

## APPENDIX 1 – ENQUIRES OF MANAGEMENT

### QUESTIONS & RESPONSES IN RELATION TO GENERAL ENQUIRES

	<b>Question</b>	<b>Response</b>
1	What are the key events or issues that have had a significant impact on the financial statements	<p>Coronavirus Pandemic:</p> <ul style="list-style-type: none"> <li>• additional costs and loss of income to the Council caused by the pandemic has led to variations in expenditure and income across all the Council's portfolios</li> <li>• impact on Collection Fund accounting</li> <li>• impact on provision for bad debts</li> </ul>
2	Has there been any events, or transactions that has caused a change or adoption of new accounting policies?	No changes to the accounting policies section of the Statement of Accounts document.
3	Has Management and the Audit Committee considered the appropriateness of the Councils accounting policies?	Audit Committee considers the Proposed Accounting Policies and Critical Judgements used in the Preparation of the Statement of Accounts annually.
4	Does that Council use any financial instruments including derivatives	<p>There have been no changes to the Council's financial instruments in either 2020/21 or 2021/22, which remain simple and straightforward</p> <p>The Council does not use LOBO's or derivatives or other complex arrangements.</p>
5	Are there any significant transactions outside of the normal course of Council business?	<p>As above, additional expenditure related to the COVID pandemic, and the payment of various government grants to business and individuals</p> <p>Prepayment of all pension's deficit costs and employers' contributions for the next 3 year period (2020/21 – 2022/23) totalling c£8M was made in April 2020.</p> <p>A further top up payment £0.780M was made March 2022</p>
6	Has there been any changes in circumstances or events that may lead to an impairment of non-current assets	The potential for impairment has been discussed with the in-house property valuer and the annual impairment review requested.

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		We are only aware of one significant issue in regard to a fire at an investment property affecting 2021/22.
7	Is the Council a guarantor to any contracts	No
8	Are there any contingent liabilities and/ or any un-asserted claims that would affect the financial statements?	Although there are a number of claims against the Council these are being handled by the Council's legal team and insurers and are not expected to have an impact on the financial statements.  All known contingent liabilities are disclosed within the financial statements
9	Other than our in-house solicitors are there any other solicitors used by the Council during the year?  Are they working on open litigation or contingencies from prior years?	a. Brabners LLP b. Eversheds Sunderland LLP c. Berryman's Luce Mawer LLP d. Weightmans LLP e. Gateley Plc f. Greenhalgh Kerr Solicitors  Eversheds Solicitors have been engaged in the collection of monies owed to the Council from prior litigation.
10	Has any of the Council's service providers reported any items of fraud, non – compliance with laws or regulations affecting the financial statements	None that we are aware of currently
11	What other advisors has the Council consulted during the year?	Anderton Gables – Project management/ advice in relation to the Mainway project  Link Group – Treasury Management advisors  PA Consulting - LG Reorganisation.
12	Are you aware of any instances which may have had an impact on the Councils Internal Control Environment?	The Committee will be aware that of issues in relation to the

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		Council's provision of Internal Audit services as well as long standing capacity issues with Human Resources and Finance
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### QUESTIONS & RESPONSES IN RELATION TO FRAUD

	Question	Response
1	<p>What is management's assessment of the risk that the financial statements may be materially misstated due to fraud</p> <p>What is the nature, extent, and frequency of such assessments?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p>	<p>Although we must recognise there has been a reduction in the overall control environment, overall, it is considered that there is a low risk that the financial statements being materially misstated due to fraud.</p> <p>There are a number of processes in place to prevent and detect fraud with the accounts.</p> <p>These include:-</p> <ul style="list-style-type: none"> <li>• Regular monitoring and review of expenditure/ income throughout the year with the budget holders</li> <li>• Finance Officers check accruals for reasonableness, including review of period on transactions</li> <li>• Approval hierarchy/ limits in CIVICA – this is the point of authorisation for most of the spending</li> <li>• Approval hierarchy for journals/ virements</li> <li>• Internal audit review of main control areas linking through to the Annual Governance Statement</li> <li>• Keeping up to date with the latest guidance to ensure proper accounting rules are adhered to.</li> </ul> <p>The Council has appropriate arrangements in place to identify and respond to the risk of fraud.</p>

