recruited by the Autumn. If not successful, the Council will seek to identify further resource from outside of the organisation to ensure a robust annual internal audit opinion for 2022/23.

3. Follow Ups

Appendix B provides a summary of internal audit recommendations that have been raised and due for implementation (as of June 2022). The Internal Audit Service is in the process of gathering evidence to support the status of implementation. Where agreed actions have not been implemented in line with timescales, discussions will take place with management to substantiate these explanations and assess whether extensions to implementation dates are considered reasonable.

It is proposed that follow ups will be reported to the Accounts & Audit Committee on a bi-annual basis in September 2022 and April 2023. Recommendations will be considered as either implemented, not implemented, partially implemented or superseded.

4. Performance Indicators

The Annual Internal Audit Opinion is driven by outputs from the work undertaken. The Internal Audit Team strive to deliver an effective and efficient service which should be underpinned by a number of key performance indicators. Committee members are asked to consider the performance indicators in Appendix C. It is intended that service performance will be reported to all Committee meetings.

5. Assurance Opinion and Risk Rating Definitions

In line with section 2300 of the Public Sector Internal Audit Standards, '*internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives*'. It is best practice to review the risk rating and assurance opinion definitions to ensure they meet the Standards and address the risks associated with the control environment. It is proposed that the revised definitions outlined in Appendix D are considered and approved by Committee members. Once approved, these will be applied to all assignments undertaken from the 2022/23 year.

6. PSIAS Initial Self-Assessment & Quality Assurance Improvement Plan (QAIP)

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that internal audit providers maintain a Quality Assurance & Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement.

This involves an annual self-review of conformance with the PSIAS, and fulfils the requirement established in the Accounts and Audit Regulations (England) 2015 for an annual assessment of the effectiveness of the Internal Audit Service.

An initial self-assessment has been undertaken by the Internal Audit Manager in June 2022 and found that in general, there was conformance with the PSIAS requirements. The Council are unable to demonstrate that Standard 1300 has been met due to the expected 5-year external assessment not taking place. This was due to staff vacancies and the ongoing Covid-19 pandemic throughout 2021/22. The Internal Audit Manager has initiated conversations to commission the external assessment.

Appendix E outlines the summary of conformance against the PSIAS based on the initial self-assessment. The detailed QAIP has been reported to CMT and will be reported to the Accounts & Audit Committee at each meeting, along with the findings from the external assessment. The outcomes of the QAIP should be considered when producing the Annual Governance Statement.

7. Limitations

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist. Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.

Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. Reports are prepared for your sole use and no responsibility is taken by the auditors to any director or officer in their individual capacity. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

APPENDIX A: Output Delivery

Review	Status	Assurance Level
2021/22 c'fwd reviews		
Council Tax	Final Report	Substantial
National Non-Domestic Rates (NNDR)	Final Report	Substantial
General Ledger	Final Report	Substantial
Accounts Payable	Draft Report	Moderate
Accounts Receivable	Draft Report	High
Fleet Management	Final Report	Substantial
Grounds Maintenance	Final Report	Moderate
Procurement	Draft Report	
Payroll*	Fieldwork completed	
Inventory*	Fieldwork completed	
Housing Benefits*	Fieldwork in progress	
Amenity Cleansing*	Fieldwork in progress	
Cash & Receipting*	Fieldwork in progress	
2022/23 reviews		
Chief Executive's		
Civic Centre	Fieldwork completed	
Management of Conflicts of Interest	Planning	
Corporate Strategy	Planning	
Corporate Health & Safety	Q3	
Section 106 Agreements	Q3	
Data Protection Impact Assessments (DPIA)	Q3	
Electoral Registration	Q3	
Land Charges	Q4	
Community Services		
Commercial Waste Management	Q4	
Resources		
Key Financial Controls	Q4	
Housing Benefits	Q4	
Council Tax & NNDR	Q4	
Insurance	Planning	
Contain Outbreak Management Fund (COMF)	Fieldwork completed	

Review	Status	Assurance Level
Disabled Facilities Grant (DFG)	Planning	
Overtime Payments	Q3	
Payroll	Q4	
Cyber Security	Planning	
ICT Asset Management	Q3	
Economic Development & Planning		
Tourism & Events	Q3	
Risk Management, Follow Up & Contingency		
Risk Management	In progress	
Follow Up	In progress	
	Q4	
Contingency	As required	
Planning & Reporting		
PSIAS self-assessment	Completed	Initial QAIP in place
Investigations	As required – no referrals in the period.	

