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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, 12 APRIL 2023** 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. **REVIEW OF ACCOUNTING POLICIES 2022/23** (Pages 7 - 24)
Report of Director of Resources enclosed
6. **STRATEGIC INTERNAL AUDIT PLAN 2023/24 TO 2025/26** (Pages 25 - 40)
Report of Director of Resources enclosed
7. **INFORMING THE AUDIT RISK ASSESSMENT 2022/23** (Pages 41 - 70)
Report of Director of Resources enclosed

ITEMS FOR INFORMATION

8. **STRATEGIC RISK REGISTER** (Pages 71 - 74)
Report of Director of Resources enclosed

9. **INTERNAL AUDIT PROGRESS REPORT 2022/23** (Pages 75 - 80)
Report of Director of Resources enclosed

10. **EXTERNAL AUDIT PROGRESS REPORT** (Pages 81 - 94)
Report of Grant Thornton enclosed

11. **ACCOUNTS AND AUDIT SUB-COMMITTEE - MINUTES** (Pages 95 - 96)
17/02/23

12. **REPORTS FROM REPRESENTATIVES ON OUTSIDE BODIES**

13. **EXCLUSION OF PRESS AND PUBLIC**

ITEMS FOR DECISION

ITEMS FOR INFORMATION

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 OBE, 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, 8 February 2023, starting at 6.30 pm
Present: Councillor R Walsh (Chair)

Councillors:

S Bibby	R Newmark
K Fletcher	D Peat
S Fletcher	J Rogerson
J Hill	R Sherras

In attendance: Chief Executive, Director of Resources, Head of Financial Services, Internal Audit Manager and Sophia Iqbal

702 APOLOGIES FOR ABSENCE

Apologies for absence were received for the meeting from Councillor D Berryman.

703 TO APPROVE THE MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 23 November 2022 were approved as a correct record and signed by the Chairman.

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

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

705 PUBLIC PARTICIPATION

There was no public participation.

706 CLOSURE OF ACCOUNTS TIMETABLE 2022/23

The Director of Resources submitted a report to remind Members of the statutory requirement to close down the Council's accounts by 31 May 2023 and to publish them, including any certificate, opinion or report issued by the auditor, by 30 September 2023.

A detailed timetable was annexed to the Report setting out the actions that need to be taken and which member of staff is responsible for each one.

Members were informed that it is imperative that the accounts for the current year are closed as soon as reasonably practicable in order to inform the budget setting process for future years. This allows the Council to be able to consider its reserves and balances and areas of over-under spending with greater certainty.

Members were reminded that the Council is planning to present the audited statement of accounts at the proposed meeting of this Committee on Wednesday 2023 for approval (subject to approval of the proposed Committee meeting timetable) so it is important that all Members endeavour to attend this meeting in order to ensure that it is quorate.

RESOLVED THAT COMMITTEE:

Endorsed the approach suggested in the report for the closure of the 2022/23 accounts.

707

INTERNAL AUDIT CHARTER 2022/23

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

The Internal Audit Charter establishes Internal Audit's position within the Council, including the nature of the Internal Audit Manager'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.

The Internal Audit Charter has been updated to specifically define the nature of assurance services and to reference the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing.

RESOLVED THAT COMMITTEE:

Approved the Internal Audit Charter as attached at Annex 1 of the Report.

708

INTERNAL AUDIT PROGRESS REPORT 2022/23

The Director of Resources submitted a report which provided Members with an update in respect of progress made in delivery against the 2022/23 Internal Audit Plan. The report outlined a summary of internal audit activity which is a requirement of the Public Sector Internal Audit Standards (PSIAS).

Members were advised that 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. The report covered the period November 2022 to December 2022.

As per the PSIAS, an external assessment was undertaken to provide assurance over conformance. Its intention was to assist in realising standards across the service and ensuring consistency in improvement. In general, the assessors agreed with the Council's self-assessment (and subsequent Quality Assurance Improvement Plan) undertaken by the Internal Audit Manager in June 2022.

The Internal Audit Service has been rated overall as Partially Compliant, which agreed with the original self-assessment. Members were informed that significant progress has already been made to implement the actions raised.

RESOLVED THAT COMMITTEE:

Members gave consideration to the report.

709

AUDITORS ANNUAL REPORT 2021/22

Members gave consideration to the report of Grant Thornton.

Members were reminded that auditors are required to report their commentary on the Council's arrangements under specified criteria. 2021/22 was the second year that it has been reported this way. The auditors considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The conclusions, which overall were positive, were detailed in the report.

710 AUDIT PROGRESS REPORT

Members gave consideration to the report of Grant Thornton.

The report summarises the position of the audits for the periods 2021/22 and for 2022/23. It was noted that the 2021/22 deliverables have all been completed.

711 OMBUDSMAN REPORT

The Chief Executive submitted a report informing Members of Local Government Ombudsman ("LGO") compliance outcome.

Members were informed that:

- Following a report to Committee on 27 September 2023, training had as agreed been provided to CMT and all Heads of Services by an external training provider in two workshops on 18 October 2022 and 8 November 2022.

The Head of Legal and Democratic Services provided training to officers in each Directorate on 14,15,17 & 24 November 2022. The completion of this training was reported to the LGO on 24 November 2022. On 5 December 2022 the LGO responded welcoming the action the Council has taken following the report and that the compliance outcome would be recorded as "Remedy complete and satisfied"

712 REPORTS FROM REPRESENTATIVES ON OUTSIDE BODIES

There were no reports from representatives on outside bodies.

713 EXCLUSION OF PRESS AND PUBLIC

There were no items under this heading.

The meeting closed at 6.48 pm

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

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**RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE**

meeting date: 12 APRIL 2023
title: REVIEW OF ACCOUNTING POLICIES 2022/23
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To seek endorsement of the Accounting Policies to be used in producing the Financial Statements for the council for the 2022/23 financial year.

