Ribble Valley Borough Council

www.ribblevalley.gov.uk

Dear Councillor

The next meeting of the **ACCOUNTS AND AUDIT** Committee will be held at **6.30 pm** on **WEDNESDAY, 17 APRIL 2024** 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 2023/24** (Pages 7 - 24)

   Report of the Director of Resources and Deputy Chief Executive enclosed.

6. **STRATEGIC INTERNAL AUDIT PLAN 2024/25** (Pages 25 - 40)

   Report of the Director of Resources and Deputy Chief Executive enclosed.

ITEMS FOR INFORMATION

7. **AUDIT FEE VARIATION IN RESPECT OF 2022/23** (Pages 41 - 42)

   Report of the Director of Resources and Deputy Chief Executive enclosed.

8. **INTERNAL AUDIT PROGRESS REPORT 2023/24** (Pages 43 - 46)

   Report of the Director of Resources and Deputy Chief Executive enclosed.

9. **EXTERNAL AUDIT PROGRESS REPORT** (Pages 47 - 80)

   Report of Grant Thornton enclosed.

10. **STRATEGIC RISK REGISTER** (Pages 81 - 84)

    Report of the Director of Resources and Deputy Chief Executive enclosed.

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

    None.

12. **EXCLUSION OF PRESS AND PUBLIC**

    There are no items under this heading.

Electronic agendas sent to members of Accounts and Audit – Councillor Robin Walsh (Chair), Councillor Stuart Hirst (Vice-Chair), Councillor Anthony (Tony) Austin, Councillor Stewart Fletcher, Councillor Jonathan Hill, Councillor Richard Newmark, Councillor Gaye McCrum, Councillor Lee Street, Councillor Charles McFall, Councillor Karl Barnsley and Councillor Michael Graveston.

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

Minutes of Accounts and Audit

Meeting Date: Wednesday, 14 February 2024, starting at 6.30 pm
Present: Councillor R Walsh (Chair)

Councillors:

S Hirst
T Austin
S Fletcher
J Hill
R Newmark
G McCrum
L Street
C McFall
K Barnsley
M Graveston

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

704 APOLOGIES FOR ABSENCE

There were no apologies for absence.

705 TO APPROVE THE MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 22 November 2023 were approved as a correct record and signed by the Chairman.

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

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

707 PUBLIC PARTICIPATION

There was no public participation.

708 CLOSURE OF ACCOUNTS TIMETABLE

The Director of Resources and Deputy Chief Executive submitted a report informing committee of the statutory requirement to closedown the Council's accounts by 31 May 2024 and to publish them including any certificate, opinion or report issued by the auditor, by 30 September 2024.

A detailed timetable was annexed to the Report setting out the required actions, with the persons responsible for each task.

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

Members were informed that the Council planned to present the audited statement of accounts for approval at the proposed meeting of this Committee on Wednesday 25 September 2024 (subject to approval of the proposed Committee meeting timetable), and that it was important that all Members endeavour to attend the meeting in order to ensure that it was quorate.

RESOLVED THAT COMMITTEE:

Endorse the suggested approach for the closure of the 2023/24 accounts.

709 INFORMING THE AUDIT RISK ASSESSMENT 2023/24

The Director of Resources and Deputy Chief Executive submitted a report asking Members to ratify the responses made by management in response to a number of questions raised by Grant Thornton. The questions covered some important areas of the auditor risk assessment where there was a requirement to make inquiries of the Accounts and Audit Committee under auditing standards.

The questions and responses were listed in an annex to the report and covered the following topics in relation to the management of the Council:

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

Committee were asked to consider whether the responses were consistent with its undertaking and whether there were further comments they wished to make.

RESOLVED THAT COMMITTEE:

Ratify the responses made to the Grant Thornton document 'Informing the audit risk assessment for Ribble Valley Borough Council 2023/24' as attached to the report.

710 INTERNAL AUDIT PROGRESS REPORT 2023/24

The Director of Resources and Deputy Chief Executive submitted a report which provided Members with an update in respect of progress made in delivery against the 2023/24 Internal Audit Plan. The report outlined a summary of internal audit activity which was a requirement of the Public Sector Internal Audit Standards (PSIAS).

Since the last meeting, one report had been issued providing Members with 'high assurance' opinion in regard to Members Allowances. The report informed Members that thirteen audits were in progress, and a summary of the profiled delivery of the 2023/24 Internal Audit Plan was annexed to the report. There had been one referral for investigation, which remained an open investigation.

711 AUDITORS ANNUAL REPORT 2022/23

Grant Thornton submitted for information the Annual Report on Ribble Valley Borough Council covering the period up to 31 March 2023.

The auditors had made two key recommendations in regard to significant weaknesses in financial stability and performance management. In light of the predicted budget gaps it was felt that the Council should prepare a savings plan to set out how these would be addressed, The Councils comments on the key recommendations made were detailed in the report along with the agreed actions. It was noted that the report was a retrospective report looking back on the previous financial year, and that the report had been amended since the previous draft to reflect the current position.

An unqualified audit report opinion had been given on the Council's financial statements. The Council had provided draft accounts in line with the national deadline, and quality of the draft financial statements and the supporting working papers were reported to be of a good standard.