Appendix B: Follow Ups – position as at June 2022

Review	Year	Assurance Opinion	Actions not yet due	Actions due	Total actions raised
Housing Benefits	2020/21	Substantial	-	2	2
Cash & Receipting	2021/21	Substantial		5	5
Creditors	2020/21	Substantial	-	6	6
Ribblesdale Pool	2021/22	Reasonable	-	20	20
Health & Safety	2021/22	Reasonable	-	16	16
Car Parking	2021/22	Reasonable	-	14	14
Edisford 3G All Weather Pitches	2021/22	Limited	-	11	11
Treasury Management	2021/22	High	2	-	2
Council Tax	2021/22	Substantial	1	-	1
National Non-Domestic Rates	2021/22	Substantial	1	-	1
Grounds Maintenance	2021/22	Moderate	4	-	4
Fleet Management	2021/22	Substantial	4	-	4
General Ledger	2021/22	Substantial	3	-	3
TOTAL			15	74	89

APPENDIX C: Performance Indicators

Indicator	Target
Post Audit Evaluation Questionnaire issued following completion of every audit assignment.	100%
Post Audit Evaluation Questionnaire responses receiving either a good, very good or excellent rating	100%
Recommendations raised and agreed by management.	100%
Recommendations which are implemented within agreed timescales.	90%
Management responses received within 10 workings days of the Draft Report.	90%
Final Reports issued within 5 working days from receiving management responses.	90%
Audits completed within budget.	75%

APPENDIX D: Proposed Assurance Opinion & Risk Rating Definitions

Definition of Risk Ratings

Risk Rating	Current Definition	Risk Rating	Proposed Definition
High Risk	Major risk requiring action by the time the final report is issued.	Critical Risk	Control weaknesses have been identified that could have a significant impact on the system, service and/or council's corporate objectives.
		High Risk	Control weaknesses have been identified that could have a significant impact on the system and/ or function, but do not have a significant impact on the council's overall corporate objectives.
Medium Risk	Medium risk requiring action within six months of the issue of the final report.	Medium Risk	Control weakness have been identified that have exposed the system/ service to a key risk; however the likelihood of this risk occurring is low.
Low Risk	Change to achieve best practice by a date to be agreed with the Head of Service.	Low Risk	Control weaknesses have been identified that do not have an impact of the delivery of the system/ service objectives; however, implementation would improve the overall control environment.

Assurance Opinion Definitions

Risk Rating	Current Definition	Risk Rating	Proposed Definition
Full	Full reliance can be placed on the levels of control in operation.	High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are operatively effectively in the areas tested.
Substantial	Substantial reliance can be placed on the levels of control in operation.	Substantial	There is a good system of internal control which has been designed to meet the system objectives, and controls are generally operating effectively.

Risk Rating	Current Definition	Risk Rating	Proposed Definition
Reasonable	Generally sound system of controls. Some weaknesses in control which need to be addressed.	Moderate	There is a satisfactory system of internal control however, in some areas, weaknesses have been identified in the design and/ or operating effectiveness, putting the system at risk.
Limited	Only limited reliance can be placed on the arrangements/controls in operation. Significant control issues need to be resolved.	Limited	There is a compromised system of internal control due to weaknesses identified in the design and/or operating effectiveness, putting the system at risk.
No	System of control is weak, exposing the operation to the risk of significant error or unauthorised activity.	Nil	There is an inadequate system of internal control due to weaknesses identified in the design and/or operating effectiveness, resulting in failure to achieve the system objectives.

APPENDIX E: Summary PSIAS Quality Assurance Improvement Plan

Standard	Conformance		
	Compliant	Partially Compliant	Non-Compliant
1000 – Purpose, Authority and Responsibility	✓		
1100 – Independence and Objectivity	✓		
1200 – Proficiency and Due Professional Care		✓	
1300 – Quality Assurance and Improvement Programme			✓*
2000 – Managing the Internal Audit Activity	✓		
2100 – Nature of Work	✓		
2200 – Engagement Planning	✓		
2300 – Performing the Engagement		✓	
2400 – Communicating Results		✓	
2500 – Monitoring Progress		✓	
2600 – Communicating the Acceptance of risks	✓		

*recommendation raised relating to the forthcoming external assessment that was due to be undertaken.

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 29 JUNE 2022
title: ANNUAL INTERNAL AUDIT OPINION – 2021/22
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

1.1. This report is intended to provide the Accounts & Audit Committee with:

- an independent opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control; including a summary of the internal audit work that supports the Opinion;
- any impairments or restrictions in scope of the work undertaken; and
- the outcomes of the self-assessment that the audit work undertaken is in conformance with the Public Sector Internal Audit Standards (PSIAS).

1.2 The report meets the requirements for the Internal Audit service to provide an annual report on the overall adequacy of the Council's framework of governance, risk management and control, as detailed in the PSIAS. It demonstrates that the Council is maintaining an adequate and effective system of internal control as required by the Accounts and Audit (England) Regulations 2015. This opinion will assist the Council in the completion of its Annual Governance Statement (AGS).

1.3 The Accounts & Audit Committee, in its role of providing independent assurance to the Council on the adequacy of its risk management framework, overall governance and associated control environment, is required to consider the Annual Internal Audit Opinion for 2021/22.

1.4 Relevance to the Council's ambitions and priorities:

- Corporate priorities – The Council seeks to maintain critical financial management and controls and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal control.