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives - none identified
- Corporate priorities – the Council seeks to maintain critical financial management and controls and provide efficient and effective services.
- Other considerations – none identified

2 BACKGROUND

2.1 The Accounts & Audit (England) Regulations 2015 requires local authorities to prepare their annual financial statement of accounts in accordance with 'proper accounting practice'. For local authorities, proper accounting practice is defined as that contained within the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

2.2 Accounting policies are the principles, 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. This may be through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

2.3 Except where explicitly specified in The Code, or due to specific legislative requirements, it is for the council to select the accounting policies that are most appropriate to its particular circumstances.

3 ACCOUNTING POLICIES FOR 2022/23

3.1 The Code for 2022/23 has been published and a review of the Council's accounting policies has been conducted to ensure that these are in line with the requirements of The Code. It is considered best practice for those charged with governance to review and approve the accounting policies to be applied when preparing the financial statements, prior to the meeting at which the Statement of Accounts will be approved.

3.2 There are no major changes to The Code that have been identified. The accounting policies will therefore remain largely in line with those used to prepare the 2021/22 Statement of Accounts.

3.3 As the Statement of Accounts are prepared, there may be the need for some clarification, change, or identification of obsolescence within the policies, and therefore any necessary changes will be made. Such changes will be reported to committee with an explanation of the impact when the financial statements are presented to committee.

4 CONCLUSION

- 4.1 No major changes to The Code have been identified, so there are no material changes to the policies needed.
- 4.2 The policies reported here 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.

5 RECOMMENDED THAT COMMITTEE

- 5.1 Endorse the use of the policies shown at Annex 1 to the report, subject to the need for any further changes identified as needed whilst the Statement of Accounts are produced.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA9-23/LO/AC
29 March 2023

Statement of Accounting Policies

The accounting policies form part of the notes to the accounts

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2021/22~~2022/23~~ financial year and its position at the year-end of 31 March ~~2022~~2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* 2021/22~~2022/23~~, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts has been prepared on a 'going concern' basis.

2 ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – in the case of the depot general stores, where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The council has adopted IFRS15 Revenue from Contracts with Customers in accordance with the Code.

3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are charged an accounting estimate of debited with the following amounts to record the cost of holding non-current assets during the year. This comprises:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6 COUNCIL TAX AND NON-DOMESTIC RATES (NDR)

Billing authorities act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the

General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

7 EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs. Should the value of 'holiday entitlements earned by employees but not taken' not move materially from one financial year end to the next, then the existing accrual level is maintained.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are eligible to join the Local Government Pension Scheme, administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of ~~X.X%2.8%~~ (2.81% 31 March 202~~2~~1) based on the indicative rate of return on AA rated corporate bonds.
- The assets of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The Change in the Net Pensions Liability is analysed into the following components:
- **Service cost comprising:**
 - Current Service Cost – the increase in liabilities as a result of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Net Interest on the Net Defined Benefit Liability (Asset) – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
 - The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions:**
 - Contributions paid to the Lancashire County Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8 EVENTS AFTER THE REPORTING PERIOD

Events after the Balance sheet date are those events, both favourable and unfavourable, that occur between the end of the Balance Sheet date and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9 FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

10 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be

consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11 HERITAGE ASSETS

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as Heritage Assets)

Heritage Assets are

- Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.
- Intangible heritage assets with cultural, environmental or historical significance, such as recordings of significant historical events.

In considering assets that it holds, the Council has identified the following assets as Heritage Assets and looks to hold these assets in perpetuity:

- The Castle Keep at Clitheroe
- The Clitheroe Castle Museum Collection
- Civic Regalia
- The Roman Bath site at Ribchester

The Castle Keep at Clitheroe

- Built in 1186 by Robert de Lacy, the Norman Keep of Clitheroe Castle is said to be one of the smallest Keeps in England. The Council considers that obtaining a valuation for the Keep would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. Therefore the Council does not recognise this heritage asset on the balance sheet.
- The Council maintains and preserves the Castle Keep and last undertook substantial work over the period 2006 to 2009. The Keep is open to the general public without charge and the council retains detailed information about its history much of which can be seen with chargeable admission to the Clitheroe Castle Museum.

The Clitheroe Castle Museum Collection

- The Clitheroe Castle Museum Collection principally includes archaeological artifacts, geological collections, militaria and items of local social historical interest. Due to the diverse nature of the museum collection, and without accurate valuation information

on any individual asset within the collection, the council has included the collection at insurance value as provided by the Lancashire County Museum Service.

- The Clitheroe Castle Museum collection is maintained and managed by the Lancashire County Museum Service who act as custodians on behalf of the Council. A full list of the collection is retained by both the Council and Lancashire County Museum Service. Not all of the collection is on display at the Clitheroe Castle Museum due to the volume and nature of some of the items within the collection. However, those items on display at the Clitheroe Castle Museum can be seen with chargeable admission to the Museum. At this premises the collection is interspersed with items under the ownership of Lancashire County Museum Service.
- Any acquisitions to the collection would generally be made by donation; however the collection has remained relatively static over recent years. Any donation of note would be recognised at valuation ascertained by the museum's curator or at insurance valuation.

Civic Regalia

- The Civic Regalia includes a number of chains of office. These heritage assets have been included on the Council's balance sheet at insurance valuation.
- The civic regalia can be viewed by appointment through contact with the main council offices or alternatively the current civic regalia can be viewed at most mayoral functions.
- The acquisition of further Civic Regalia would not be made, and a programme of ongoing maintenance is carried out to ensure that the condition of the items is maintained.

