

Public Document Pack



Business Efficiency Board

Wednesday, 27 February 2013 at
6.30 p.m.
Civic Suite, Town Hall, Runcorn

A handwritten signature in black ink, appearing to read 'David W R', on a white rectangular background.

Chief Executive

BOARD MEMBERSHIP

| | |
|--|-------------------------|
| Councillor Alan Lowe (Chairman) | Labour |
| Councillor Martha Lloyd Jones (Vice-Chairman) | Labour |
| Councillor Arthur Cole | Labour |
| Councillor Mike Fry | Labour |
| Councillor Darren Lea | Labour |
| Councillor Tony McDermott | Labour |
| Councillor Andrew MacManus | Labour |
| Councillor Norman Plumpton Walsh | Labour |
| Councillor Joe Roberts | Labour |
| Councillor Margaret Ratcliffe | Liberal Democrat |
| Councillor Kevan Wainwright | Labour |

Please contact Michelle Simpson on 0151 511 8708 or e-mail michelle.simpson@halton.gov.uk for further information.

The next meeting of the Board is to be determined.

**ITEMS TO BE DEALT WITH
IN THE PRESENCE OF THE PRESS AND PUBLIC**

Part I

| Item No. | Page No. |
|--|-----------------|
| 1. MINUTES | |
| 2. DECLARATION OF INTEREST | |
| Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item. | |
| 3. INTERNAL AUDIT PLAN 2013/14 | 1 - 31 |
| 4. EXTERNAL AUDIT FEE LETTER 2012/13 | 32 - 37 |
| 5. BUSINESS EFFICIENCY BOARD UPDATE REPORT | 38 - 52 |
| 6. GRANT THORNTON 2011/12 ANNUAL CLAIMS AND RETURNS | 53 - 63 |
| 7. EFFICIENCY PROGRAMME UPDATE | 64 - 68 |
| 8. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 | |

PART II

In this case the Board has a discretion to exclude the press and public and, in view of the nature of the business to be transacted, it is **RECOMMENDED** that under Section 100A(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act.

| | |
|--|-----------------|
| 9. INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 | 69 - 139 |
|--|-----------------|

In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.

| | |
|---------------------------|---|
| REPORT TO: | Business Efficiency Board |
| DATE: | 27 February 2013 |
| REPORTING OFFICER: | Strategic Director - Policy & Resources |
| PORTFOLIO: | Resources |
| SUBJECT: | Internal Audit Plan - 2013/14 |
| WARDS: | Borough-wide |

1.0 PURPOSE OF THE REPORT

This report provides details of the proposed Internal Audit Plan for 2013/14. The Audit Plan outlines the likely programme of internal audit work for the year.

2.0 RECOMMENDATION:

The Business Efficiency Board is recommended to consider and approve the proposed Internal Audit Plan for 2013/14.

3.0 SUPPORTING INFORMATION

- 3.1 The Public Sector Internal Audit Standards require the development of an annual risk-based plan to determine the priorities of internal audit activity. The plan must be consistent with the Council's goals and take into account the Council's risk management and overall assurance framework.
- 3.2 The Audit Plan is designed to provide sufficient coverage across the organisation to enable the Head of Internal Audit to deliver an overall opinion on the Council's risk management, control and governance arrangements.
- 3.3 The Audit Plan for 2013/14 is attached as an appendix to this report. The document provides detail of how the Council's internal audit resources are to be utilised during the year.
- 3.4 In total 1,086 days of audit work is planned. This is based on a forecast staffing resource of 6.5 FTE staff. Planned coverage is reduced slightly from 2012/13 to take account of a maternity leave absence.
- 3.5 The planned level of resources is considered sufficient to deliver a robust annual audit opinion. The audit resource requirement is determined by the need to provide coverage across the Council's financial systems, directorate systems, information systems, procurement activity, governance arrangements, schools and anti-fraud and corruption arrangements.

3.6 As resources are limited, a risk-based approach is adopted to prioritise internal audit coverage. In compiling the programme of work, account is taken of:

- The wider assurance framework and the need to ensure coverage of key risks without duplication of effort;
- The results of consultation with senior management;
- Changes in the operating environment of the Council, (new responsibilities, new or changed systems, changes arising from ongoing budgetary challenges);
- Planned audit reviews from 2012/13 that were deferred;
- Internal Audit's cumulative knowledge of the Council, including the results of previous internal audit work.

3.7 The Audit Plan will be kept under review throughout the year and regular progress reports will be provided to the Business Efficiency Board.

4.0 POLICY IMPLICATIONS

One of the responsibilities of internal audit is to provide assurance that policies and procedures established by management are complied with, are appropriate in the current circumstances, and are not wasteful.

5.0 OTHER IMPLICATIONS

5.1 Internal audit is a statutory function as detailed in:

- Audit and Accounts Regulations 2006 (England).
- Section 151 of the Local Government Act 1972.

5.2 Internal audit activity supports the Operational Director – Finance in discharging his statutory responsibilities as Section 151 officer in terms of ensuring the proper administration of the Council's financial affairs.

5.3 Internal audit activity also provides one of the key sources of assurance to the Chief Executive and Leader of the Council who are jointly required to sign the Annual Governance Statement (AGS). The purpose of the AGS is to declare the extent to which the Council complies with the principles of good governance.