2 KEY ISSUES

2.1 The basis for forming the opinion has considered:

- An assessment of the individual assurances arising from risk-based internal audit assignments that have been reported in the period.
- An assessment of the processes in place with regards governance and risk management.
- As assessment of the Council's response to internal audit recommendations and the extent to which they have been implemented.
- Other sources of assurance relevant during 2021/22 (e.g. inspections).

2.2 The Covid-19 pandemic continued to impact the Council throughout 2021/22 however the Internal Audit Service has continued to act as a critical friend throughout, providing key assurances across a range of service areas. Staffing issues within the Internal Audit Service remained throughout 2021/22, however the post of Internal Audit Manager (which had been vacant since January 2020) has now been recruited to. The Council therefore prioritised the fundamental systems work and commissioned further internal audit services to ensure appropriate coverage to form this opinion.

3 RISK ASSESSMENT

3.1 The approval of this report may have the following implications:

- Resources – there are no resource implications arising as a result of this report.
- Technical, Environmental and Legal – This report fulfills the statutory requirements placed upon by the council by the Accounts & Audit (England) Regulations 2015. This report is a key contributor to the Annual Governance Statement, which assesses the effectiveness of the Council’s own management of its objectives.
- Political – There are no political implications arising from this report.
- Reputation – There are no reputational implications arising from this report.
- Equality and Diversity – There are no equality or diversity implications arising as a result of this report.

4 CONCLUSION

4.1 The overall opinion for the period 1st April 2021 to 31st March 2022 is **Substantial Assurance** (“Substantial Assurance can be placed on the levels of control in operation”).

4.2 The Accounts & Audit Committee is asked to:

- Note the content of the Annual Internal Audit Opinion for 2021/22 (as set out in Appendix A);
- Consider the overall annual opinion of the Internal Audit Manager, which is that Substantial Assurance can be placed upon the Council’s framework of governance, risk management and internal control; and
- Note that the internal audit work that supports this opinion has been delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) and that although there are no significant areas of non-conformance, an improvement plan is in place to ensure full compliance.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA12-22/RP/AC
21 June 2022

Annual Internal Audit Opinion

2021/22



Ribble Valley
Borough Council

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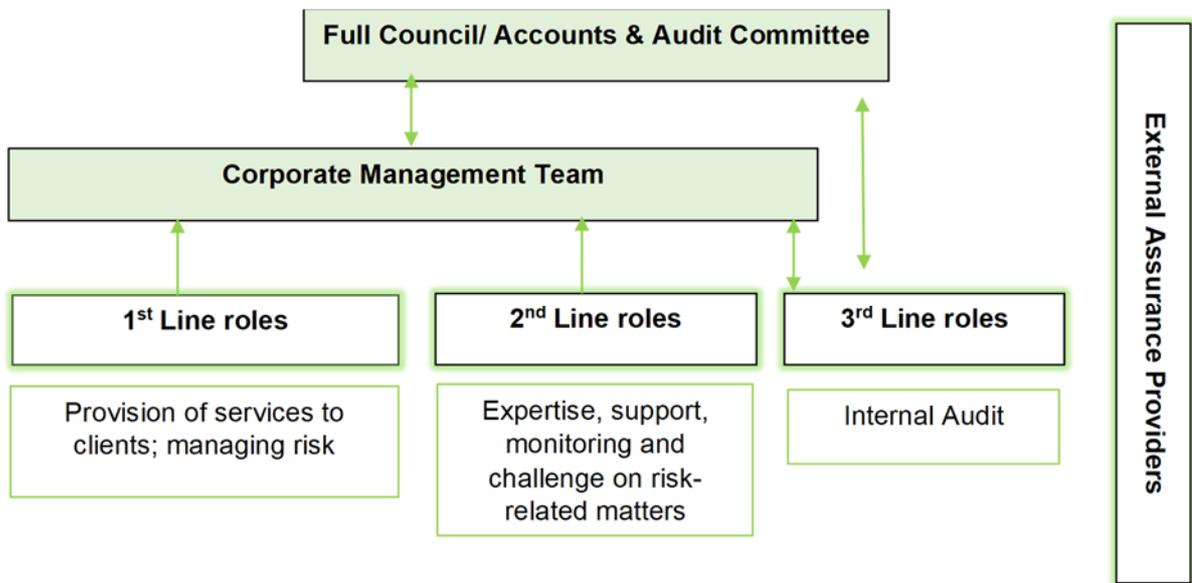
1. Introduction

This report is intended to provide the Accounts & Audit Committee with:

- an independent opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and internal control; including a summary of the internal audit work that supports the Opinion;
- any impairments or restrictions in scope of the work undertaken; and
- the outcomes of the self-assessment that the audit work undertaken is in conformance with the Public Sector Internal Audit Standards (PSIAS).