The Roman Bath site at Ribchester

- The Council owned site at Ribchester consists of the archaeological remains of a Roman bath house. Due to the unique nature of the site, the Council considers that obtaining a valuation for the bath house site would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. Therefore the Council does not recognise this heritage asset on the balance sheet.
- General maintenance of the site is undertaken by the Council on a routine basis; however, no preservation works have recently been undertaken. The council would look to work together with third parties in undertaking any such works.
- Access to the site is open to the general public without charge.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see *Accounting Policy 16* on Property, Plant and Equipment in this summary of significant accounting policies. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see *Accounting Policy 16* on Property, Plant and Equipment in this summary of significant accounting policies)

12 INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the asset held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13 INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned at cost price.

Long Term Contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

There are no finance leases within the Council where the Council acts as either Lessee or Lessor.

Operating Leases Where the Council is Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased

property, plant and equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Operating Leases Where the Council is Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

15 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the council's arrangements for accountability and financial performance.

16 PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure in excess of £10,000 on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

ANNEX 1

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The carrying amount of assets that would be recognised in the Statement of Accounts under the cost model are summarised in the table below:

Property, Plant and Equipment Classification	31 March 2023	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings		
Vehicles, Plant, Furniture and Equipment		
Infrastructure Assets		
Community Assets		
Total		

Impairments

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

The Council operates a straight-line method for depreciation over the useful economic life of the asset, for most assets as follows:

	Years
Buildings	50
Infrastructure	40
Large Equipment	10
Large Vehicles	8
Small Vehicles	5
Small Plant/Equipment	3

The useful economic life used for an asset in the calculation of depreciation will only differ from the above table where an updated asset life is provided at the time of any revaluation of council assets. Such updated asset lives would be used for future depreciation calculations.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or

revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal, generally in excess of £10,000, are categorised as capital receipts. The receipts are set aside in the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Componentisation

Where the council holds an asset with a value of £500,000 or above, any significant element of that asset would be treated as a separate component for the purposes of asset recognition, measurement, impairment, depreciation or disposal. A 'significant element' is any element of an asset with a value of 10% or above of the overall asset value.

17 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date:

- that gives the Council a ~~legal or constructive~~ present obligation
- that probably requires settlement by a transfer of economic benefits or service potential, and
- ~~where~~ a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

~~When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Estimated settlements are reviewed at the end of each financial year — wW~~ here it becomes

less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

18 RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

19 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

20 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from ~~Her Majesty's Revenue and Customs~~HMRC. VAT receivable is excluded from income.

21 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The Council measures some of its non-financial assets such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset, or
- in the absence of a principal market, in the most advantageous market for the asset

The Council measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 – unobservable inputs for the asset.

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 12 APRIL 2023
title: STRATEGIC INTERNAL AUDIT PLAN 2023/24 – 2025/26
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

1.1 The purpose of this report is to present the 3-year Strategic Internal Audit Plan for 2023/24 to 2025/26 for consideration and approval by this Committee.

1.2 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

2.1 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.

2.2 The anticipated audit resources are considered sufficient to deliver an effective 3-Year Strategic Internal Audit Plan. In 2023/24, the estimated resource for the Internal Audit Service is 500 days.

2.3 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 strategic 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.
- 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

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

- Resources – There may be some additional expert resources needed in respect of the ICT audit work, however this could potentially be funded from the existing Audit Earmarked Reserve.
- 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

- 4.1 The Accounts & Audit Committee is asked to consider and approve the Strategic Internal Audit Plan 2023/24 to 2025/26 as attached in Appendix A.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA7-23/RP/AC
12 APRIL 2023

DRAFT

Internal Audit Plan

2023/24



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

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Appendix A: Internal Audit Plan – 2023/24

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 Strategic 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 2023/24, the estimated available resource for the Internal Audit Service is 500 days. The following provides a detailed summary:

	Internal Audit Manager	Internal Auditor	Internal Audit Assistant	Total
Total working days	251	251	251	753
Annual Leave	24	34	30	88
Professional Training/ Personal Development	6	6	50	62
Planning, Management, Reporting & Meetings	18	0	0	18
Insurance	10	0	75	85
NET AVAILABLE DAYS – RISK-BASED PLAN	193	211	96	500

The plan considers risks in respect of ICT and cyber security. The Internal Audit Manager will seek to commission external expertise through the Lancashire County Council (LCC) Framework to undertake this work. Further costings regarding this will be presented to CMT and Accounts & Audit Committee for approval, however members should note that funds for such works have previously been set aside in Reserves.

4. Internal Audit Plan – 2023/24

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. Each audit has been assigned an Audit Sponsor (a member of CMT) who are the key lead for the review and responsible for implementing any actions raised.

Appendix B further outlines the Council's 3-year Strategic Plan and will be continuously reviewed. It is acknowledged that a new Corporate Strategy will be produced when the new Council is formed (post the May 2023 elections), therefore a formal reassessment will be undertaken. 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. A number of key performance indicators are in place and reported to senior management/ Accounts & Audit Committee on a regular basis; these are outlined in Appendix C.

INTERNAL AUDIT PLAN 2023/24 – (incorporating the risk assessment)

APPENDIX A: Internal Audit Plan – 2023/24 (incorporating the risk assessment)

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Review & Scope	Rationale/ Risk-based (inherent risk score from the Strategic Risk Register (SRR))	Qtly Delivery	Days	Audit Sponsor
Chief Executives				
Emergency Preparedness and Business Continuity – to ensure the Council has adequate plans in place to help prevent, control and manage emergencies, in line with the requirements of the Civil Contingencies Act 2004.	SRR006 (20) / SRR008 (20)	Q1	25	Chief Executive
Key Performance Indicators – to provide assurance that the system for managing performance and accompanying targets/ measures are supported to ensure valid, accurate and timely reporting.	Core system review	Q3	20	
Records Retention Management – to ensure that the Council’s retention arrangements are compliant and meet legislative requirements and best practice.	Management request	Q4	15	
Climate Change - to provide assurance that the Council is taking appropriate measures to comply with its statutory obligations in addressing climate change and that progress is being monitored.	SRR010 (16)	Q4	15	
Community Services				
Safeguarding – to examine the procedures in place for the Council to comply with its statutory obligations.	SRR004 (15)	Q3	15	Director of Community Services