5.4 There are no additional resource implications from this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 The Public Sector Internal Audit Standards defines internal auditing as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

6.2 Internal audit work therefore supports the delivery of all the Council's objectives.

7.0 RISK ANALYSIS

- 7.1 The work of Internal Audit forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.
- 7.2 Changes to planned work may be necessary to reflect any changes to risks, priorities, and available resources. Minor amendments to planned work will be agreed with the Operational Director – Finance. Any significant matters that jeopardise completion of the plan or require substantial changes to it will be reported to the Board.

8.0 EQUALITY AND DIVERSITY ISSUES

None identified

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Public Sector Internal Audit Standards 2012



HALTON
BOROUGH
COUNCIL

INTERNAL AUDIT PLAN 2013/14

1. Purpose of the Audit Plan

1.1 This document summarises the results of Internal Audit's planning work. It sets out details of:

- The responsibilities and scope of internal audit;
- Internal Audit's reporting arrangements;
- The proposed programme of work for 2013/14 (the Audit Plan).

2. Internal Audit – Responsibilities & Scope

2.1 Responsibilities

The Council has adopted the Public Sector Internal Audit Standards definition of internal auditing:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

The internal audit function is responsible for:

a) Providing assurance to management that:

- Internal control systems (including risk management and governance arrangements) are adequate and functioning efficiently and effectively;
- The policies and procedures established by management are complied with, are appropriate in current circumstances, and are not wasteful;

- The accounting records and associated financial systems form a reliable basis for the production of the financial statements.

b) Drawing the attention of management to, and recommending remedial action to address:

- Deficiencies in the systems of internal control; and
- Instances of duplicated functions, wastage and inefficiency.

2.2 Scope

The scope of the internal audit function includes:

- The entire control environment of the Council, comprising financial and non-financial systems. Assurance services may also be provided to parties outside the Council with the prior agreement of the Business Efficiency Board;
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an interest.

The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by internal audit can reduce risk and lead to systems of control being considered adequate. However, the implementation of audit recommendations cannot eliminate risk altogether.

Whilst it is not the role or responsibility of internal audit to detect fraud, the risk of fraud will be considered in each audit assignment.

3. Reporting Arrangements

3.1 At the conclusion of each audit engagement, a draft report is issued to the appropriate manager within the Council. Once the report has been agreed, a final report is then issued to:

- The Chief Executive;
- The Strategic Director – Policy & Resources;
- The Operational Director – Finance (s151 officer);
- The Strategic Director and Operational Director responsible for the area reviewed;
- The Operational Director responsible for the area reviewed;
- Grant Thornton (the Council’s external auditor).

3.2 In each audit report, an overall opinion is provided on the area audited. The opinion is based on an assessment of the effectiveness of the control environment in the area audited. The scale of opinions is set out in the following table:

| Assurance Rating | Explanation |
|------------------|---|
| ● Limited | A number of key risks are not managed effectively. The control systems in operation are in need of significant improvement. |
| ● Adequate | The control systems in operation are generally sound. However, opportunities exist to improve the management of some risks. |
| ● Substantial | There is a sound system of control in operation to manage risks effectively. |

3.3 Throughout the year Internal Audit produces regular progress reports for the Business Efficiency Board Regular summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, control weaknesses, governance issues and value for money issues.

- 3.4 An annual report is presented to the Business Efficiency Board that provides an overall internal audit opinion on the Council’s control environment. This will form one of the sources of assurance in support of the Council’s Annual Governance Statement. This overall internal audit opinion is based upon the findings from the work completed during the year.

4. Internal Audit Plan – 2013/14

- 4.1 The Audit Plan is stated in terms of the number of days input, which is based on existing staff numbers. However, the resources available and the exact time required for each piece of work cannot be forecast precisely. The plan therefore represents the best estimate of the audit resources available and the ways in which those resources will be deployed.
- 4.2 The analysis below summarises the planned coverage for the coming financial year :

| <u>Area</u> | <u>Days</u> |
|--|-------------|
| Governance arrangements | 65 |
| Anti-Fraud and Corruption | 60 |
| Children & Enterprise Directorate (including schools) | 170 |
| Communities Directorate | 160 |
| Policy & Resources Directorate (including corporate financial systems) | 295 |
| Information systems and management | 95 |
| Procurement | 60 |
| Advice and support | 13 |
| External work | 3 |
| Provision – Completion of 2012/13 work in progress | 50 |
| Follow up work | 25 |
| Contingency | 90 |
| Total | 1086 |

- 4.3 The following appendix shows, for each audit area, the rationale behind its inclusion in the Audit Plan. We have attempted to identify where other sources of assurance, both external and internal, are available. This information has been used to inform the likely scope of planned work.