This report meets the requirements for the Internal Audit service to provide an annual report on the overall adequacy of the Council’s framework of governance, risk management and control, as detailed in the PSIAS (2450). It demonstrates that the Council is maintaining an adequate and effective system of internal control as required by the Accounts and Audit (England) Regulations 2015. This opinion will assist the Council in the completion of its Annual Governance Statement (AGS).

The Three Lines Model (as outlined by the Chartered Institute of Internal Auditors) provides clarity regarding risks and controls and helps improve the effectiveness of risk management systems. Internal Audit is considered the Council’s ‘third line role’, in a model where the provision of services to clients and managing risk represents the first line, and functions that oversee, monitor and challenge compliance, the second line role. The model is illustrated in the table below:



2. Overall Opinion

In providing the overall opinion, consideration has been given to the assurance opinions provided during 2021/22 in respect of the Strategic Internal Audit Plan.

The assurance opinions reported to the Accounts & Audit Committee during 2021/22 have covered the categories of risk management, internal control and governance, and are detailed in Section 3.

The Covid-19 pandemic continued to impact the Council throughout 2021/22 however the Internal Audit Service has continued to act as a critical friend throughout, providing key assurances across a range of service areas. Staffing issues within the Internal Audit Service remained throughout 2021/22, however the post of Internal Audit Manager (which had been vacant since January 2020) has now been recruited to. The Council therefore commissioned further internal audit services to ensure appropriate coverage to form this opinion.

We would like to thank both staff and Members of the Accounts & Audit Committee for their ongoing support during the year.

Overall Opinion

Our overall opinion for the period 1st April 2021 to 31st March 2022 is:

Full Assurance – Full reliance can be placed on the levels of control in operation.	
Substantial Assurance – Substantial reliance can be placed on the levels of control in operation.	✓
Reasonable Assurance – Generally sound system of controls. Some weaknesses in control which need to be addressed.	
Limited Assurance – Only limited reliance can be placed on the arrangements/controls in operation. Significant control issues need to be resolved.	
No Assurance - System of control is weak, exposing the operation to the risk of significant error or unauthorised activity.	

The basis for forming our opinion is as follows:

- An assessment of the individual assurances arising from risk-based internal audit assignments that have been reported in the period.
- An assessment of the processes in place with regards governance and risk management.
- An assessment of the Council's response to internal audit recommendations and the extent to which they have been implemented.
- Other sources of assurance relevant during 2021/22 (e.g. inspections).

In addition to this opinion, the Council should take account of other independent assurances that are considered relevant. The outcomes of other self-assessment reports and external

assurance/ inspection reports received by the council have been considered, including (but not exclusive to):

- Director's Annual Assurance Statements
- Public Sector Network (PSN) Certification
- The External Auditor's Annual Audit letter and Value for Money statement
- Public Sector Internal Audit Standards Quality Assurance Improvement Programme (QAIP)

Head of Service, Directors and the Chief Executive are required to complete a statement of assurance each year regarding the governance arrangements, including risk management and internal control arrangements for their areas of responsibility as part of the process to produce the Council's Annual Governance Statement. Completed statements of assurance were received from all these officers. All directors confirmed that *"controls within their directorate have been, and are, working well. Other than matters highlighted, there are no significant matters arising that they are aware of which would require to be raised to help the preparation of the Annual Governance Statement"*. The points raised haven't affected this opinion.

Internal audit is an element of the internal control framework, assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures. However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses in the areas audited. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.

The Internal Audit Service has self-assessed against the Public Sector Internal Audit Standards (PSIAS) and produced a detailed Quality Assurance Improvement Plan (QAIP) to be embedded throughout 2022/23; reporting to CMT and the Accounts & Audit Committee. The PSIAS state that an external assessment of the audit function and its conformance to the Standards must be carried out at least once every 5 years (1320). This has not taken place within timescales due the staff vacancies and the ongoing Covid-19 pandemic, so to ensure full conformance, the Internal Audit Manager has had initial conversations to initiate the external assessment throughout 2022/23. The outcomes of this assessment will be reported to the Corporate Management Team (CMT) and Accounts & Audit Committee.

Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities that may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Independence

The Internal Audit Service has access to and support from the Council's Corporate Leadership Team (CMT). In the course of its normal work it is able to operate independently within the organisation and in accordance with its Charter.

The Internal Audit Strategic Plan is determined in consultation with senior managers, CMT and the Accounts & Audit Committee. The Internal Audit Manager has line management responsibility for the Council Insurance team in addition to Internal Audit. However, internal audit staff had no direct operational responsibility or authority over any of the insurance activities audited in 2021/22. I can therefore confirm the organisational independence of the Internal Audit activity.

3. Coverage & Outputs

The commentary below provides the context for our opinion and together with the opinion, should be read in its entirety.

Governance and Risk Management

It is important that the Council demonstrates effective governance, underpinned by robust internal controls and adequately defined corporate functions. The assessment of the internal control environment is a key aspect of this annual report, and the narrative below confirms the arrangements in place.