Members gave consideration to the report of Grant Thornton and highlighted the on-going difficulty in estimating the budget in the absence of key funding information from the Government. The Council's Budget Working Group would be developing a savings plan which would be reviewed on an ongoing basis to address potential budget gaps.

712 INTERNAL AUDIT UPDATE - UK SHARED PROSPERITY FUND (UKSPF)

The Director of Resources and Deputy Chief Executive submitted a progress report for information providing an update to Committee relating to the internal audit review of the UK Shared Prosperity Fund (UKSPF).

The Council had been awarded substantial grant funding under the UKSPF. The Government imposed stringent requirements around the management and use of the award, which applied to the Council and any onward awarded bodies. The audit would help provide assurance that the conditions attached to the UKSPF had been complied with. Detailed reports would be agreed with Lead Officers within the Council, and Members would be provided with audit assurances following completion.

713 REPORTS FROM REPRESENTATIVES ON OUTSIDE BODIES

There were no reports from representatives on outside bodies.

714 EXCLUSION OF PRESS AND PUBLIC

There were no items under this heading.

The meeting closed at 7.09 pm

If you have any queries on these minutes please contact the committee clerk, Rebecca Hodgson 01200 414408 rebecca.tait@ribblevalley.gov.uk.

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DECISION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 17 APRIL 2024
title: REVIEW OF ACCOUNTING POLICIES 2023/24
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 2023/24 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 2023/24

3.1 The Code for 2023/24 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 that will influence the council's accounting policies for 2023/24. The accounting policies will therefore remain largely in line with those used to prepare the 2022/23 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

AA9-24/LO/AC
9 April 2024

Statement of Accounting Policies

The accounting polices form part of the notes to the accounts

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the ~~2022/23~~2023/24 financial year and its position at the year-end of 31 March ~~2023~~2024. 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 ~~2022/23~~2023/24*, 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 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%~~4.8%~~ (~~2.8~~4.8% 31 March 2023~~2022~~) 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.

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:

	31 March 2023	
Property, Plant and Equipment Classification	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 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. 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.

Estimated settlements are reviewed at the end of each financial year. Where 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 reliability.

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 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.

DECISION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 17 APRIL 2024
title: STRATEGIC DRAFT INTERNAL AUDIT PLAN – 2024/25
submitted by: DIRECTOR OF RESOURCES AND DEPUTY CHIEF EXECUTIVE
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 2024/25 to 2026/27 for consideration and approval by this Committee.

1.2 Relevance to the Council's ambitions and priorities:

Corporate priorities – to maintain critical financial management and controls, ensuring the Council provides value for money withing current financial constraints.

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, elected members 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 2024/25, the estimated resource for the Internal Audit Service is 480 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 and has considered the new objectives in achieving the Corporate Plan (2023/27). 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 2024/25 to 2026/27 as attached in Appendix A.

INTERNAL AUDIT MANAGER

DIRECTOR OF RESOURCES AND DEPUTY CHIEF EXECUTIVE

AA6-24/RP/AC
17 APRIL 2024

DRAFT

Internal Audit Plan

2024/25

Ribble Valley
Borough Council

www.ribblevalley.gov.uk

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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, elected members 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 (2023 to 2027). 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 2024/25, the estimated available resource for the Internal Audit Service is 480 days. The following provides a detailed summary:

	Internal Audit Manager	Internal Auditor	Internal Audit Assistant	**Total**
Total working days	250	250	250	**750**
Annual Leave	24	27	28	**79**
Professional Training/ Personal Development	12	12	62	**86**
Planning, Management, Reporting & Meetings	20	0	0	**20**
Insurance	10	0	75	**85**
NET AVAILABLE DAYS – RISK-BASED PLAN	**184**	**211**	**85**	**480**

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 – 2024/25

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 Corporate Plan (2023/27) and will be continuously reviewed.

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.

APPENDIX A: Internal Audit Plan – 2024/25 (incorporating the risk assessment)

Review & Scope	Rationale/ Risk-based (inherent risk score from the Strategic Risk Register (SRR))	Qtly Delivery	Days	Audit Sponsor
Chief Executives				
Flexible Working Scheme – to review the controls in operation across the whole council in applying the Flexible Working Scheme, including the fulfilment of employees and managers in their role.	Management request	Q2	15	Chief Executive
Recruitment & Selection - to consider whether all services are complying with procedures relating to recruitment and document retention, and that recruitment is being undertaken in the most efficient manner.		Q3	15	
Environmental Health – scope to be determined.	Core system review	Q4	15	
Community Services				
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.	C'fwd	Q3	15	Director of Community Services
Ribblesdale Pool – to ensure that all income due to the Council is banked timely, accurately and in accordance with the agreed Fees and Charges.	C'fwd	Q4	15	

INTERNAL AUDIT PLAN 2024/25 – (incorporating the risk assessment)