Appendix 1 – Planned Work

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|--------------------------------|---|-----------------------------|-----------------------------------|--|---------------------------------|
| Governance Arrangements | | | | | |
| Performance Reporting | The Council's performance reporting regime has recently reviewed by the Efficiency Programme resulting in a more streamlined structure. Our review will examine the reporting process and provide assurance that performance information produced is meaningful, relevant, timely and meets the Council's statutory responsibilities. | None identified | Efficiency Programme | Review of corporate arrangements for performance reporting. We will also review the process and controls governing the selection, collection, processing and analysis of data and how results are reported and utilised to improve performance. | Audit report |
| Constitution Review | Need to ensure that the Council Constitution reflects changes in the legislation and other changes to Council policies and procedures. | None identified | Constitution Review Working Party | Internal Audit contributes to a working party that meets each year to review and propose changes to the Council's Constitution. | Updated Constitution Council |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|--|--|---|-----------------------------|--|--|
| Annual Governance Statement | Statutory requirement for the Council to produce an Annual Governance Statement. | Review of Annual Governance Statement by External Audit | Corporate Governance Group | Internal Audit input to the Corporate Governance Group. Preparation of the Annual Governance Statement. | Annual Governance Statement |
| Internal Disciplinary process | Cost and impact of employees being suspended for lengthy periods. | None identified | None identified | Full review of the internal disciplinary process and how it is managed Evaluation of out sourced investigations for effectiveness and outcomes. | Audit report |
| Reporting to Business Efficiency Board | The Council Constitution requires Internal Audit to report to the Business Efficiency Board. | Not applicable | Not applicable | Preparation of reports for the Business Efficiency Board on internal audit related matters. | Audit Plan Regular progress reports Internal Audit Annual Report Fraud & Corruption updates |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|---|---|---|---|---|---------------------|
| Anti-Fraud & Corruption | | | | | |
| Creditor payments | Potential duplicate payments, supplier fraud, employee fraud. | Work of external audit National Fraud Initiative data matching | Duplicate payments checks using specialist software are carried out prior to each creditor payment runs. Manual review of all payments > £500 prior to publication on the Council's website. | Substantive testing of invoice payments. | Audit report |
| Application of continuous monitoring procedures to highlight potential instances of fraud | Data matching and interrogation techniques can analyse large volumes of information and be used to identify unusual transactions that may be indicative of fraudulent activity. | Will vary according to the areas examined | Will vary according to the areas examined. | Work will focus on emerging risk areas, e.g. amendments to bank details of suppliers. | Audit report |
| Fraud Awareness initiatives | To raise the awareness of Council staff in regard to the incidence of fraud and the arrangements established by the Council to mitigate the risk of fraud. | Not applicable | Low incidence of fraud in the Council. Previous fraud awareness initiatives. | Develop our own in-house fraud awareness e learning training package. | E-learning training |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|---------------------------|--|-----------------------------|--|---|---|
| Staff Vetting | <p>Recent figures suggest the number of insider frauds increased by 52% in the first half of 2012 compared to 2011.</p> <p>Organisations can protect themselves from becoming a victim by carrying out robust pre-employment checks.</p> <p>To ensure the incidence of fraud remains low, it is imperative that the Council has a robust staff vetting procedures.</p> | None | Low incidence of fraudulent activity by employees. | Review the Council's existing staff vetting procedures and assess them against best practice. | Audit report |
| National Fraud Initiative | The NFI matches data across organisations and systems to help public bodies identify anomalies which may signify fraudulent claims and transactions. The Council is required by law to participate in NFI. | Not applicable | Not applicable | Co-ordination and investigation of the data matches identified from the exercise. | Results will be summarised for the Business Efficiency Board. |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|---|---|-------------------------------------|--|--|--------------|
| Directorate systems & services – Children & Enterprise | | | | | |
| Halton People Into Jobs (Enterprise) | The Council has been awarded two major contracts and income is dependent on meeting pre-agreed targets. | Grant claims Performance targets | Budget management Performance monitoring reports | Review of key business processes. | Audit report |
| Troubled Families (Inspiring Families) | <p>Troubled families are those that have problems and cause problems to the community around them, putting high costs on the public sector. The government is committed to working with local authorities and their partners to help 120,000 troubled families in England turn their lives around by 2015.</p> <p>Claims made under the initiative must be audited by internal audit.</p> | Performance targets | <p>Performance monitoring reports</p> <p>Budget monitoring</p> | <p>Review of scheme within the Council and how effectively resources are deployed to contribute to the targets set by Government. It is essential that robust systems to monitor the effectiveness of the local scheme because it is 'payment by results' therefore the Council bear the risk.</p> <p>Audit of claims submitted.</p> | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|---|---|---|--|---|---|
| <p>Schools:</p> <p>Individual audits at school level</p> <p>Nursery schools – 2</p> <p>Special schools – 2</p> <p>Primary schools – 14</p> <p>High School - 2</p> | <p>The Council has 60+ schools that are responsible for setting their own budgets and managing their finances.</p> <p>Collectively, schools' expenditure is of a material nature.</p> | <p>Maintained schools are required to complete the Schools Financial Value Standard (SFVS) once a year.</p> | <p>Budget management</p> | <p>A standard audit programme has been developed for school audits, which is tailored to each school as required.</p> | <p>Audit report for each school audited</p> |
| Directorate systems & services – Communities | | | | | |
| <p>Libraries & Bibliographical services</p> | <p>Financial pressures on the Council but still required to meet statutory responsibilities.</p> | <p>External performance reporting</p> <p>Customer feedback</p> | <p>Budget management</p> <p>Performance monitoring reports</p> | <p>Review of key business processes</p> <p>Utilisation / VFM issues</p> | <p>Audit report</p> |
| <p>Respite Services (Bredon & External Provision)</p> | <p>Value for Money – In-house and external provision.</p> | <p>Care Quality Commission inspections</p> | <p>Budget management</p> <p>Performance monitoring reports</p> <p>Benchmarking</p> | <p>Service review</p> <p>Procurement practices</p> | <p>Audit report</p> |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|-----------------------------------|---|---|--|---|--------------|