INTERNAL AUDIT PLAN 2023/24 – (incorporating the risk assessment)

Review & Scope	Rationale/ Risk-based (inherent risk score from the Strategic Risk Register (SRR))	Qtly Delivery	Days	Audit Sponsor
Car Parking & Enforcement – to ensure that all income received is banked accurately, the contract for taking payments by phone is operating effectively and the appeals process for PCNs is being carried out effectively and independently.	Service review	Q3	15	
Ribblesdale Pool – to ensure that all income due to the Council is banked timely, accurately and in accordance with the agreed Fees and Charges.	Service review	Q4	15	
Commercial Waste Management – to ensure that waste is being collected promptly and efficiently, is disposed of appropriately and income is correctly accounted for (c'fwd).	C'fwd	Q2	15	
Markets - to ensure that all income due to the Council is banked timely, accurately and in accordance with the agreed Fees and Charges.	Service review	Q3	15	
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	25	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 (c'fwd).		Q1	16	

INTERNAL AUDIT PLAN 2023/24 – (incorporating the risk assessment)

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Review & Scope	Rationale/ Risk-based (inherent risk score from the Strategic Risk Register (SRR))	Qtly Delivery	Days	Audit Sponsor
Council Tax & NNDR – to evaluate the effectiveness of the processes in place for Council Tax & National Non-Domestic collection (c’fwd).		Q1	22	
Procurement - to ensure the key controls in relation to procurement processes are in accordance with national guidelines.	Core system review	Q3	15	
Budgetary Control – to provide assurance that budgets have been set in accordance with agreed policy, uploaded accurately, monitored regularly and reported through the agreed governance arrangements.	SRR002 (15)	Q4	15	
Grants – to ensure payments are valid, accurate, timely and meet the conditions of the funding (to be determined)	Head of Internal Audit sign-off required	Q3	30	
Staff and Member Allowances – to ensure that claims are completed in full, in accordance with the Scheme, paid accurately and timely, and published appropriately.	Core system review	Q2	15	
Treasury Management – to provide assurance that the treasury management function is operating effectively to manage the cash flow requirements of the Council.	SRR002 (15)	Q2	15	
Mandatory Training – to ensure that employees of the Council are adequately trained to fulfil their role effectively.	SRR009 (16) / SRR013 (16)	Q2	15	

INTERNAL AUDIT PLAN 2023/24 – (incorporating the risk assessment)

Review & Scope	Rationale/ Risk-based (inherent risk score from the Strategic Risk Register (SRR))	Qtly Delivery	Days	Audit Sponsor
Flexi-Time System and Sickness Absence Management – to provide assurance that both the flexible working policy sickness absence policy are applied consistently across the Council.	SRR009 (16)	Q2	15	
ICT Audit – scope to be determined.	SRR001 (20)	Q2	15	
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 (c'fwd).	C'fwd	Q1	15	Director of Economic Development & Planning
Risk Management, Follow Up & Contingency				
Risk Management – to support the organisation through training, development and reporting in relation to risk management processes.	Core system support	Q1 – Q4	15	Corporate Management Team
Follow Up	PSIAS requirement		12	
Contingency			5	
2023/23 Carry forward – days in relation to audits commenced, contributing to the 2022/23 Head of Internal Audit Opinion; yet to be finalised.		Q1	50	
Planning & Reporting				

INTERNAL AUDIT PLAN 2023/24 – (incorporating the risk assessment)

Review & Scope	Rationale/ Risk-based (inherent risk score from the Strategic Risk Register (SRR))	Qtly Delivery	Days	Audit Sponsor
PSIAS self-assessment – the Internal Audit Service’s annual self-assessment against the PSIAS.	PSIAS requirement	Q1	10	Director of Resources
CIPFA Position Statement: Audit Committee Self-Assessment/ Effectiveness Review – in line with recent guidance.		Q1	5	
Investigations (reactive and proactive) – core service support, NFI and proactive anti-fraud programme.		Q1 – Q4	15	
Annual Governance Statement/ Local Code of Corporate Governance	Mandated review	Q1	20	
Annual Governance Statement – in year follow up		Q3	5	
TOTAL DAYS			500	

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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. It is acknowledged that a new Corporate Strategy will be produced when the new Council is formed (post the May 2023 elections), therefore a formal reassessment will be undertaken.

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Strategic Objective	2023/24	2024/25	2025/26
<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 (UK Shared Prosperity Fund) Housing Benefits Council Tax/ NNDR		
	ICT Strategy Staff & Member Allowances Budgetary Control Data Retention Policy EPRR/ Business Continuity Treasury Management Procurement	Critical Application VAT Capital Programme	Asset Management Management of Freedom of Information requests

Strategic Objective	2023/24	2024/25	2025/26
To treat everyone equally and ensure that access to services is available to all, including our most vulnerable citizens.	Sickness Absence Mandatory Training	Equality Act 2010	
To engage with all our communities to ensure we deliver services to meet customer needs and expectations.	Key Performance Indicators	Complaints Management Building Controls	Public Engagement Local Plan
Ambition 2 – To sustain a strong and prosperous Ribble Valley			
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.	Tourism & Events	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.			
Ambition 3 – To help make people's lives safer and healthier			
To improve the health and wellbeing of people living and working in our area.		Cemeteries	Parks & Open Spaces Environmental Health
To improve the opportunity for people to participate in cultural, recreational and sporting activity.	Edisford Pool Markets	3G Pitches Platform Gallery	

3 YEAR STRATEGIC PLAN

Strategic Objective	2023/24	2024/25	2025/26
To ensure that Ribble Valley remains a safe place to live.	Safeguarding	Use of Volunteers	Community Safety Partnership
<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.	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 Mix
To develop the right housing in the right places.			