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		<p>These include the Anti-Fraud, Bribery and Corruption Policy (including the Fraud Response Plan), Raising Concern (Whistle blowing) Policy and a dedicated Corporate Fraud Team. These set out the Council's position regarding this area.</p> <p>There are various processes to highlight fraud risks and raise awareness, these include the circulation of fraud alerts and information received from the National Anti-Fraud Network to relevant managers and staff and the provision of eLearning packages for managers and staff covering fraud awareness, preventing bribery and corruption, and working with the Bribery Act.</p> <p>The Council has a dedicated whistle blowing phone number in place which is monitored by external staff who will follow up any calls relating to fraud allegations for appropriate investigation.</p> <p>The audit team are also informed of any potential or suspected fraud which may be brought to management's attention through other channels, such as the corporate complaints process.</p> <p>These are followed up under the whistle blowing policy where relevant. The results are reported to senior management and the Audit Committee</p> <p>The Council also participates in the National Fraud Initiative (NFI). NFI data matches are followed up to determine the reasons for the matches being identified and assess if they are the result of timing difference, fraud, or other errors.</p> <p>Directors are responsible for self-assessing the effectiveness of the control arrangements in their departments and are required to complete an Assurance Statement annually to evidence this as part of the process to support the Annual Governance Statement. These statements include specific reference to effective controls to</p>
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		prevent, detect and deter fraud, anti-fraud and corruption and confirmation that budget monitoring is carried out on a regular basis
2	What do we determine to be the classes of accounts, transactions and disclosures most at risk to fraud?	<ul style="list-style-type: none"> <li>• Handling cash and banking</li> <li>• Ordering and payment for goods and services</li> <li>• Bank mandate fraud</li> <li>• Direct payments</li> </ul>
3	Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole or within specific departments since 1 April 2021?	None that we are aware of currently
4	<p>Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	<p>The Council operates a shared Corporate Fraud Team with Preston and Fylde Councils and have identified a number of specific fraud risk areas such as Council Tax, Housing Benefit, Business Rates as well as COVID Business Grants. In addition, as noted above there are a number of areas of that are consider more susceptible to fraud.</p> <p>Audit Committee considers the Council’s control and risk management framework and processes as part of the development of its risk based plan, which is presented annually to the Audit Committee for approval, and as part of reviews of the related fundamental financial systems. Whilst areas for improvement have been identified to strengthen controls in place, with some exceptions identified regarding compliance with the controls in place, no material issues have been identified during the year</p> <p>We do not have any particular concerns that there are any specific areas that are at particular risk of fraud or any locations where fraud is more likely to occur.</p>
5	What processes does the Council have in place to identify and respond to risks of fraud?	<p>The Council has various arrangements in place to identify and respond to the risk of fraud. These include</p> <p style="text-align: center;">Anti-Fraud, Corruption and Bribery Policy</p>

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		<p style="text-align: center;">Sanctions Policy and Raising Concerns Policy (Formally Whistleblowing)</p> <p>These documents set out the Council's position regarding this area. There are various processes to highlight fraud risks and raise awareness, these include the circulation of fraud alerts and information received from the National Anti-Fraud Network to relevant managers and staff and the provision of eLearning packages for managers and staff covering fraud awareness, preventing bribery and corruption, and working with the Bribery Act.</p> <p>The Council has a dedicated whistle blowing phone number in place which is monitored by external staff who will follow up any calls relating to fraud allegations and will refer matters to either Internal Audit or the Council's Corporate Fraud Team. The Council also participates in the National Fraud Initiative.</p> <p>As noted above the Council operates a shared Corporate Fraud Team with Preston and Fylde Councils and has recently engaged Mersey Internal Audit Agency (MIAA) to deliver its internal audit service.</p> <p>Directors are responsible for self-assessing the effectiveness of the control arrangements in their departments and are required to complete a Director's Assurance Statement annually to evidence this as part of the process to support the Annual Governance Statement. These statements include specific reference to effective controls to prevent, detect and deter fraud, anti-fraud and corruption and confirmation that budget monitoring is carried out on a regular basis</p>
6	How do you assess the overall control environment for the Council, including	Despite recent issues around Internal Audit the Council has a comprehensive internal control framework in place, which includes

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	<p>the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control?</p> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud</p>	<p>Financial Regulations, Contract and Procurement Procedure Rules, an Officer Scheme of Delegation, an Anti-Fraud, Corruption and Bribery Policy and resource and budget monitoring processes.</p> <p>These various documents and processes are monitored and reviewed periodically to ensure that they are up to date and fit for purpose.</p> <p>Directors are responsible for self-assessing the effectiveness of their arrangements and required to complete a Director’s Assurance Statement annually to evidence this as part of the process to support the Annual Governance Statement. Internal Audit considers these control processes as part of the development of the risk based plan and as part of reviews of the related fundamental financial systems.</p>
7	<p>Are there any areas where there is potential for misreporting</p>	<p>Unlike private sector or other Public Sector bodies such as NHS there is little or no incentive for fraudulent reporting</p> <p>Accruals and other estimation techniques, however, detailed guidance and key deadlines are sent out to budget holders for cascade down to staff in departments. Also, Finance teams work closely with budget holders to advise on recording expenditure and income in the correct accounting period</p>
8	<p>How does the Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Council has an Officer’s Code of Conduct which is used to encourage ethical behaviour in staff.</p> <p>There are also instructions relating to Registers of Personal and Business Interests and the receipt of Gifts and Hospitality. An annual email is sent to senior staff reminding them of the importance of this area and the need to complete the appropriate declarations</p> <p>Staff are expected to report any concerns that they may have regarding any potential or suspected fraud, either to their line manager or to Internal Audit</p>