| Care Assessments & Re-assessments | <p>Care assessments are the basis for how care is delivered and are therefore intrinsically linked to the Council's overall expenditure on adult social care.</p> <p>Therefore care assessments need to be carried out effectively and in a timely manner to ensure that care provision is appropriate.</p> | Care Quality Commission | Care Management guidelines | Assess compliance with the Council's care management guidelines. Evaluate the efficiency of the care management process. | Audit report |
| Halton Supported Housing Network | Previous non-compliance issues with established policy & procedures. | <p>Standards issued by the Health and Care Professions Council that social workers must comply with.</p> <p>Care Quality Commission</p> | Monitoring of personal allowance expenditure of appointee clients undertaken by the Client Finance team. | Assess the operational aspects of the Network against policy and procedures. Determine value for money under the current model of delivery. | Audit report |
| Public Health | The Council has assumed new responsibilities for public health function which take effect from April 2013. This involves the transfer of a number of staff and existing public health contracts to the Council. | None identified | None identified | To be agreed with Director of Public Health | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|---|---|---|---|--|--------------|
| Carer's breaks and vouchers | <p>Recent pressure from Central Government has been to increase the number of carers' breaks. However more emphasis is going to be placed on the quality and actual impact that a carer's break has on an individual. More creative ways to meet the needs of carers are therefore being considered.</p> <p>It is important the risks associated with funding carers' breaks are managed effectively to clearly demonstrate the benefits of the financial support provided.</p> | External performance reporting | Budget monitoring reports Performance management framework | Policy and Framework for Carers Breaks Systems for making claims Payment systems | Audit report |
| Parks, sports grounds and nature reserves | <p>Business Plan Objective to continue to improve Parks, Sports Grounds, Open Spaces and Local Nature Reserves.</p> <p>Risk of public liability claims if not properly maintained.</p> | External performance reporting Customer feedback | Budget monitoring reports Performance management framework | Service management and delivery, integration with other Council services Risk management arrangements | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|--|---|-----------------------------|--|--|--------------|
| Use of Volunteers | Potential risk that volunteers may be classed as employees by HMRC. This may potentially entitle volunteers to employment rights with the Council. | None identified | Council's policy for the use of volunteers | <p>Ensure the use of volunteers across the Council is in compliance with the Council's strategy in relation to volunteers.</p> <p>Identify and review the use of volunteers to ensure the Council fulfils all its responsibilities in relation to individuals and the duties that they are fulfilling, e.g. insurance, deductions.</p> | Audit report |
| Directorate systems & services – Policy & Resources | | | | | |
| Overtime | Overtime paid at enhanced rates increases pressure on already squeezed budgets. It may be an indication that the current staffing structure is in appropriate for the service. It may also highlight a need for services to be delivered differently. | None identified | Budget monitoring | Review of occurrence of overtime and determine /test business need and highlight more economical ways of delivering the service. | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|---|---|--|--|--|--------------|
| Sickness Management (including Occupational Health) | Sickness absence is a significant cost to the Council Occupational health services should play a key role in helping the Council manage and minimise sickness absence. | None identified | None identified | Review of effectiveness and VFM of existing arrangements | Audit report |
| Salary Sacrifice Schemes | The Council has introduced a number of salary sacrifice schemes. HMRC needs to be satisfied that such schemes are set up correctly for them to be considered effective. | HMRC will only consider whether a scheme is effective once it has been set up. | Advice from HR when salary sacrifice schemes are set up. | To ensure that salary sacrifice arrangements are operated in the manner agreed by HMRC. To examine the administration and accounting arrangements relating to salary sacrifice schemes. | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|---|---|--|---|--|---------------|
| Control of Vehicles, Plant & Equipment | Vehicles, plant and equipment are a material item in the Council's financial statements. | External audit of the financial statements | Annual insurance premium renewal process | <p>To review the arrangements in place to monitor and reconcile the Council's vehicles, plant and equipment, including acquisitions and disposals.</p> <p>To examine the internal communication systems to ensure that insurance cover is amended to reflect changes in assets held.</p> | Audit report |
| Payroll Cash & Bank Council Tax Housing Benefit Accounting Journals Creditors Fixed Assets Loans & Investments NNDR Sundry Debtors | Material misstatements in the Council's accounts if systems are not robust Potential for fraud Financial transactions of a material value are processed through these systems | Work of External Audit | Budget management Performance management reporting | Testing of key controls to provide assurance that the disclosures in the financial statements derived from these systems are not materially misstated | Audit reports |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|-------------------------------------|---|-----------------------------|---|---|--------------|
| Creditors (Early Payment Scheme) | The Council is introducing a scheme for suppliers to have the opportunity to be paid early (to assist their cash flow) in return for a discount on the invoice value. | None | None | Review the operation of the scheme to ensure discounts and VAT are accounted for correctly. The cost of administering the scheme is efficient and minimises the overhead on the Council. | Audit report |
| Council Tax Benefit localisation | The Council has adopted a local scheme for Council Tax support, which is to be introduced in April 2013. | None identified | None identified | Review of the new scheme to ensure that entitlement is calculated correctly. | Audit report |
| Budget Planner – New Agresso module | New Agresso module introduced for budget modelling. Increased budgetary pressures following funding reductions. | Work of External Audit | Project Implementation Plan Budget management Performance management reporting Outturn statement | Review of budgetary modelling processes. | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|----------------------------------|---|-----------------------------|---|---|--------------|
| Discretionary Support Scheme | From April 2013 the Social Fund section at DWP will no longer make emergency grants and interest free loans. This responsibility has transferred to the Council. A local scheme has been developed to assist people in crisis situations. | None Identified | Budget monitoring | Provide assurance that payments are being made in accordance with the local scheme. | Audit report |