Review & Scope	Rationale/ Risk-based (inherent risk score from the Strategic Risk Register (SRR))	Qtly Delivery	Days	Audit Sponsor
Resources				
Key Financial Controls – to provide assurance that the most significant key controls are appropriately designed and operating effectively in practice.	General ledger, accounts payable and accounts receivable.	Q4	40	Director of Resources
Capital Programme - to assess the adequacy and appropriateness of the governance arrangements and decision-making systems to deliver agreed capital projects.	Core system review	Q3	15	
Use of Volunteers – to ensure there are effective policies and procedures in place for recruiting volunteers and ensuring they abide by such procedures.		Q3	15	
Procurement - to ensure the key controls in relation to procurement processes are in accordance with national guidelines.	Core system review	Q2	15	
Grants – to ensure payments are valid, accurate, timely and meet the conditions of the funding in respect of UKSPF and REPF; however, there may be other grants awarded that require audit sign-off.	Head of Internal Audit sign-off required	Q1 – Q4	40	
Council Tax & NNDR – to evaluate the effectiveness of the processes in place for Council Tax and National Non-Domestic collection.	Core system review	Q4	25	
Compulsory Training – to ensure that employees of the Council are adequately trained to fulfil their role effectively.	C'fwd	Q2	15	

INTERNAL AUDIT PLAN 2024/25 – (incorporating the risk assessment)

Review & Scope	Rationale/ Risk-based (inherent risk score from the Strategic Risk Register (SRR))	Qtly Delivery	Days	Audit Sponsor
ICT Audit – scope to be determined.	C'fwd	Q2	15	
Economic Development & Planning				
Building Controls – to ensure that applications at both plan and inspection stages are dealt with efficiently.	Core system review	Q2	15	Director of 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	Q2	15	
Homelessness & Emergency Housing- to ensure that key aspects of the 2022- 2025 Homelessness Strategy are being delivered.	SR011 (12)	Q2	15	
Partnership Working - to provide assurance to management that there are adequate corporate arrangements in place to manage key partnership risks and that for individual partnership arrangements	SR015 (16)	Q4	15	
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	10	Corporate Management Team
Follow Up	PSIAS requirement		15	

INTERNAL AUDIT PLAN 2024/25 – (incorporating the risk assessment)

Review & Scope	Rationale/ Risk-based (inherent risk score from the Strategic Risk Register (SRR))	Qtly Delivery	Days	Audit Sponsor
Contingency			5	
2023/24 Carry forward – days in relation to audits commenced, contributing to the 2023/24 Head of Internal Audit Opinion; yet to be finalised.		Q1	75	
Planning & Reporting				
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	20	
Annual Governance Statement/ Local Code of Corporate Governance	Mandated review	Q1	20	
Annual Governance Statement – in year follow up		Q3	5	
		TOTAL DAYS	**480**	

Appendix B: 3-Year Strategic Plan

We have mapped the key Corporate Ambitions and Objectives within the Corporate Strategy (2023/27) to the 3-Year Strategic Internal Audit Plan. This will be reviewed as part of our risk assessment process to ensure that it remains focused on the Council's key risks and challenges and adds value where necessary.

Strategic Goals	2024/25 (days)	2025/26 (days)	2026/27 (days)
Residents, their health & wellbeing: Creating flourishing, healthy and happy communities			
• Improve the health and wellbeing of everyone living in the borough. • Working with Town and Parish Councils we will bring together our villages and towns so that everyone can achieve their full potential. • Maximise opportunities for residents to be physically and mentally active. • Promote our leisure services and facilities meeting with the needs of residents.	Ribblesdale Pool (15) Environmental Health (15)	Parks & Open Spaces (15)	3G Pitches (15) Platform Gallery (15)
Valuing our place and our environment: Making the Ribble Valley a place we want to be by creating a safer, stronger, greener and cleaner Borough			
• Aspire to be a carbon neutral council by 2030, and work with others in the borough to be more environmentally sustainable. • Provide an economic, efficient and effective waste collection service.	Car Parking/ Enforcement (15) Tourism & Events (15)	Climate Change Strategy (15) Environmental Health (15)	Waste Management (15) Community Safety Partnership (15)

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Strategic Goals	2024/25 (days)	2025/26 (days)	2026/27 (days)
• Promote and support the installation of low carbon energy. • Protect and preserve the distinctive character of local towns and villages. • Support our communities to manage the impact and be more resilient to climate change. • Being a safe and clean place to love and visit, by promoting pride in the area and the environment. • Continue to monitor air quality within the borough.			
Building a strong economy: Sustaining a strong and prosperous Ribble Valley			
• Deliver good quality, affordable and sustainable housing that meets the needs of our communities throughout the Ribble Valley. • Encourage economic development. • Support our business community and attract new investment. • Support employment opportunities within the borough.	Partnership Working (15) Homelessness (15)	Together an Active Future (TaAF) (15) Empty Properties (15)	Economic Plan (15) Housing Mix (15)

Strategic Goals	2024/25 (days)	2025/26 (days)	2026/27 (days)
• Work with partners to improve transport networks, especially to our rural areas. • Promote active travel across the borough.			
Continue to be a well-managed Council: Providing efficient services based on identified customer needs			
• Maintain critical financial management and controls, ensuring the Council provides value for money, within current financial constraints. • Explore all viable options for income generation and financial savings in order to protect front line services. • Ensure that our services are accessible to all and that we deliver services to meet customer needs. • To have a well-supported, diverse, inclusive and valued workforce. • Continue to meet the needs of those who live, work, study and visit the borough.	Key Financials - GL/ AP/ AR (40) Grants (incl. UK SPF & REPF) (40) Housing Benefits (15) Council Tax/ NNDR (15)	Key Financials - GL/ AP/ AR (40) Grants (incl. UK SPF & REPF) (40) Housing Benefits (15) Council Tax/ NNDR (15) Procurement (15) Treasury Management (15)	Key Financials - GL/ AP/ AR (40) Grants (incl. UK SPF & REPF) (40) Housing Benefits (15) Council Tax/ NNDR (15) Payroll (15)
	Capital Programme (15) Compulsory Training (15) Recruitment & Selection (15) Flexible Working (15) Building Controls (15) Use of Volunteers (15)	Treasury Management (15) Asset Management (15) Management of Freedom of Information requests (15) Casual employees (15) Local Plan (15)	Critical Application (15) VAT (15) Public Engagement (15) Insurance (15)