To support the principles outlined in the requirements of a robust Annual Governance Statement (AGS), the Council has undertaken a self-assessment against the behaviours and actions to support the process and maintain robust governance arrangements throughout the year as part of the Local Code of Corporate Governance. The self-assessment utilised the 'Delivering Good Governance in Local Government Framework' and was presented to the Accounts & Audit Committee in September 2021. Work is ongoing to produce the self-assessment for the 2022/23 financial year and will be reported to the Accounts & Audit Committee in September 2022.

The Council has a Risk Management Policy in place outlining the roles and responsibilities for those charged with managing risk. Risk management processes are monitored and updated on a regular basis, with high risks reported to the Accounts & Audit Committee. The Strategy is being updated to reflect current practices and the processes to be adopted for the forthcoming migration of risk facilitation from Grace to Pentana. A risk-based internal audit review of risk management was in progress at the time of writing and will be reported accordingly as part of the final opinion.

Investigations

Whilst it is not the primary role of Internal Audit to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

The Council's Whistleblowing Policy provides a clear path for individuals to raise concerns of malpractice in any aspects of the Council's work, without the fear of recrimination or victimisation. The National Fraud Initiative (NFI) data matching exercise, undertaken on a bi-annual basis, was last carried out in 2020/21.

The arrangements for investigations take two strands. Benefit fraud is reported to the Department of Work & Pensions (DWP) and investigating and reporting on all instances of fraud and corruption within its local service arrangements. The second, an internal element,

is provided by the Council' Internal Audit Team. Within 2021/22, there was one internal referral made to the Internal Audit Service, which was subsequently investigated and closed within the period.

Risk Based Reviews

Internal Audit has completed and formally reported upon 12 assignments. The following individual assignments were issued:

Review	Assurance Opinion	Recommendations Raised			
		High	Medium	Low	Total
Council's IA Function					
Ribblesdale Pool	Reasonable	10	10	0	20
Health & Safety	Reasonable	11	5	0	16
Car Parking	Reasonable	11	3	0	14
Edisford 3G All Weather Pitches	Limited	11	0	0	11
MIAA					
Treasury Management	High	0	0	2	2
Accounts Receivable*	High	0	0	2	2
Council Tax	Substantial	0	1	0	1
National Non-Domestic Rates (NNDR)	Substantial	0	1	0	1
General Ledger	Substantial	0	3	0	3
Vehicle Maintenance*	Substantial	0	2	2	4
Accounts Payable*	Moderate	1	2	0	3
Grounds Maintenance	Moderate	1	3	0	4
Total		45	30	6	81

*assurance opinion has been agreed; awaiting detailed management responses.

All recommendations raised were accepted by management.

The reviews of Procurement, Payroll, Inventory, Housing Benefits, Amenity Cleansing, Civic Suite and Cash & Receipting were in progress at the time of writing. These will now contribute to the 2022/23 Opinion. Assurance opinions for the individual assignments undertaken by MIAA have been mapped to the assurance opinion definitions of the Council.

The coverage highlighted above has been reported to the Accounts and Audit Committee as part of the Progress reports provided throughout the year. The audit assignment element of this Opinion is limited to the scope and objectives of each individual review.

Follow Up

We have commenced a follow up review and can conclude that the Council has started to make reasonable progress with regards to the implementation of recommendations. The Internal Audit Service will continue to track outstanding actions to the Accounts & Audit Committee and will report the outcomes of the current exercise as part of the final opinion.

We have raised 81 recommendations as part of the reviews undertaken throughout 2021/22. Of these recommendations, 45 were considered high risk (in line with the Council and MIAA definitions).

As part of the follow up process we receive explanations for recommendations that have not been implemented, or not received at the time of the follow up. We have received appropriate explanations from management for those recommendations not implemented and consider the revised timescales reasonable.

4. Quality Service Indicators & Resources

Public Sector Internal Audit Standards (PSIAS) Self-Assessment

Internal audit work is governed by the Public Sector Internal Audit Standards (PSIAS). As detailed within the PSIAS, *“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”*; to which the Internal Audit Team have adopted.

The Internal Audit Service has self-assessed against the Public Sector Internal Audit Standards (PSIAS) and produced a detailed Quality Assurance Improvement Plan (QAIP) to be embedded throughout 2022/23. The PSIAS state that an external assessment of the audit function and its conformance to the Standards must be carried out at least once every 5 years. To ensure full conformance, the Internal Audit Manager will commission the external assessment throughout 2022/23 and report the outcomes to the Corporate Management Team (CMT) and Accounts & Audit Committee. The outcomes of the QAIP should also be considered by the Officers when forming the Annual Governance Statement (AGS).

Resources

Staffing issues continued throughout 2021/22 in respect of the internal audit service and service areas; however, the post of Internal Audit Manager was recruited to in May 2022. This impacted on audit coverage for the 2021/22 financial year, however the services of MIAA were sought to undertake several individual assignments. Priority was given to performing core system work to enable the opinion to be reached.