| Imprest Accounts | Cash inherently poses risks for the Council e.g. theft. It also has insurance implications and staffing resources are utilised for intensive reconciliation processes. | None identified | Year-end reconciliation of imprest accounts | Assessment of the use of cash imprest accounts across the Council, and identifying opportunities to utilise more efficient processes. | Audit report |
| Recurring Payments (e.g. leases) | New recurring payment module introduced in Agresso. | None | None | Review of system to ensure it is appropriately controlled, operates as intended and is delivering efficiencies. | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|--|--|------------------------------|---|--|--------------|
| Information Systems & Management | | | | | |
| Management of in-house developments (and end user computing) | <p>In house development may not necessarily provide VFM and meet the needs of end users</p> <p>Need to ensure on-going resilience, security and support for in house applications</p> | None identified | <p>Change management guidelines</p> <p>System development documentation</p> | Sample testing of recent in-house developments to assess if they have met the original objectives and have delivered VFM. | Audit report |
| Document Management | <p>As the Council has adopted electronic storage for the management of data, there is a legacy of paper records.</p> <p>As the ICO threatens compulsory data protection audits of local councils, it is imperative that assurance is provided on the Council's compliance with statutory requirements.</p> <p>Physical storage has a cost implication for the Council and therefore should be kept to a minimum.</p> | Data Protection Registration | None identified | Review the current arrangements against the Council's own document retention policies; assess the cost implication and ensure compliance with legislation. | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|------------|---|-----------------------------|-----------------------------|--|--------------|
| Mayrise | <p>This system is utilised in the Highways and Open spaces Divisions. It is used to schedule and allocate work, place orders and manage service delivery in these areas.</p> <p>Produces management information for service performance.</p> | None identified | Budget Monitoring | Review the utilisation of the system, integrity of the data. | Audit report |
| Roadbase | <p>This system is utilised to manage the maintenance of the Council's fleet vehicles. Therefore it is imperative that the system produces accurate data to ensure vehicles are safe.</p> <p>The system also integrates with the creditors system.</p> | None identified | None identified | Application review to provide assurance over the integrity of the data and management information, access controls, input and output of data, interface controls and business continuity arrangements. | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|------------------------------|---|---|---|---|--------------|
| Network Security | <p>The Council's information technology network provides the infrastructure that facilitates communication between users and systems across the Council and with external bodies.</p> <p>One of the Council's key assets, data is accessed and stored on the IT network therefore it is essential that the network remains secure and operational at all times.</p> <p>There is a risk of substantial financial penalties if the Council suffers a security breach.</p> | Lack of security incidents | Penetration Testing | The review will focus on the network perimeter security, including associated policies, standards and procedures as well as the effectiveness of the security implementation. | Audit report |
| Procurement | | | | | |
| Mersey Gateway Procurement - | <p>Flagship project for the Council.</p> <p>Potential for significant challenge from unsuccessful bidders as they have invested in the contract tendering process (approx. £6m).</p> | <p>Dept for Transport (DfT) - Gateway Reviews</p> <p>OJEU regulations</p> <p>External Audit</p> | <p>MG Executive Board</p> <p>MG Officer Project Board</p> | Assurance that the agreed procurement process and tender evaluation process have been followed. | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|---|--|-----------------------------|--------------------------------|---|--------------|
| Lunts Heath and Windmill Hill Primary Schools - refurbishment | £750K project procured through the Local Education Partnership (LEP) | None identified | Contract monitoring procedures | Post contract audit approach examining probity and value for money issues. | Audit report |
| Key Stage 3 & 4 Provision for excluded pupils | <p>There are two service delivery models for excluded pupils both 11-14yrs and 14 – 16 years respectively; a mixture of in- house provision and external providers.</p> <p>In times of reducing budgets there is a need to ensure value for money is secured for both service delivery models.</p> | Ofsted Inspections | None identified | Review contract letting, contract monitoring arrangements to provide assurance that the Council's Procurement Standing Orders have been complied with and the arrangements offer value for money. | Audit report |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|-----------------------------|---|---|---|--|--|
| Advice & Support | | | | | |
| Information Governance | <p>Information governance refers to the structures, policies, procedures, processes and controls implemented to manage information at an organisational level.</p> <p>Penalties of up to £500,000 can be imposed for breaching the Data Protection Act.</p> <p>The ICO are threatening Data Protection Audits of Local Council's therefore it is important that the Council has robust arrangements in place.</p> | Potentially ICO Data Protection Compliance Audits | Information Governance Group Restrictions in data transfers via firewall configuration | Contribution to the work of the Information Governance Group | Further development of the Council's arrangements to manage information securely |
| General Advice to Schools | Schools regularly contact Internal Audit for advice and assistance on a range of issues. | Not applicable | Not applicable | Responding to requests for assistance from schools | Unknown at this stage |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|--|--|-----------------------------|-----------------------------|--|--|
| External work | | | | | |
| Manchester Port Health Authority | The audit of Manchester Port Health Authority provides a source of external income | Not applicable | Not applicable | Annual internal audit focusing on key controls | Audit report to Manchester Port Health Authority |
| Provision for completion of 2012/13 Audits | | | | | |
| <p>Not all planned work for the year will be completed by year-end. A provision is therefore made to allow time for the completion of audit reviews carried over from 2012/13:</p> <ul style="list-style-type: none"> • Budgetary Control • SIMS • Out of School • Special Educational Needs • CRMZ • Carefirst 6 • Synergy | Completion of 2012/13 work in progress | Not applicable | Not applicable | Completion of work planned as part of 2012/13 Audit Plan | Audit reports |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|-------------------------|--|-----------------------------|-----------------------------|---|-------------------------|
| | | | | | |
| Follow up work | | | | | |
| Follow up audit reviews | To provide assurance that agreed audit recommendations are implemented | None | None | Follow up of all agreed internal audit recommendations to determine whether or not they have been implemented | Follow up audit reports |
| Contingency | | | | | |