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%

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INFORMATION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 17 APRIL 2024
title: AUDIT FEE VARIATION IN RESPECT OF 2022/23
submitted by: DIRECTOR OF RESOURCES AND DEPUTY CHIEF EXECUTIVE
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To inform committee of an audit fee variation notification that has been received from Public Sector Audit Appointments (PSAA) in respect of the 2022/23 financial year. The PSAA are an appointing person for principal local government and police bodies for audits.

1.2 Relevance to the Council's ambitions and priorities:

- This report contributes to the council's ambition to be a well-managed council providing efficient services based on identified customer needs.

2 BACKGROUND

2.1 The council are notified in advance of the audit of the audit fees that would apply for a given year. These are always proposed fees and are approved by PSAA.

2.2 There can be variances to these fees depending on additional work required due to local circumstance as the audit progresses, or due to issues raised as part of the audit which require additional work.

2.3 There have been three additional charges on top of that originally reported to committee, in respect of the 2022/23 financial year.

2.4 The table below sets out the previously notified charges:

Fee Element	£
Scale Fee 2022/23	36,769
Value for Money Audit - National Audit Office Requirements	9,000
ISA 540 *(Auditing Accounting Estimates and Related Disclosures)*	2,100
Additional Journals Testing	3,000
Enhanced Audit Procedures for Payroll	500
Enhanced Audit Procedures for Collection Fund – Reliefs Testing	750
Increased Audit Requirements of Revised ISA 315 *(Identifying and Assessing the Risks of Material Misstatement)* and ISA 240 *(The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements)*	3,000
Local Risk Factors	265
Total Previously Notified Audit Fees	**55,384**

2.5 Grant Thornton have requested approval of additional fees through the PSAA, and we were notified on 27 March that these additional fees had been approved.

2.6 The additional approved fees are detailed below:

Fee Element	£	£
Total Previously Notified Audit Fees		**55,384**
Quality and Preparation Issues *Due to issues in relation to the recharges there was a need for Grant Thornton to complete extra work in reviewing the changes to the accounts and the additional testing required.*	15,000	
VFM Additional Risk *Due to weaknesses in the VFM work this work has taken some extra time in terms of needing more in-depth review and internal processes at Grant Thornton*	4,000	
Technical Accounting Issues *Additional work around the pension surplus and the accounting requirements for this as set out under IFRIC14. This will be charged to all our local government clients where this work has been required.*	4,000	
Subtotal of Additional Fees		**23,000**
New Total Audit Fees		**78,384**

2.7 We have been informed by PSAA that each proposal that they have received from Grant Thornton has been determined in accordance with 17(2) of the Local Audit (Appointing Person) Regulations. This provides for additional fees to be charged where in PSAA's view, on the basis of information provided by the local auditor it has appointed, the work involved in a particular audit was substantially more than that envisaged by the scale fee set.

2.8 PSAA's work includes looking in detail at the fee variation categories submitted to ensure these reflect the areas of work covered, and where appropriate the figures approved include any adjustments that were needed having followed relevant processes at PSAA.

2.9 Officers were contacted by Grant Thornton a number of months ago, to inform us of their proposal to request an increase to the audit fees for 2022/23, and so were able to ensure that these additional costs were budgeted for.

3 CONCLUSION

3.1 There has been an overall increase to the audit fees in respect of the 2022/23 financial year. The previously notified fees were £55,384 and the revised total fees are now £78,384.

3.2 The additional £23,000 fees have already been included in the Revised Estimate for the 2023/24 financial year, and so are already budgeted for.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES AND DEPUTY CHIEF EXECUTIVE

AA8-24/LO/AC
5 April 2024

BACKGROUND WORKING PAPERS:

For further information please ask for Lawson Oddie, extension 4541

INFORMATION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 17 APRIL 2024
title: INTERNAL AUDIT PROGRESS REPORT – APRIL 2024
submitted by: DEPUTY CHIEF EXECUTIVE AND 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 2023/24 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 February 2023 to March 2024.