Both Head of Financial Services and newly appointed Internal Audit Manager are CCAB qualified. The Internal Audit team consists of a further two members of staff; both of which are working towards professional qualifications (CIPFA and AAT respectively).

Internal Audit Charter

The nature of the core internal auditing principles, objectives, scope and responsibilities of both the Internal Audit Service and auditees are set out in the Internal Audit Charter, which was approved by the Accounts & Audit Committee in April 2021.

Performance Indicators

It is important that the Internal Audit Service can demonstrate effective and efficient service delivery. The Internal Audit Manager has introduced several key performance indicators to demonstrate not only compliance with the PSIAS, but also the impact the audit work has on the organisation, reporting accordingly to the Accounts & Audit Committee. To support this, the Internal Audit Manager has issued Post Audit Evaluation Questionnaires to all audit sponsors within 2021/22, to obtain feedback on the professionalism, integrity and objectivity of the internal audit team. The results received have been positive, and this has been fed back to the team.

Ribble Valley Borough Council audit plan

Year ending 31 March 2022

Ribble Valley Borough Council
June 2022

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Your key Grant Thornton team members are:

Georgia Jones

Key Audit Partner

T 0161 214 6383

E Georgia.s.jones@uk.gt.com

Sophia Iqbal

Manager

T 0161 234 6372

E Sophia.s.iqbal@uk.gt.com

Jobelle Bongato

In-charge

E Jobelle.Bongato@uk.gt.com

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

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Key matters

Factors

Council developments

Local Government funding continues to be stretched with the Council facing increasing cost pressures and demand from residents. The Council recently confirmed the 2022-23 budget alongside indicative budgets for 2023-24. We have continued to hold regular meetings with the senior finance team at the Council. During these meetings we discuss a range of key issues regarding the Council's general developments, current and projected financial performance, governance issues and regulatory oversight.

At the time of producing the Plan, the Council is projecting a year end balanced budget following the use of £197,753 from general fund balances. The Council have also produced a forecast for the following 5 years which includes £250,000 use of general fund balances each year. However, there is still an increasing funding gap which has been identified. This ranges from £162,422 in 2022/23 increasing to £1,337,521 in 2026/27.

Recovery from Covid 19 pandemic

The Covid-19 pandemic has impacted upon all of our lives. While there has been some relaxation of 'business as usual' arrangements, public sector bodies are still required to abide by the stewardship requirements of Managing Public Money and have a statutory duty to carry out their function effectively, efficiently and economically.

The outbreak of the coronavirus pandemic has had a significant impact on the normal operations of all public sector bodies. The Council has faced many front-line challenges including the administration of grants to businesses and ensuring adherence to new government guidelines.

The government has provided a range of financial support packages throughout the COVID-19 pandemic. These include additional funding to support the cost of services, offset the deficit on collection fund or other income losses.

Our assessment is that the Council has developed a good understanding of its financial and wider governance risks during the pandemic. Despite future financial uncertainty about medium term government funding, it is well placed to address post Covid 19 challenges.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Resources.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will consider progress against previously agreed recommendations.
- We will continue to provide you with sector updates via our Audit Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control- refer to page 8

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Ribble Valley Borough Council ('the Council') 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 agreed 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 Ribble Valley Borough Council. We draw your attention to both of these documents.

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 Council's financial statements that have been prepared by management with the oversight of those charged with governance the Audit and Accounts committee; and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Accounts Committee of your responsibilities. It is the responsibility of the Council 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 Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council'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 controls
- Valuation of property, plant and equipment
- Valuation of pension fund net 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 £0.477m (PY £0.454m) for the Council, which equates to 2% of your prior year gross expenditure for the 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 £0.024m (PY £0.022m).

Value for Money arrangements

Our initial risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to assess the Council's arrangements and will provide a commentary against all key lines of enquiry in the Auditor's Annual Report. Should we identify any areas of significant weakness as part of our further work we will bring them to your attention.

Audit logistics

Our interim visit took place in March-April 2022 and our final visit will take place in August to October. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £53,432 (PY: £52,606) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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..