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		There have been no significant issues reported
9	<p>From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Those in relation to exchequer functions – making payments/collecting and recording income etc.                      Treasury management – dealing with borrowing and investments                      HR &amp; Payroll Setting up and of payment of staff                      Posts responsible for procurement activity and raising and approving orders</p> <p>Controls ensuring separation of duties e.g., setting up new vendors; change of bank details; authorisation hierarchy for ordering; set-up / changes to employee details etc. Financial Procedures, Procurement and Purchasing Rules are in place setting out staff roles and responsibilities</p>
10	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None that we are aware of currently</p> <p>Related party relationships and transactions are fully reviewed as part of the accounts closure process and all significant transactions disclosed in the notes to the accounts. Members Register of Interest reviewed for personal / business interest with which the Council has transactions. Executive Management Team each required to make a personal return in respect of their own/any family members potential interests with which the Council has transactions.</p>
11	<p>What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit and Governance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>The Audit Committee receives reports from Internal Audit setting out the progress of the approved Audit Plan and the Corporate Fraud Manager on progress against business plan.</p> <p>The Committee members are able to ask questions of Officers during the year regarding the details of the counter fraud activity to clarify any of the details reported and improve their understanding of this area. The Committee also invites senior officers to provide updates on any significant areas of concern raised in the reports in respect of key or fundamental financial systems.</p>



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		<p>The 2020/21 Internal Audit Annual Opinion Report presented to the Committee in July 2021, concluded that the Council has adequate systems of risk management, control and governance in place which are being applied to an adequate standard.</p> <p>The Committee also receives a Counter Fraud Annual report setting out the results of investigations carried out and counter fraud activity undertaken during the previous year.</p>
12	Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	None that we are aware of currently
13	Have any reports been made under the Bribery Act?	None that we are aware of currently

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### QUESTIONS & RESPONSES IN RELATION LAW AND REGULATIONS

	Question	Response
1	<p>How does management gain assurance that all relevant laws and regulations have been complied with</p>	<p>The Council's Legal and Finance departments provide advice on law and regulation on a number of areas that relate to Council's business and activities. In addition, the Procurement team also advise on laws and regulations relating to that area. There are a number of qualified legal and finance professionals with expertise in specific areas, who would provide advice support to departments.</p> <p>The Customer Service Team, Information Governance and Legal Team coordinate complaints received, and where they escalate undertake internal investigation and liaise with the LGO when referred.</p> <p>The consideration of and dealing with complaints are supported by qualified legal staff. Any legal issues that are identified from the complaints are actioned appropriately. Instruction of external legal advisers including Counsel as appropriate in complex matters. To update knowledge, qualified legal staff are required to undertake extensive training and collate CPD points-regulated by the Solicitor's Regulatory Authority.</p> <p>The Council's Constitution is regularly reviewed and updated, ensuring that relevant changes in the law are reflected and that the governance framework is legally sound.</p> <p>There have been no actual claims for judicial review issued against the Council for a number of years. However, letters before action under the Judicial review protocol were received which were responded to adequately and thereby negating the need for a claim to be made.</p>

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		<p>There have been no actual claims for judicial review issued against the Council for a number of years. However, letters before action under the Judicial review protocol were received which were responded to adequately and thereby negating the need for a claim to be made.</p> <p>Staff who are members of professional bodies are bound by their codes of conduct and requirements to comply with professional standards and relevant laws and regulations</p> <p>Corporate and Departmental risk registers are in place.</p> <p>Directors are required complete and sign and an annual assurance statement as part of the process to prepare the Council's Annual Governance Statement</p> <p>The risk based audit plan would consider compliance with laws and regulations for key risk areas</p>
2	<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>See above, but also the Monitoring Officer and 2 Deputy Monitoring Officers ensure lawful decision-making as well as provision/ procedure to ensure legal implications are considered for all Cabinet, Council and other reports.</p> <p>The Monitoring Officer (MO) and Head of Democratic Services (Deputy MO) attend at Council with the MO now a member of Executive Board and regulatory committees to advise as appropriate.</p> <p>External Inspections would also detect non-compliance e.g. a recent RIPA desktop inspection provided positive feedback. We also have a RIPA Monitoring Group</p> <p>Training is provided to elected members and officers at all levels from the in-house legal team and externally on a wide range of</p>