1.3 Relevance to the Council's ambitions and priorities:

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

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

2 KEY MESSAGES & ISSUES

2.1 Since the last meeting of the Accounts and Audit Committee, the following areas have been a key focus. Annex A provides a summary of the profiled delivery of the 2023/24 Internal Audit Plan. The following reviews are in progress; the findings of which will be reported as per the suggested delivery:

- Commercial Waste Management – Limited Assurance (awaiting detailed management responses)
- Council Tax – Moderate Assurance (awaiting detailed management responses)
- National Non-Domestic Rates – Substantial Assurance (awaiting detailed management responses)
- Emergency Preparedness – draft report
- Sickness Absence Management – draft report
- Key Performance Indicators – draft report
- Housing Benefits – fieldwork

- Safeguarding – fieldwork
- Procurement - fieldwork
- UK Shared Prosperity Fund - fieldwork
- Key Financial Controls & Budgetary Control– fieldwork
- Climate Change – fieldwork
- Markets – fieldwork
- Records Retention Management - fieldwork

Investigations

2.2 There has been one referral made within the period which remains an open investigation.

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 CONCLUSION

4.1 There are currently 14 audits where work of varying degrees is being undertaken. There has been one referral for investigation, and this remains an open investigation. Progress and coverage on the audit plan is good and will enable a sound draft audit opinion to be formed in May 2024.

INTERNAL AUDIT MANAGER

DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF RESOURCES

AA11-24/RP/AC
5 APRIL 2024

2023/24 – Internal Audit Output Delivery

ANNEX A

Review	Status/ Scheduled	Assurance Level
2022/23 c'fwd reviews (contributing to the 2023/24 Opinion)		
Disabled Facilities Grant	Final Report	Substantial
Key Financial Systems	Final Report	Substantial
Payroll	Final Report	Substantial
Electoral Registration	Briefing to P&F Committee November 2023	
2023/24 reviews		
Chief Executive's		
Emergency Preparedness	Draft Report	
Key Performance Indicators	Draft Report	
Records Retention Management	Fieldwork	
Climate Change	Fieldwork	
Community Services		
Commercial Waste Management	Draft Report **	Limited
Safeguarding	Fieldwork	
Car Parking & Enforcement	C'fwd	
Markets	Fieldwork	
Ribblesdale Pool	C'fwd	
Resources		
Housing Benefits	Fieldwork	
Council Tax	Draft Report**	Moderate
National Non-Domestic Rates (NNDR)	Draft Report**	Substantial
Sickness Absence Management	Draft Report	
ICT Audit – *scope tbd*	C'fwd	
Member Allowances	Final Report	High
Treasury Management	Final Report	High
Mandatory Training	C'fwd	
Procurement	Fieldwork	
Biodiversity Net Gain (BNG) Changing Places UK Shared Prosperity Fund (UKSPF)	Completed Completed Fieldwork	Conditions Met Conditions Met* Ongoing
Budgetary Control	Fieldwork	
Key Financial Controls	Fieldwork	

Review	Status/ Scheduled	Assurance Level
Economic Development & Planning		
Tourism & Events	Planning	
Governance, Risk Management, Follow Up & Contingency		
Risk Management	Q1 – Q4	Continuous
Follow Up	Q2/ Q4	Q2 completed/ Q4 ongoing
Contingency	As required	
Planning & Reporting		
PSIAS self-assessment	Completed	N/A
Investigations	As required – one open investigation.	

* project delivery risks reported as part of the briefing note

** assurance opinion agreed; awaiting detailed response.

Grant Thornton

Ribble Valley Borough Council Audit Plan

Year ending 31 March 2024

April 2024

Agenda Item 9

Contents

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

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Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report About time? In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

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Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan, has been agreed with the Director of Resources.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Accounts and Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Accounts and Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue– refer to page 7.

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Introduction and headlines

Purpose

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

Respective responsibilities

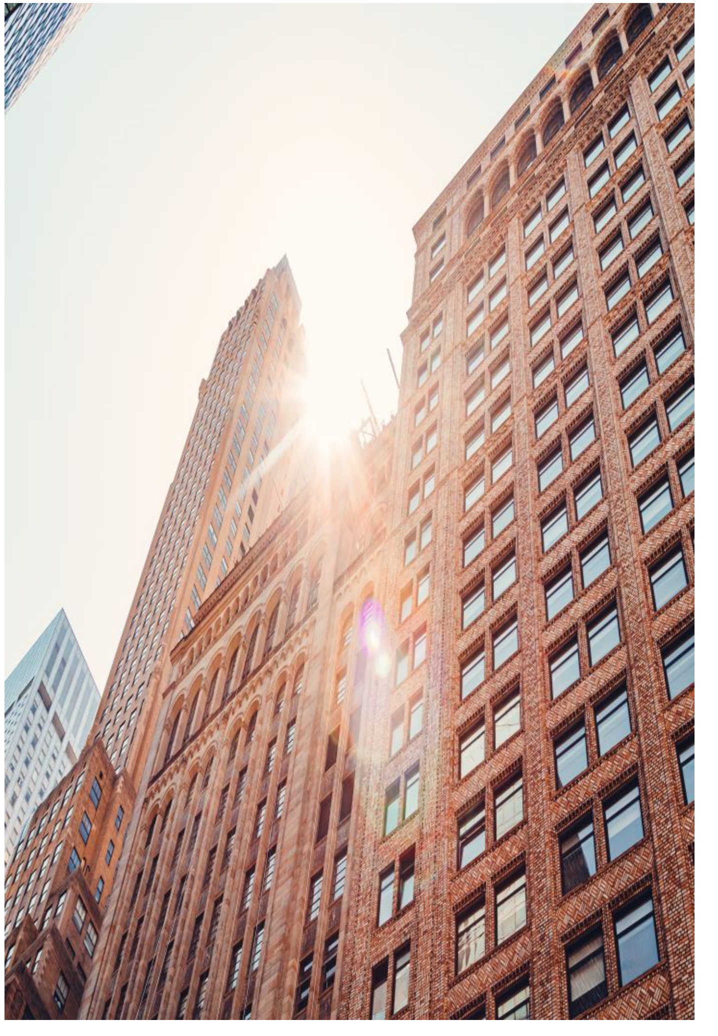
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. We will communicate any implications of the revised code on this audit (where applicable). Our respective responsibilities are also set out in the agreed Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Accounts and Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