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
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. . The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, this was one of the most significant assessed risks of material misstatement.</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
ISA240 revenue and expenditure recognition risk	<p data-bbox="376 395 465 419">Revenue</p> <p data-bbox="376 453 1464 537">ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p data-bbox="376 571 1424 651">Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <p data-bbox="376 684 1447 799">There is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited The culture and ethical frameworks of local authorities, including Ribble Valley, mean that all forms of fraud are seen as unacceptable</p> <p data-bbox="376 833 499 857">Expenditure</p> <p data-bbox="376 890 1447 999">In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure.</p> <p data-bbox="376 1032 1464 1086">This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.</p> <p data-bbox="376 1120 1435 1204">Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heightened inherent risk of 'other service expenditure' in our audit scoping and testing assessment.</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.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Council revalues its land and buildings on a five-yearly basis, with a desktop valuation in intervening years. This valuation of £13m represents a significant estimate by management in the financial statements due to the size of the numbers involved. In addition, the year-end valuation of land and buildings is sensitive to changes in assumptions and market conditions and so is a key estimate by management.</p> <p>We have identified the valuation of land and buildings as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test a sample of valuations at 31 March 2022 to understand the information and assumptions used in arriving at any revised valuations. • test revaluations made during the year to see if they had been input correctly into the Council's asset register • review whether the expert valuer has reported any material uncertainty in relation to property valuations as at 31 March 2022 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability of £21m is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council'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 • review whether the pension fund has reported any material uncertainty in relation to investment property valuations as at 31 March 2022 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion • obtain assurances from the auditor of the Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Accounts and Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals, including the business rates appeals provision
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management requesting written responses from the Council across a range of areas and issues including on the approach taken to derive key accounting estimates. We are yet to receive the Council's responses and will consider them as part of our ongoing planning. The responses will be shared and presented to the Accounts and Audit Committee at the June 2022 meeting. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

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 and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.

We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set 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 legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- 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.

Materiality

The concept of materiality

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 Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £0.477m (PY £0.454m) for the Council, 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 £20,000 for senior officer 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 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 Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.024m (PY £0.022m).

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

Prior year gross operating costs

£22.7m Council
(PY: £20.9M)



■ Prior year gross operating costs

Materiality

£0.477m
Council financial statements materiality
(PY: £0.454m)



£0.024m
Misstatements reported to the Accounts and Audit Committee
(PY: £0.022m)

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Civica Financials	Financial Reporting	<ul style="list-style-type: none"> Streamlined ITGC design assessment
NEC	Council Tax, Business Rates, Benefits	<ul style="list-style-type: none"> Streamlined ITGC design assessment
Civica Pay	Payments	<ul style="list-style-type: none"> Streamlined ITGC design assessment
Procter Software	Payroll	<ul style="list-style-type: none"> Streamlined ITGC design assessment

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

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We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



Audit logistics and team


Planning and
risk assessment

**Audit
committee**
July 2022

Audit Plan

Year end audit
August to October
2022

**Audit
committee**
September

Audit Findings
Report/Audit
Opinion

**Audit
committee**
September

Auditor's
Annual
Report

Georgia Jones, Key Audit Partner

Key contact for senior management and Accounts and Audit.

Georgia will oversee the implementation and delivery of the audit and will be the audit signatory. She will meet with senior management to help identify risks for the audit and provide advice and assistance as required.



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Sophia Iqbal, Audit Manager

Sophia will work with senior members of the finance team ensuring testing is delivered and any accounting issues are addressed on a timely basis. She will also lead completion of the VFM assessment. She will attend Accounts and Audit Committee with Georgia, and will undertake reviews of the team's work and draft clear, concise and understandable reports.



Jobelle Bongato, Audit Incharge

Jobelle will be the day to day contact for finance staff and is responsible for the day to day supervision of the audit team. She will regularly engage with the finance team to ensure there are no surprises arising from our work.



Audited body responsibilities

Where audited bodies 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 audits. 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 agreed timetable 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 items for testing
- 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.

Audit fees

In 2017, PSAA awarded a contract of audit for [insert client name] to begin with effect from 2018/19. The fee agreed in the contract was £30,956. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

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, as detailed on page 12 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22, as set out below, is detailed overleaf and has been agreed with the Director of Resources.

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	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Ribble Valley Council Audit	£42,672	£52,606	£53,432
Total audit fees (excluding VAT)	£42,672	£52,606	£53,432

Assumptions

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

- prepare a good quality set of financial statements, 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 \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and 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 (Revised 2019) 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

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 Council's policy on the allotment of non-audit work to your auditors. 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.