| Audit Area | Risk Context / Rationale | Existing External Assurance | Existing Internal Assurance | Planned Internal Audit Coverage | Output |
|-----------------------|--|-----------------------------|-----------------------------|---------------------------------|-----------------------|
| Contingency provision | The contingency provision is built into the Audit Plan to accommodate any unplanned work that may arise during the year. | Not applicable | Not applicable | Unknown at this stage | Unknown at this stage |

REPORT TO: Business Efficiency Board

DATE: 27 February 2013

REPORTING OFFICER: Strategic Director - Policy & Resources

PORTFOLIO: Resources

SUBJECT: Planned External Audit Fee Letter - 2012/13

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 Grant Thornton has been appointed by the Audit Commission as external auditor to the Council for the next five years. This report is to inform the Board of the planned Audit Fee for 2012/13.

2.0 RECOMMENDATION: That the 2012/13 Audit Fee and the scope and timing of the planned external audit work be noted.

3.0 SUPPORTING INFORMATION

3.1 International Standards on Auditing (ISA) 260 requires auditors to communicate to those charged with governance (i.e. the Business Efficiency Board). One of the requirements is for the Auditor to set out the fees to be charged for the audit and the factors considered in setting those fees.

3.2 The Council's newly appointed external auditors, Grant Thornton, will attend the meeting to present their Audit Fee Letter, which is attached to this report.

4.0 POLICY AND OTHER IMPLICATIONS

None

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

None

6.0 RISK ANALYSIS

None

7.0 EQUALITY AND DIVERSITY ISSUES

None

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

There are no background papers under the meaning of the Act.



Grant Thornton

Ian Leivesley
 Strategic Director Policy & Resources
 Halton BC
 Municipal Building
 Kingsway
 Widnes WA8 7QF

Grant Thornton UK LLP
 Royal Liver Building
 Liverpool L3 1PS
 T +44 (0)151 224 7200
www.grant-thornton.co.uk

13 November 2012

Dear Ian

Halton Borough Council Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £139,322 which compares to the audit scale fee of £232,204 for 2011/12, a reduction of 40%. The final fee for the 2011/12 audit was £242,204.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

Chartered Accountants

Member firm within Grant Thornton International Ltd
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 A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money (VFM) conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our initial planning has identified that we will need to carry out additional work on your arrangements for the Mersey Gateway project to support our VFM conclusion. The scope and cost of this additional work will be discussed with the Operational Director Finance.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £14,350.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

| Main Audit fee | £ |
|----------------------------|----------------|
| December 2012 | 69,661 |
| March 2013 | 34,831 |
| June 2013 | 34,830 |
| Grant Certification | |
| June 2013 | 14,350 |
| Total | 153,672 |

Outline audit timetable

We will undertake our audit planning and interim audit procedures during November 2012 and March 2013. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our work on the VFM conclusion will be carried out between January and September, our final accounts audit will be completed during June to September and our work on the whole of government accounts return will take place in September 2013.

| Phase of work | Timing | Outputs | Comments |
|----------------------------------|-----------------------------|---|--|
| Audit planning and interim audit | November 2012 to March 2013 | Audit plan | The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM. |
| Final accounts audit | June to September 2013 | Report to those charged with governance | This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance. |
| VFM conclusion | January to September 2013 | Report to those charged with governance | As above |
| Financial resilience | January to September 2013 | Financial resilience report | Report summarising the outcome of our work. |
| Whole of government accounts | September 2013 | Opinion on the WGA return | This work will be completed alongside the accounts audit. |
| Annual audit letter | October 2013 | Annual audit letter to the Council | The letter will summarise the findings of all aspects of our work. |
| Grant certification | June to December 2013 | Grant certification report | A report summarising the findings of our grant certification work |

Our team

The key members of the audit team for 2012/13 remain unchanged:

| | Name | Phone Number | E-mail |
|--------------------|------------------|---------------------|------------------------------|
| Engagement Lead | Mike Thomas | 0151 224 7200 | Mike.Thomas@uk.gt.com |
| Engagement Manager | Colette Williams | 0151 224 7200 | Colette.A.Williams@uk.gt.com |
| Audit Executive | Judith Smith | 0151 224 7200 | Judith.Smith@uk.gt.com |

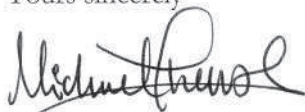
Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance at Sarah.Howard@uk.gt.com.

Yours sincerely



Michael Thomas
For Grant Thornton UK LLP

cc Ed Dawson
Operational Director Finance

REPORT TO: Business Efficiency Board

DATE: 27 February 2013

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Strategic Director - Policy & Resources

SUBJECT: Business Efficiency Board Update Report

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this paper is for Grant Thornton to update the Board in regards to:

- The progress made in delivering their responsibilities as the Council's external auditors;
- A summary of national issues and developments that may be relevant to Halton as a Unitary Council;
- A number of challenge questions in respect of these emerging issues, which the Board may wish to consider.