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

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



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Introduction and headlines

Significant risks

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

- management override of controls;
- valuation of land and buildings; and
- valuation of net pension liability

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

Materiality

We have determined planning materiality to be £0.415m (Prior Year)

£0.415m) for the Council, which equates to 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £0.021m (Prior Year £0.021m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Audit logistics

Our planning and interim visit will take place in March 2024 and our final visit will take place though Summer 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our proposed fee for the audit will be £135,118 (Prior Year: £78,384) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue recognition	ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: - There is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited; - The culture and ethical frameworks of local authorities, including Ribble Valley, mean that all forms of fraud are seen as unacceptable.	As we do not consider this to be a significant risk for the Council, we will not be undertaking any specific work in this area other than our normal audit procedures. We will: • review and test, on a sample basis, revenue transactions to supporting evidence, ensuring the correct accounting treatment and that it remains appropriate to rebut the presumed risk of revenue recognition • design and carry out appropriate audit procedures to ascertain the recognition of income is in the correct accounting period using cut-off testing. • evaluate the Council's accounting policy for revenue recognition for appropriateness

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'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

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Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud related to expenditure recognition PAF Practice Note 10	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period) We also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heighted inherent risk of 'other service expenditure' in our audit scoping and testing assessment	As we do not consider this to be a significant risk for the Council, we will not be undertaking any specific work in this area other than our normal audit procedures. We will: review and test, on a sample basis, expenditure transactions, ensuring the correct accounting treatment and that it remains appropriate to rebut the presumed risk of expenditure recognition. design and carry out appropriate audit procedures to ascertain the recognition of expenditure is in the correct accounting period using cut-off testing.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

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Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	The Council revalue its land and buildings on a five yearly basis, with a desktop valuation in intervening years. This valuation (£19m in 2022/23) represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to change. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • update our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings are not materially misstated and evaluate the design of the associated controls • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Council's asset register.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may bethe case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidenceto support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge managemert's assumptions and request evidence to support those assumptions.

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Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net asset	The Council's pension fund net asset, as reflected in its balance sheet, and asset and liability information disclosed in the notes to the accounts, represents a significant estimate in the financial statements. This is due to the size of the numbers involved (£11m in 2022/23). This estimate by its nature is subject to significant estimation uncertainty being sensitive to small adjustments in the key assumptions used. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 3% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net asset as a significant risk.	We will: • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net asset is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability component; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

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Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net asset		We will: *continued from the previous page* • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the Lancashire Pension Funds financial statements.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

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Other matters

Other work

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

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

Other material balances and transactions

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

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Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Council's financial statements, which resulted in one recommendations being reported in our 2022/23 Audit Findings Report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Note 29 Related Party Transaction Our Audit work noted a gift was received and no value was stated on the declaration. A value should be provided, and all gifts reported to Accounts and Audit Committee for completeness and transparency.	During the year it has been ensured that any declarations made have included an estimated value

We also identified one recommendations as part of our 2021/22 audit which was not fully implemented at the time of the 2022/23 audit being concluded. We include these for information

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Gifts and hospitality policy Our Audit work on gift and hospitality noted the policy did not include any specific amounts	The Staff Code of Conduct has been through a full review, and is due to be reported to the Council's corporate management team. We understand the reviewed Code of Conduct includes a monetary value of £50, which also matches the Member Code of Conduct value

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	**Determination** We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £0.415m, which equates to 2% of your draft gross expenditure for the prior period.	We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. – We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £5k.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	**Other communications relating to materiality we will report to the Accounts and Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Accounts and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Accounts and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.021m (Prior Year £0.021m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Accounts and Audit Committee to assist it in fulfilling its governance responsibilities.

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the Council's financial statements	£0.415m	This equates to 2% of gross expenditure for the Council for the Financial Year ended on 31 March 2023. In setting materiality, we consider: • The ownership structure of the Council • The business environment the Council operate withing • The control environment the Council maintains • Classes of transactions
Materiality for specific transactions, balances or disclosures senior officer remuneration	£0.005m	In setting materiality, we consider: • The user's of the Financial Statement and their heightened interest to remuneration of Council Officers.