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%
Recommendations raised 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 budgeted timescales.	75%

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

meeting date: 12 APRIL 2023
title: INFORMING THE AUDIT RISK ASSESSMENT
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

- 1.1. To ask members to ratify 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 of this report

4 RECOMMENDED THAT COMMITTEE

4.1 Ratify the responses made to the Grant Thornton document '*Informing the audit risk assessment for Ribble Valley Borough Council 2022/23*' as attached at Annex 1.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA8-23/LO/AC
29 March 2023

BACKGROUND PAPERS

None

For further information please ask for Lawson Oddie

Informing the audit risk assessment for Ribble Valley Borough Council 2022/23

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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 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 2022/23?	In the last nine months there have been significant changes as staff have retired or left the council. This includes 6 out of 12 senior officers having left the council's employment, largely through retirement.
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?	None

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. 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?	

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

Commercial in confidence

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>The Internal Audit Manager undertakes a formal risk assessment annually to determine the risk-based Internal Audit Plan. However, the identification of emerging risks continues daily. This also takes into consideration the risk of fraud to the Council, focusing on core systems and mandated requirements. The Plan and subsequent Progress Reports are reported to AAC regularly throughout the year.</p> <p>The Council has reviewed and implemented their Strategic Risk Register which is reviewed regularly by HoS and CMT; and subsequently reported to AAC bi-annually. The Risk Management Policy has been reviewed in year to reflect the current arrangements in place.</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 Internal 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 as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>No</p>

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Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Risk issues and assurance opinions are provided independently to all meetings of the AAC through the IA Manager’s Progress Report and annual Head of Audit Opinion. In relation specifically to fraud, Members would be provided with the necessary information if this arose. This may be from either IA Manager or other investigating officer. Processes for reporting are outlined in the Whistleblowing Policy, Counter Fraud, Bribery and Corruption Policy Statement and Strategy and Anti-Money Laundering Policy.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Ribble Valley Borough Council where fraud is more likely to occur?</p>	<p>Although no specific risks of fraud have been identified throughout the year, the CMT identified the overall risk of fraud as a strategic risk on the SRR (003), and the necessary controls in place to mitigate/ identify them.</p>
<p>6. What processes do Ribble Valley Borough Council have in place to identify and respond to risks of fraud?</p>	<p>Control environment, Internal Audit Plan, Whistleblowing and Counter Fraud, Bribery and Corruption Policy Statement and Strategy</p>

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>The Internal Audit Manager undertakes an independent risk assessment to develop the risk-based Internal Audit Plan and considers the risk of fraud through review of controls. If recommendations are made on specific assignments to improve the control environment, these are monitored though the follow up process to ensure implemented by senior management.</p> <p>In addition to the Whistleblowing and counter Fraud, Bribery and Corruption Policies, the Council also have an Anti-Money Laundering Policy in place and take part in the NFI as required.</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>

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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? 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. The council operate Codes of Conduct for both Members and Staff in addition to robust business and personal interest declarations.</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 Counter Fraud, Bribery and Corruption Policy Statement and Strategy. 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>Our policies provide examples. None reported</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, However particularly those who have influence over any decision-making processes</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>Managed in part through the declarations of business and personal interests process.</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 • Counter Fraud, Bribery and Corruption Policy Statement and Strategy • Whistleblowing Policy
<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 2022 with an on-going impact on the 2022/23 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 section 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>

Related Parties

Matters in relation to Related Parties

Ribble Valley Borough Council 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;
- 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 Local Government'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 2021/22 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 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 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 • 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 2022/23 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 advice 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?	Assurances from suitably qualified and experienced staff and confidence in the skills of external experts following any relevant challenge and queries.
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 Lea Hough and Co Chartered Surveyors	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 current economic climate on financial markets	None planned
Fair value estimates	For Debtors and Creditors, fair value is taken to be the invoiced amount			There are no borrowings	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
Accruals (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 current economic climate on financial markets	None Planned



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RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 12 APRIL 2023
title: STRATEGIC RISK REGISTER
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

- 1.1 To provide the Accounts and Audit Committee with details of the recently revised Strategic Risk Register.

2 BACKGROUND

- 2.1 The Council has recognised that risk management is a process that helps ensure the successful delivery of the Corporate Strategy and strategic aims. A programme of improvement was introduced that revised the Risk Management Policy, provided refresher training to risk owners to reflect current risk management practices and the migration to Pentana; to help facilitate the process and ensure risk management is embedded throughout the organisation.
- 2.2 As per the Accounts & Audit Committee terms of reference, the role of members is to '*oversee and then monitor the development and implementation of a comprehensive approach to Risk Management*'. To this end, officers have revised the Strategic Risk Register to ensure that risks and subsequent actions are identified, monitored and reported effectively, and to a level determined as acceptable by the Corporate Management Team (CMT).
- 2.3 The current Strategic Risk Register contains 16 open risks as at March 2023 (as outlined in Annex A). These are risks affecting the delivery of the Corporate Strategy rather than those encountered in the everyday work of managers and staff.
- 2.4 As at 31 March 2023, the Council's top strategic risks (*and relevant residual risk score*) are:
- **Risk Ref 1** - Data loss, disruption and/ or damage to reputation due to a cyber attack (*residual risk score: 12*).
 - **Risk Ref 9** - High staff turnover, loss of knowledge and skills resulting in reduced resilience (*residual risk score:12*).
 - **Risk Ref 10** – Failure to deliver the Council's Climate Change Strategy to reduce carbon emissions; adversely affecting the natural environment (*residual risk score:12*).
 - **Risk Ref 12** – Failure to deliver new Local Plan (*residual risk score:12*).
 - **Risk Ref 13** – Failure to meet requirements of the Equalities legislation (*residual risk score:12*).
- 2.5 Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling them or responding to them. The Strategic Risk Register is a dynamic document, readily accessible to all staff with risk management roles. It contains risks associated with delivering the council's medium to long term goals and objectives of the Council; as outlined in the Corporate Strategy.