2.0 RECOMMENDATION: That the Board notes the report.

3.0 SUPPORTING INFORMATION

3.1 Please see attached report.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 There are no direct implications.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 There are no direct implications.

6.0 RISK ANALYSIS

6.1 This report is for information only. There are no risks arising from it.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None

**8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE
LOCAL GOVERNMENT ACT 1972**

8.1 There are no background papers under the meaning of the Act.



Audit Committee Update for Halton BC

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2013

12 February 2013

Mike Thomas

Engagement Lead

T +44 (0)788 045 6713

E Mike.Thomas@uk.gt.com

Colette Williams

Manager

T +44 (0)78800456176

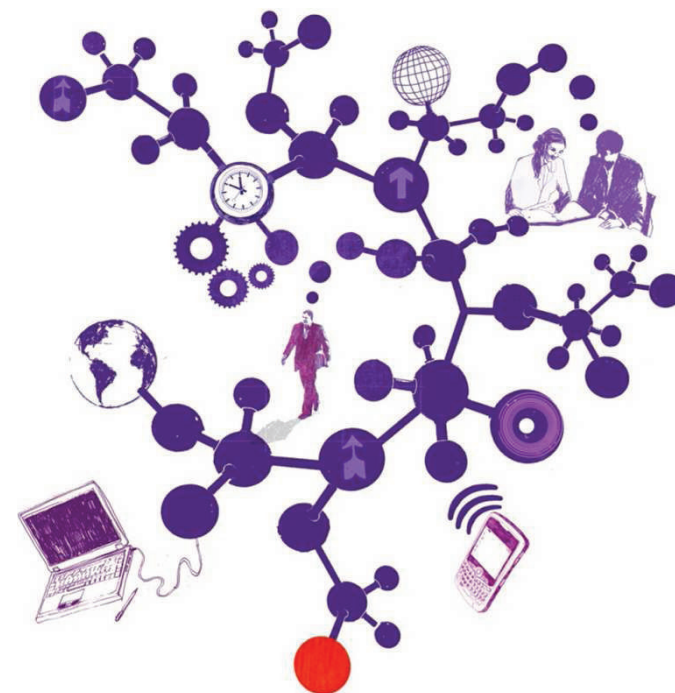
E Colette.A.Williams@uk.gt.com

Judith Smith

Executive

T 0161 214 6371

E Judith.Smith@uk.gt.com



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

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| Emerging issues and developments | |
| Accounting and audit issues | 7 |
| Grant Thornton | 11 |
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Introduction

This paper provides the Business Efficiency Board, as the Council's Audit Committee, with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Unitary Council
- includes a number of challenge questions in respect of these emerging issues which the Board may wish to consider.

Members of the Business Efficiency Board can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Towards a tipping point? Summary findings from our second year of financial health checks of English local authorities', 'Local Government Governance Review 2012', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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

Mike Thomas Engagement Lead T 0161 214 6368 M +44 (0)788 045 6713 Mike.Thomas@uk.gt.com
Colette Williams Audit Manager T 0161 214 6360 M +44 (0)788 045 6176 Colette.A.Williams@uk.gt.com

Progress at 12 February 2013

| Work | Planned date | Complete? | Comments |
|---|------------------------|-----------|---|
| <p>2012-13 fee letter We are required to issue a fee letter to the Council setting out the Audit Commission's scale fee for the year.</p> | 30 November 2012 | Yes | We issued the 2012-13 fee letter on 13 November 2013. The fee letter was due to be presented to the January 2013 Business Efficiency Board. The January meeting was cancelled and the fee letter will be presented to tonight's Business Efficiency Board. |
| <p>2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p> | March 2013 | On track | Our planning work is in progress at the time of writing this update report. Our planning will inform our approach to the Council's 2012-13 audit and should be complete by the end of February 2013. |
| <p>Interim accounts audit Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • update understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • planning and early work on the proposed Value for Money conclusion. | February to June 2013 | On track | Our interim fieldwork will start in late February and will finish in June 2013, prior to the start of the financial statements audit. We plan to undertake some early work on the accounting treatment of Mersey Gateway development costs. This is a significant risk area for the Council and it is not covered by our scale fee. We have agreed an additional fee of £3,728 with officers to cover this piece of work. |
| <p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the Council 's accounts • proposed Value for Money conclusion. | July to September 2013 | On track | Our final accounts audit is due to start on 1 July 2013. On 6 February members of the Council's finance team attended a local government accounts workshop run by Grant Thornton and CIPFA. We are due to meet with officers on 14 February to enable early discussion on the issues identified at the workshop. |