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IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Civica Financials	Financial reporting	• A review of the IT General Controls related to security management, development and maintenance and technology infrastructure
NEC	Council Tax, Business Rates	• A review of the IT General Controls related to security management, development and maintenance and technology infrastructure
Civica Pay	Payments	• A review of the IT General Controls related to security management, development and maintenance and technology infrastructure
Frontier Software	Payroll	• A review of the IT General Controls related to security management, development and maintenance and technology infrastructure
Techforge	Fixed Assets	• A review of the IT General Controls related to security management, development and maintenance and technology infrastructure

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Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

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Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

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Risks of significant VFM weaknesses – continued

The Audit Code sets out that the auditor's work is likely to fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. A key part of this is the consideration of prior year significant weaknesses and known areas of risk which is a key part of the risk assessment for 2023/24. We set out our reported assessment below:

Criteria	2022/23 Auditor judgement on arrangements informing our initial risk assessment		Additional risk-based procedures planned
Financial sustainability	Red	One significant weakness in arrangement identified and four improvement recommendations made.	We will follow up progress against the key recommendation(s) made and ensure that our work assesses the current arrangements in place.
Governance	Amber	No significant weakness in arrangement identified, but three improvement recommendations made.	We will undertake sufficient work to ensure that we have documented our understanding of the arrangements in place as required by the Code of Audit Practice.
Improving economy, efficiency and effectiveness	Red	One significant weakness in arrangement identified and one improvement recommendations made.	We will follow up progress against the improvement recommendation(s) made and ensure that our work assesses the current arrangements in place.

Our planning work for 2023/24 is not yet complete, and we will update you separately once this has concluded,

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Audit logistics and team

Planning and risk assessment

Planning, Interim audit
March 2024

Accounts and Audit committee
17 April 2024
Audit Plan Interim Progress Report

Year end audit
Summer 2024

Accounts and Audit committee
TBC
Audit Findings Report/Draft Auditor's Annual Report/Audit opinion

Accounts and Audit committee
TBC
Auditor's Annual Report

Georgia Jones, Key Audit Partner

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

Dipesh Patel, Audit Manager

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

Jobelle Bongato, Audit Incharge

Jobelle, is the key audit contact responsible for the day to day management and delivery of the audit work

Audited Entity responsibilities

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

Our requirements

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

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

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Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2023 the contract was re-tendered and Grant Thornton have been re-appointed as your auditors contract of audit for Ribble Valley Borough. The scale fee set out in the PSAA contract for the 2023/24 audit is £127,588.

An additional fee of £7,530 is set to cover audit work in respect of the revised ISA 315 Identifying and Assessing the Risks of Material Misstatement requirements.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/'

Assumptions

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

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

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

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Audit fees

	Proposed fee 2023/24
Ribble Valley Borough Council	£127,588
ISA 315	£7,530
Total audit fees (excluding VAT)	£135,118

Previous year

In 2022/23 the scale fee set by PSAA was £36,769. The actual fee charged for the audit, was £78,384*.

*The actual fee included additional works completed and enhanced audit procedures which were communicated to those charged with governance

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

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IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

> “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet‘ by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council’s systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries over the Council’s preparedness of the standard on our audit communication platform info. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx (publishing.service.gov.uk)]

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Independence and non-audit services

Auditor independence

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

In this context, we disclose that:

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

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Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

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

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit Subsidy Claim	47,400	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £47,400 in comparison to the total fee for the audit of £135,118 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

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Addressing the local audit backlog - consultation

Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- FRC landing page - Consultations on measures to address local audit delays (frc.org.uk)
- DLUHC landing page - Addressing the local audit backlog in England: Consultation - GOV.UK (www.gov.uk)
- NAO landing page - Code of Audit Practice Consultation - National Audit Office (NAO)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect.

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Preparing for the backstop

For any outstanding years up to 2022/23, local authorities should:

- Prepare, adopt and publish financial statements in line with Code and Statutory requirements (Accounts and Audit Regs 2015 – 'true and fair')
- Support statements with a proper set of working papers and audit trail
- Work with the auditor to support the completion of outstanding audit work (where possible) and for the completion of Value for Money Work.

For 2023/24, local authorities should:

- Agree a timetable and working paper requirements with the auditor
- Put project planning and key milestones in place
- Consider the implications of CIPFA consultation (property valuation and pensions)
- Ensure the Audit Committee is properly briefed and prepared

As your auditor we will:

- Keep you updated on all national developments
- Set out clear expectations of the information we will require to conclude our work
- Agree a plan for the delivery of our work programme with a commitment to key milestones

Next steps

We await the government's response to the consultation. We will discuss next steps including any implications for your audit once we have further information.

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INFORMATION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 17 APRIL 2024
title: STRATEGIC RISK REGISTER – BI-ANNUAL REVIEW
submitted by: DIRECTOR OF RESOURCES AND DEPUTY CHIEF EXECUTIVE
principal author: INTERNAL AUDIT MANAGER

1 PURPOSE

1.1 To provide the Accounts and Audit Committee with details of the strategic risk management activity that has taken place between November 2023 and March 2024.

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. 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 reviewed 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).

2.2 The current Strategic Risk Register contains 16 open risks as at March 2024 (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.

2.3 As at March 2024, the Council's highest strategic risks (*and relevant residual risk score*) continue to be:

- **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 16** - Failure to identify and embed legislative requirements due to lack of/ outdated policies and procedures (residual risk score 12).

2.4 The following activity has taken place during the period November 2023 to March 2024:

Revised risk scores

Risk Ref	**Risk Description**	**Update Position – March 2024**	**Movement**
13	Failure to meet requirements of the Equalities legislation.	Digital Learning platform has been purchased and will launch in April 2024.	12 to 9 ⇩

New / Closed risks

- None.

3 GOVERNANCE ISSUES

3.1 All Officers 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 note the risk management activity that has occurred during the period.