2.6 There are two components to the risk assessment; likelihood and impact. Both of which are scored in line with matrix outlined in the Council's Risk Management Policy. For each scenario, the two risk scores have been calculated and documented:

- **Inherent Risk:** An assessment of the likelihood and impact of the risk scenario occurring if no controls were in place regarding the activity. This score serves as a baseline measurement of the severity of the specific risk facing the Council due to a particular threat.
- **Inherent Risk Description:** The risk description if no controls were in place regarding the activity.
- **Residual Risk:** To offset the inherent risk identified, the Council applies controls to reduce it. Residual risk is the perception of the current situation. It is an assessment of the likelihood and impact of the risk identified at that time, with the current mitigating controls in place after evaluating the adequacy and effectiveness of the existing controls or measures identified. These controls already exist and are operating to control or mitigate the risk identified.
- **Target Score:** This is the level of risk that is aimed for when taking into account the risk actions that have been identified. If this is the same as the residual risk score, no further action is required and the risk can be accepted. Further actions and monitoring will be identified to reduce the risk to the target score.

2.7 As part of future reporting arrangements, any changes/ movement in the register will be detailed within this report. Risk management activity will be reported bi-annually to the relevant service committees and to this committee in April and September of each year.

3 GOVERNANCE ISSUES

3.1 All officer and members have an individual responsibility for the management of risk. The Risk Management Policy outlined these responsibilities, including Council and Committee duties. Each risk has not only been assigned individual risk owners, but also an appropriate service committee who can challenge decisions made by officers. These committees would then provide assurance to the Accounts & Audit Committee over the management of risks and priorities.

4 CONCLUSION

4.1 The Committee is asked to:

- Discuss and review the Strategic Risk Register as of March 2023; and
- Note the risk management activity that has occurred during the period.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA6-23/RP/AC
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			Inherent Risk Score			Residual Risk Score							
Risk #	Risk Theme	Inherent Risk Description (prior to controls in place)	Likelihood	Impact	Risk Rating	Likelihood	Impact	Risk Rating	Target Score	Target date	Responsible Officer	Responsible Director	Service Committee
<i>Ambition 1</i>	<i>To ensure a well-managed Council providing efficient services based on identified customer needs.</i>												
SRR001	<i>Cyber</i>	Data loss, disruption and/ or damage to reputation due to a cyber-attack.	4	5	20	3	4	12	8	30/06/2023	Head of Financial Services	Director of Resources	Policy & Finance
SRR002	<i>Financial</i>	Inability to set an affordable and sustainable budget over the short to medium-term resulting in the issuing of a S114 Notice.	3	5	15	2	3	6	6	31/03/2023	Head of Financial Services	Director of Resources	Policy & Finance
SRR003	<i>Fraud</i>	Heightened levels of fraud, including cyber fraud, due to pressures in the current economic climate.	2	4	8	1	3	3	3	30/06/2023	Head of Financial Services	Director of Resources	Accounts & Audit
SRR004	<i>Safeguarding</i>	Failure of the Council to embed appropriate safeguarding arrangements.	3	5	15	2	5	10	5	31/12/2023	Head of Cultural & Leisure Services	Director of Community Services	Community Services
SRR005	<i>Discretionary service provision</i>	Reduced funding resulting in inability to deliver discretionary services.	3	5	15	2	3	6	6	31/12/2023	Head of Financial Services	Director of Resources	All
SRR006	<i>Business Continuity</i>	The Council is unable to ensure the resilience of key operations and business activities due to a lack of robust business continuity plans.	4	5	20	3	3	9	6	31/03/2024	Head of Environmental Health	Chief Executive	Policy & Finance
SRR007	<i>Health & Safety</i>	Death or lifechanging injury due to a lack of robust health and safety processes.	4	5	20	3	3	9	6	31/03/2024	Head of Environmental Health	Chief Executive	Policy & Finance
SRR009	<i>Workforce</i>	High staff turnover, loss of knowledge and skills resulting in reduced resilience.	4	4	16	4	3	12	9	31/03/2024	Head of HR	Director of Resources	Personnel
SRR013	<i>Equality & Diversity</i>	Failure to meet requirements of the Equalities legislation.	4	4	16	3	4	12	6	31/03/2024	Head of Legal & Democratic Services	Chief Executive	All
SRR016	<i>Policies</i>	Failure to identify and embed legislative requirements due to lack of/ outdated policies and procedures.	4	4	16	3	3	9	6	31/03/2023	Head of Human Resources	Director of Resources	Policy & Finance
<i>Ambition 2 & 5</i>	<i>To sustain a strong and prosperous Ribble Valley.</i>												
SRR015	<i>Partnership working</i>	Partnership working opportunities are not taken advantage of to improve the borough infrastructure.	4	4	16	3	3	9	6	31/03/2024	Head of Strategic Planning and Housing	Director of Economic Development & Planning	Economic Development

Risk #	Risk Theme	Inherent Risk Description (prior to controls in place)	Inherent Risk Score			Residual Risk Score			Target Score	Target date	Responsible Officer	Responsible Director	Service Committee
			Likelihood	Impact	Risk Rating	Likelihood	Impact	Risk Rating					
SRR011	<i>Delivery of Local Plan</i>	Failure to deliver the Local Plan leading to harm to the borough's environment, heritage assets and communities and missed opportunities for economic and housing growth.	3	4	12	2	3	6	4	30/06/2023	Head of Strategic Planning and Housing	Director of Economic Development & Planning	Planning & Development
SRR012	<i>Delivery of new Local Plan</i>	Failure to deliver new Local Plan.	5	4	20	4	3	12	9	31/12/2023	Head of Strategic Planning and Housing	Director of Economic Development & Planning	Planning & Development
<i>Ambition 3</i>	<i>To help make people's lives safer and healthier</i>												
SRR014	<i>Engagement</i>	Service/ local economy provision does not match community requirements or expectations.	4	4	16	3	3	9	6	31/12/2023	Head of Strategic Planning and Housing	Director of Economic Development & Planning	Economic Development
<i>Ambition 4</i>	<i>To protect and enhance the existing environmental quality of our area.</i>												
SRR008	<i>Emergency Planning</i>	Failure to plan and/ or respond to emergency events when they occur.	4	5	20	3	3	9	6	31/03/2024	Head of Environmental Health	Chief Executive	Policy & Finance
SRR010	<i>Climate Change</i>	Failure to deliver the Council's Climate Change Strategy to reduce carbon emissions; adversely affecting the natural environment.	4	4	16	4	3	12	9	31/03/2024	Head of HR	Chief Executive	Policy & Finance