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		<p>subject matter relating to our statutory duties and legal compliance in specific areas.</p> <p>Regular Statutory Officers Group meeting has been set up to focus on the overall governance of the Council, assurance including better decision-making.</p>
3	Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	No
4	How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Through Internal Audit reports and opinions on specific areas of business via the delivery of the risk based annual audit plan
5	Have there been any instances of non-compliance or suspected non-compliance with laws and regulation	None that we are aware of currently
6	Is there any actual or potential litigation or claims that would affect the financial statements?	There are some on-going litigation matters. They are not thought to have a material effect on the Council's Financial Statements.
7	What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Litigation matters are covered by the Council's insurance policies are handled by the Authority's claim handlers and insurance solicitors in coordination with our in-house insurance officer. Matters not covered by insurance policies are identified by officers (in accordance with relevant policies) and referred to the Council's in-house legal department for evaluation. The Council has a designated litigation solicitor who evaluates and progresses litigation matters.
8	Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	There are no reports known of that would affect the financial statements

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### QUESTIONS & RESPONSES IN RELATION REALTED PARTIES

	<b>Question</b>	<b>Response</b>
1	<p>Have there been any changes in the related parties including those disclosed in the Council's financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and the Council</li> <li>• whether the Council has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>The Council established a More Homes for the Bay a Local Authority Trading Company (LATCO) however although incorporated it is yet to commence trading and does not hold any assets.</p>
2	<p>What controls are in place to identify and account for and disclose related party transactions and relationships</p>	<p>Related party relationships and transactions are fully reviewed as part of the accounts closure process and all significant transactions disclosed in the notes to the accounts.</p> <p>Members Register of Interest reviewed for personal / business interest with which the Council has transactions. Executive Management Team are each required to make a personal return in respect of their own/ any family members potential interests</p>
3	<p>What controls are in place to authorise and approve significant transactions and arrangements with related parties</p>	<p>Decision making hierarchy specified within the Council's Constitution. Significant transactions over £250K would be classed as "Key Decisions", which require reporting to/ decision making by the Executive Board and are published ahead of the decision on the Council's website</p>
4	<p>What controls are in place to authorise and approve significant transactions and arrangements with related parties</p>	<p>As above.</p>

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### QUESTIONS & RESPONSES IN RELATION TO ACCOUNTING ESTIMATES

	<b>Question</b>	<b>Response</b>
1	What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>Those where the basis of measurement for the amount recognised in the accounts is uncertain, therefore an estimation technique is required, e.g.:</p> <ul style="list-style-type: none"> <li>• Accruals of expenditure and income</li> <li>• Valuation and depreciation of property, plant and equipment assets</li> <li>• Fair value measurements</li> <li>• Assumptions made when calculating accounting provisions</li> <li>• The valuation of the Pensions liability</li> </ul>
2	How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Management follows the latest professional guidance to assist in identifying issues that may impact on accounting assumptions and estimates used in preparing the statement of accounts e.g. events causing increased uncertainties. In addition issues are discussed with:</p> <ul style="list-style-type: none"> <li>• Lancashire CFO's Group and sub-groups to compare approach; and</li> <li>• external audit regarding any new areas they will be focussing on</li> </ul> <p>Assumptions/ source data is taken from historical data wherever possible amended to reflect known/ likely changes</p>
3	How do management review the outcomes of previous accounting estimates?	Comparison of actual outcomes to estimates made – review and update historical information to inform future estimates
4	Have any changes made to the estimation processes and, if so, what was the reason for these?	None however a detailed review of sundry debt and impact of restrictions due to pandemic on collectability of debt
5	How do management identify the need for and apply specialised skills or knowledge related to accounting estimates	If estimates involve specialised professional judgements and access to specific relevant data, which the Finance team do not have or have

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		access to, then a relevant expert/ advisor is needed e.g. Treasury Management Advisors/ Property Valuers/ Pensions Actuaries
6	How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	For significant accounting estimates provided by the advisors above, the Finance team will review supplementary information to support the calculations provided by the advisors and discuss the methodology to ensure they understand the estimates made
7	How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	The Finance team will review movements in property valuations looking at significant movements in order to challenge the valuations carried out.
8	Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement	Possibly accounting treatment of various Covid related grants but otherwise no
9	How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Not explicitly reported to Audit & Governance Committee currently but specific disclosures are included within the Statement of Accounts