INTERNAL AUDIT MANAGER DIRECTOR OF RESOURCES AND
DEPUTY CHIEF EXECUTIVE

AA7-24/RP/AC
17 APRIL 2024

Risk Description			Inherent Risk Score			Original Residual Risk Score (APRIL 2023)			Current Residual Risk Score (OCTOBER 2023)			Current Residual Risk Score (MARCH 2024)			Change in Risk Score (since last review)					
Risk #	**Risk Theme**	**Inherent Risk Description (prior to controls in place)**	**Likelihood**	**Impact**	**Risk Rating**	**Likelihood**	**Impact**	**Risk Rating**	**Likelihood**	**Impact**	**Risk Rating**	**Likelihood**	**Impact**	**Risk Rating**		**Target Score**	**Original Target date**	**Responsible Officer**	**Responsible Director**	**Service Committee**
Goal 1	*To continue to be a well-managed Council providing efficient services based on identified customer needs.*																			
SRR001	*Cyber*	Data loss, disruption and/ or damage to reputation due to a cyber attack.	4	5	20	3	4	12	3	4	12	3	4	12	⇔	*8*	*31/03/2024*	Head of Financial Services	Director of Resources	Policy & Finance
SRR002	*Financial*	Inability to set an affordable and sustainable budget over the short to medium-term.	3	5	15	2	3	6	2	3	6	2	3	6	⇔	*6*	*30/09/2024*	Head of Financial Services	Director of Resources	Policy & Finance
SRR003	*Fraud*	Heightened levels of fraud, including cyber fraud, due to pressures in the current economic climate.	2	4	8	1	3	3	1	3	3	1	3	3	⇔	*3*	*30/09/2024*	Head of Financial Services	Director of Resources	Accounts & Audit
SRR004	*Safeguarding*	Failure of the Council to embed appropriate safeguarding arrangements.	3	5	15	2	5	10	2	5	10	2	5	10	⇔	*5*	*30/06/2024*	Head of Cultural & Leisure Services	Director of Community Services	Community Services
SRR005	*Discretionary service provision*	Reduced funding resulting in inability to deliver discretionary services.	3	5	15	2	3	6	3	3	9	3	3	9	⇔	*6*	*30/09/2024*	Head of Financial Services	Director of Resources	All
SRR006	*Business Continuity*	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	3	3	9	3	3	9	⇔	*6*	*31/03/2024*	Head of Environmental Health	Chief Executive	Policy & Finance
SRR007	*Health & Safety*	Death or lifechanging injury due to a lack of robust health and safety processes.	4	5	20	3	3	9	3	3	9	3	3	9	⇔	*6*	*31/03/2024*	Head of Environmental Health	Chief Executive	Policy & Finance
SRR009	*Workforce*	High staff turnover, loss of knowledge and skills resulting in reduced resilience.	4	4	16	4	3	12	4	3	12	4	3	12	⇔	*9*	*31/03/2024*	Head of HR	Director of Resources	Personnel
SRR013	*Equality & Diversity*	Failure to meet requirements of the Equalities legislation.	4	4	16	3	4	12	3	4	12	3	3	9	⇓	*6*	*31/03/2024*	Head of Legal & Democratic Services	Chief Executive	All
SRR016	*Policies*	Failure to identify and embed legislative requirements due to lack of/ outdated policies and procedures.	4	4	16	3	3	9	3	3	9	3	3	9	⇔	*6*	*31/12/2024*	All	CMT	Policy & Finance
Goal 2	*Building a strong economy by sustaining a strong and prosperous Ribble Valley*																			
SRR015	*Partnership working*	Partnership working opportunities are not taken advantage of to improve the borough infrastructure.	4	4	16	3	3	9	2	3	6	2	3	6	⇔	*6*	*30/06/2024*	Head of Strategic Planning and Housing	Director of Economic Development & Planning	Economic Development
SRR011	*Delivery of Local Plan*	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	2	3	6	2	3	6	⇔	*4*	*31/03/2024*	Head of Strategic Planning and Housing	Director of Economic Development & Planning	Planning & Development
SRR012	*Delivery of new Local Plan*	Failure to deliver new Local Plan.	5	4	20	4	3	12	4	3	12	4	3	12	⇔	*9*	*31/12/2024*	Head of Strategic Planning and Housing	Director of Economic Development & Planning	Planning & Development
Goal 3	*Creating flourishing, healthy and happy communities*																			
SRR008	*Emergency Planning*	Failure to plan and/ or respond to emergency events when they occur.	4	5	20	3	3	9	3	3	9	3	3	9	⇔	*6*	*31/03/2024*	Head of Environmental Health	Chief Executive	Policy & Finance
SRR014	*Engagement*	Service/ local economy provision does not match community requirements or expectations.	4	4	16	2	4	8	3	3	9	3	3	9	⇔	*6*	*30/06/2024*	Head of Strategic Planning and Housing	Director of Economic Development & Planning	Economic Development
Goal 4	Making the Ribble Valley a place we want to be by creating a safer, stronger, greener and cleaner borough																			
SRR010	*Climate Change*	Failure to deliver the Council's Climate Change Strategy to reduce carbon emissions; adversely affecting the natural environment.	4	4	16	4	3	12	4	3	12	4	3	12	⇔	*9*	*30/09/2024*	Head of HR	Chief Executive	Policy & Finance

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