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 12 APRIL 2023
title: INTERNAL AUDIT PROGRESS REPORT – APRIL 2023
submitted by: DIRECTOR OF RESOURCES
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

1.1 The purpose of this report is to provide an update to the Accounts and Audit Committee in respect of progress made in delivery against 2022/23 Internal Audit Plan. It brings to your attention, matters relevant as members of the Committee and provides a summary of internal audit activity which is a requirement of the Public Sector Internal Audit Standards (PSIAS).

1.2 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 January 2023 to March 2023.

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 and 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 AND ISSUES

2.1 Since the last meeting of the Accounts and Audit Committee, the following areas for 2022/23 have been a key focus:

- Managing Conflicts of Interest (N/A)
- Overtime Payments (Substantial Assurance)
- Purchase Orders (Moderate Assurance)
- Cyber Security (Moderate Assurance)*
- Biodiversity Net Gain Grant Claim (Conditions Met)

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

- Payroll (draft report)
- Disabled Facilities Grant (draft report)
- Corporate Strategy (draft briefing note)
- Corporate Health and Safety (draft report)

*subject to detailed management responses

- Key Financial Controls (fieldwork completed)
 - Follow ups (fieldwork in progress)
 - ICT Asset Management (fieldwork in progress)
 - Data Protection Impact Assessments (fieldwork in progress)
 - Section 106 Agreements (fieldwork in progress)
 - Electoral Registration (planning)
 - Land Charges (planning)
- 2.3 The reviews of Tourism and Events, Council Tax and NNDR, Housing Benefits, Commercial Waste Management will be undertaken as part of the 2023/24 Internal Audit Plan.
- 2.4 Annex A further sets out the overview of delivery for the Internal Audit Plan as agreed by Accounts and Audit Committee; the outputs of which will contribute to the 2022/23 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.
- 2.5 The Internal Audit Manager was required to undertake verification work regarding a recent claim for Biodiversity Net Gain (BNG) funding. We have utilised some of the days earmarked in the plan for contingency work.

National Fraud Initiative

- 2.6 The National Fraud Initiative (NFI) is a data matching exercise that helps to detect and prevent fraud. It is conducted by the Cabinet Office under its statutory data matching powers. The Council was required to submit a data by the 2nd December 2022 with exercise matches made available on the end of January 2023. The number of matches was minimal, and the Council is in the process of following up the results in the usual manner, eliminating coincidental matches, and concentrating on potentially fraudulent cases.

CIPFA Updates

- 2.7 CIPFA recently published their revised edition of *Audit Committees: Practical Guidance for Local Authorities and Police*. The document is aimed at supporting both elected and co-opted independent members to understand the purpose of the committee and its functions and their responsibilities as members of the committee.
- 2.8 CIPFA state that the committee's effectiveness should be judged by the contribution it makes to and beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the committee has made a difference. CIPFA has provided assessment tools to support the process, and the Internal Audit Manager will use these over the coming weeks to undertake this assessment; ultimately reporting to this committee.

Investigations

- 2.9 There have been no referrals made within the period, and there are no open investigations.

3 LIMITATIONS

- 3.1 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.
- 3.2 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.
- 3.3 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.

4 RISK ASSESSMENT

- 4.1 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 and 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.

5 CONCLUSION

- 5.1 The Accounts and Audit Committee is asked to consider the report.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES

AA10-23/RP/AC
12 APRIL 2023

2022/23 – Internal Audit Output Delivery

ANNEX A

Review	Status	Assurance Level
2021/22 c'fwd reviews (contributing to the 2022/23 Opinion)		
Payroll	Final Report	Substantial Assurance
Inventory	Final Report	Limited Assurance
Housing Benefits	Final Report	High Assurance
Amenity Cleansing	Final Report	Substantial Assurance
Cash & Receipting	Final Report	Substantial Assurance
2022/23 reviews		
Chief Executive's		
Civic Centre	Final Report	Moderate Assurance
Managing Conflicts of Interest	Final Briefing Note	N/A
Corporate Strategy	Draft Briefing Note	
Corporate Health & Safety	Draft Report	
Section 106 Agreements	Fieldwork in progress	
Data Protection Impact Assessments (DPIA)	Fieldwork in progress	
Electoral Registration	Planning	
Land Charges	Planning	
Community Services		
Commercial Waste Management	C'fwd	
Resources		
Key Financial Controls	Fieldwork completed	
Purchase Orders	Final Report	Moderate Assurance
Housing Benefits	C'fwd	
Council Tax & NNDR	C'fwd	
Insurance	Final Report	Substantial Assurance
Contain Outbreak Management Fund (COMF)	Final Briefing Note	Conditions met
Test & Trace Support Payments (TTSP)	Final Briefing Note	Conditions met
Biodiversity Net Gain (BNG)	Final Briefing Note	Conditions met
Disabled Facilities Grant (DFG)	Draft Report	
Overtime Payments	Final Report	Substantial Assurance
Payroll	Draft Report	
Cyber Security	Final Report	Moderate Assurance*
ICT Asset Management	Fieldwork in progress	

Review	Status	Assurance Level
Economic Development & Planning		
Tourism & Events	C'fwd	
Risk Management, Follow Up & Contingency		
Risk Management	Stage 1: Final Report Stage 2: Completed	Limited Assurance N/A
Follow Up	Completed	N/A
Contingency	As required	
Planning & Reporting		
PSIAS self-assessment	Completed	Action Plan in place
Investigations	As required – no referrals in the period.	