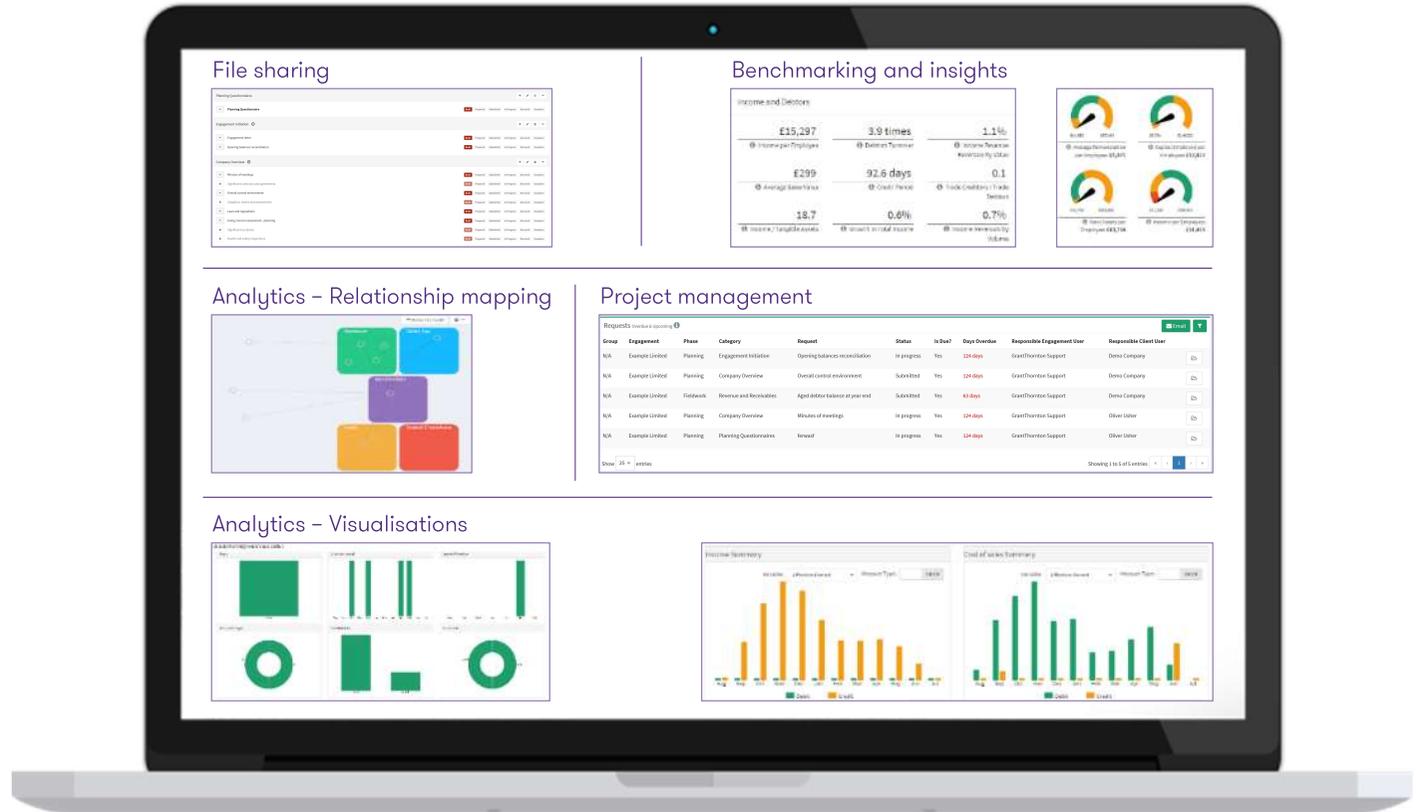
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit Subsidy Return	22,540	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 £22,540 in comparison to the total fee for the audit of £53,432 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.
Total	22,540		

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Council's financial statements, which resulted in 3 recommendations being reported in our 2020/21 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
 Medium	<p>Heritage assets</p> <p>The council has a collection of assets at Clitheroe Castle Museum worth £878k which was held at an insurance valuation. A breakdown of these assets and the associated individual values is not available. There is a risk that without full breakdown of values the Council would be unable to confirm if the assets are valued or appropriately or damaged.</p> <p>The Council should ensure a register of all asset valuations included in the museum is maintained and kept up to date</p>	<p>Lancashire County Council have an objects list in place and a documentation plan. We have been informed by LCC that whilst this has not been updated since Covid lockdown, some progress has been made on the inventory of the galleries. Also, during lockdown staff did a lot of work on donor information, which now does need to be converted onto EMu (the LCC Museum Services system).</p> <p>A detailed list of the collection with valuations is not available and so we will continue to use the overall insurance valuation for the purposes of the Statement of Accounts, in line with the Code of Practice on Local Authority Accounting.</p>
 Medium	<p>Internal Control</p> <p>Our system documentation on journals identified an issue where accountancy staff are able to authorise their own journals. However, a compensating control is in place to flag any inconsistencies.</p> <p>We have also identified that the Head of Financial Services has administration access rights. However we have noted he is unable to change or edit any postings which have already been made to the ledger. Although new users can be set up they do need to be approved by the manager.</p>	<p>As previously stated, due to the size of the team, it is not seen as practical to operate on a basis of each journal needing to be separately authorised.</p> <p>With regard to administration access rights, the council continues to operate a policy of having 'System Champions' within a service who are responsible for system development and control of access. This continues to be seen as best practice and for the Financials system this continues to be the Head of Financial Services</p>

Appendix 1: Progress against prior year audit recommendations

Assessment Issue and risk previously communicated

Update on actions taken to address the issue



Medium

Related Party Transactions

A search of Companies House identified that a small number of Councillors had business interests that had not been declared. The majority of companies involved were dormant and there was one which was still operation but the Council were unaware of a business relationship.

We recommend the Council reminds all Councillors of the requirement to disclose any business interests

The Council provided members with code of conduct training in September 2021, which included a comprehensive section on the different types of member interests and when these need to be declared. We continue to remind Councillors of the requirements.



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