*subject to detailed management responses

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Ribble Valley Borough Council Audit Progress Report and Sector Update

April 2023



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Audit Deliverables	6
Sector Update	7

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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Introduction

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

The paper also includes:

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

Members of the Accounts and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

Progress at March 2023

Financial Statements Audit

We completed our work on your financial statements for 2021/22 in November 2022.

We undertook our initial planning for the 2022/23 audit in February 2023, and we carry out our interim audit in April.

Our interim fieldwork includes:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems

Understanding how the Authority makes material estimates for the financial statements

Early work on emerging accounting issues

The results of our work will be included in the June Audit Progress Report.

In June we plan to issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2022/23 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the end of September 2023, in line with the target date for publishing audited local authority 2022/23 accounts of 30 September.

Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 2022/23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We anticipate issuing our Auditor's Annual Report by December 2023.

Progress at March 2023 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2021/22 claim began in January 2023. DWP extended the deadline for reporting the findings of this work to 31 January 2023. We have completed our work and certified the claim. No issues were identified in this work.

Meetings

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

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Accounts Workshop in January and February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

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

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2022/23 is the fifth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We will review the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and will communicate this fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2022/23 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report

Planned Date

June 2023

Status

Not yet due

Interim Audit Findings

We will report to you the findings from our interim audit within our Progress Report.

June 2023

Not yet due

Audit Findings Report

The Audit Findings Report will be reported to the September Audit Committee.

September 2023

Not yet due

Auditors Report

This includes the opinion on your financial statements.

September 2023

Not yet due

Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

December 2023

Not yet due

2022/23 Audit related Deliverables

Housing Benefit Subsidy – certification

This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.

Planned date

November 2023

Status

Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

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

Public Sector

Local
government

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts.

Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Local government procurement and contract management

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector¹. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

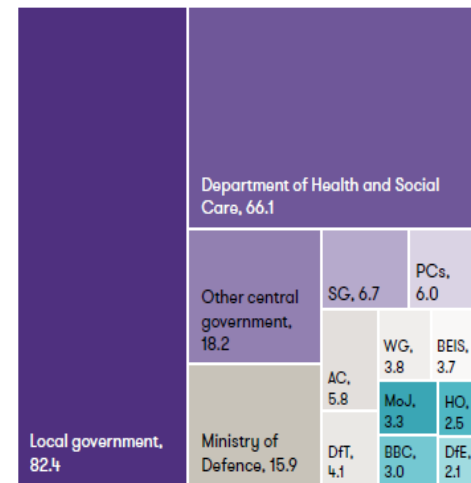
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

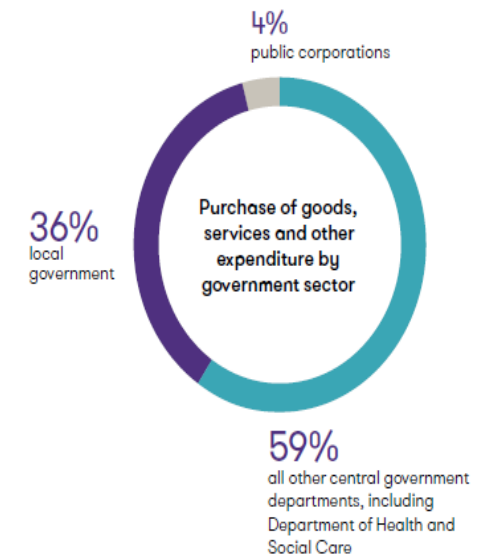
UK public spending

Public spending on goods and services, £ billions - analysis by segment and department²



PCs Other Public Corporations AC Academies
 DfT Department for Transport MoJ Ministry of Justice
 WG Welsh Government BBC British Broadcasting Corporation
 HO Home Office
 DfE Department of Education BEIS Department of Business, Industry Strategy
 SG Scottish Government

Goods, services and other expenditure by segment⁴



¹ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

² Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021

³ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

⁴ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.

Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

“Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared. This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is **set to be broken**. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole. CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Click here for link to the article](#)



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Minutes of Sub Committee - Accounts and Audit

Meeting Date: Friday, 17 February 2023, starting at 10.05 am
Present: Councillor D Berryman (Chair)

Councillors:

S Fletcher

D Peat

Also in attendance:

The Investigating Officer, the Head of Legal and Democratic Services and the Council's Independent Person.

743 ELECTION OF THE CHAIRMAN

Councillor David Berryman was nominated as Chair of the meeting.

744 APOLOGIES FOR ABSENCE

There were no apologies for absence.

745 DECLARATIONS OF INTEREST

There were no declarations of interest.

746 EXCLUSION OF PRESS AND PUBLIC

Resolved that the press and public be excluded from the next part of the meeting.

747 CONSIDERATION OF ANY REQUEST FOR ADJOURNMENT

No request was received.

748 COMPLAINT 2021-12-15

The Sub-committee received a report from the Investigating Officer, setting out details of the complaints which had been received, the evidence which had been gathered and his conclusions.

The Subcommittee having considered the report and having heard recorded evidence at the meeting found that there had been a failure to comply with the Code of Conduct.

Resolved:

That there had been a failure to comply with the Code of Conduct and that sanctions should be applied as set out in the Decision Notice follow link below:

<https://www.ribblevalley.gov.uk/downloads/file/3377/decision-notice>

The meeting closed at 11.35 am

If you have any queries on these minutes please contact the committee clerk, Jenny Martin 01254 413214 .