Progress at 12 February 2013

| Work | Planned date | Complete? | Comments |
|--|--------------------------------|-----------------|---|
| <p>Value for Money (VFM) conclusion</p> <p>The scope of our work to inform the 2012/13 VFM conclusion comprises:</p> <ul style="list-style-type: none"> • A review of your arrangements to ensure financial resilience • A review of your arrangements to secure economy, efficiency and effectiveness in the use of resources • A review of the affordability, procurement and risk management arrangements associated with the Mersey Gateway Project. | <p>February to August 2013</p> | <p>On track</p> | <p>As at February 2013 we have completed some initial planning on the Council's value for money arrangements. We will update this initial assessment as the audit progresses with the expectation of providing officers with an initial view on the proposed VFM conclusion and draft findings in early July 2013.</p> <p>This year we will produce a separate report on our assessment of the Council's financial resilience. This will incorporate our audit findings on the Council's arrangements for financial governance, financial planning and financial control. It will also include the Council's performance on key financial ratios. We will produce this report in July following receipt of the Council's draft financial statements.</p> <p>The most significant value for money risk for the Council is the Mersey Gateway project. We have drafted a project brief outlining the work we need to undertake on Mersey Gateway to support our 2012-13 VFM conclusion at the Council. The fee for this work is £45,694. This is not included in the scale fee.</p> |
| <p>Other areas of work</p> <p>We will certify your 2012-13 government grant claims and returns. We understand the following claims will require an audit certificate in 2012-13:</p> <ul style="list-style-type: none"> • Housing and council tax benefit • National non-domestic rates • Teachers' superannuation • Department of Transport s31 | <p>July to October 2013</p> | <p>On Track</p> | <p>We are currently finalising the detail of the Council's claims and returns programme with the grant claims co-ordinator. We will liaise with the co-ordinator about the timing of our work to ensure we meet the required government department deadlines.</p> |

Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a consultation on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Challenge questions:

- Do you know your key risks?
- Have officers ensured the financial impact is fed into medium term financial plans?
- Have officers undertaken modelling of future business rates growth?
- Have officers given due consideration to pooling?
- Have officers considered the possible impact on council tax collection rates if they do reduce benefit entitlement in line with the funding reduction?
- Has your Divisional Manager Finance reviewed the proposed amendments to the 2013/14 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

CIPFA consultation on Service Reporting Code of Practice 2014/15: Adult Social Care Service Expenditure Analysis (England only)

In January, CIPFA issued a consultation on the proposed changes to the Adult Social Care Service Expenditure Analysis. The proposed changes are for a complete revision to the mandatory lines and these have been based on work done by the Health and Social Care Information Centre.

The closing date for responses is 28 February 2013.

Challenge questions:

- Has your Divisional Manager Finance reviewed the proposed amendments and assessed the potential impact?
- Has your Council considered whether it wishes to respond to the consultation?

Accounting for joint arrangements

IAS 31 classified joint ventures into jointly controlled operations, jointly controlled assets and jointly controlled entities. Under IFRS 11 both jointly controlled operations and jointly controlled assets are classified as joint operations.

Under IAS 31 members of jointly controlled entities were permitted to use proportionate consolidation or equity accounting to account for their interests in the jointly controlled entity's assets, liabilities, revenue and expenses. Under IFRS 11 the ability to use proportional consolidation for interests in joint ventures is no longer permitted. Equity accounting is required.

Last year, Grant Thornton published a flyer 'Accounting for joint arrangements by local authorities under IFRS 11' to highlight the changes being introduced by IFRS 11 'Joint arrangements' compared to IAS 31 'Interests in joint ventures' for 2013/14.

Challenge question:

- Have officers considered the impact of these new arrangements?
- Are you clear on the issues arising for the Council ?

Emerging issues and developments

Accounting and audit issues

Assets transferring to academy schools

There is ongoing debate as to whether assets relating to schools that have been granted academy status should be:

- impaired to nil at the date of the granting of a transfer order on the basis that the assets will be disposed of for nil value or
- not impaired as the assets are still being used and so should be shown at the balance sheet date at full existing use value.

Our view is that this is a matter for judgement and the financial statements should set out clearly:

- the policy followed by the authority
- details of material assets that are to be transferred out of local authority control.

Where an academy school's assets are subject to a PFI arrangement, the authority may have a potential onerous contract where there is a shortfall in funding ie. where an authority has a PFI contractual agreement to pay out more than it expects to receive back in PFI credits and reimbursement from an academy. If an authority is facing a shortfall between its contractual obligations and the amounts it expects to receive to fund these obligations, the authority should consider whether the contract is onerous. In considering whether or not there is an onerous contract, the authority would need to consider the service it receives.

Challenge questions:

- Has your Divisional Manager Finance considered how to account for assets relating to schools that have been granted academy status?
- Has your Divisional Manager Finance considered whether or not there is an onerous contract for PFI contracts relating to academy schools?
- Has your Divisional Manager Finance discussed these issues with external audit?

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Mutual Municipal Insurance (MMI) – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements.
- Equal pay - in October 2012 the supreme court ruled that more than 170 former Birmingham City Council employees can make equal pay claims. This effectively extends the time workers have to bring equal pay compensation claims from six months to six years. We would expect local authorities to consider whether they have received any additional claims and, where the criteria set out in IAS 37 have been met, recognise a provision.

Challenge question:

- Your 2011/12 financial statements included a contingent liability for MMI and a provision and a contingent liability for equal pay. Has your Divisional Manager Finance re-considered these contingent liabilities and provisions for the above matters?

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities '

In December 2012, Grant Thornton published '[Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities](#)'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that relate to your Council and what action are you going to take?

Emerging issues and developments

Local government guidance

'Auditing the Accounts 2011/12' report

In December, the Audit Commission published '[Auditing the Accounts 2011/12](#)'. The report summarises the results of auditors' work on the financial statements of both principal and small bodies. The key finding in the report is that bodies have improved the quality and timeliness of their financial reporting in 2011/12.

Challenge questions:

- Has your Divisional Manager Finance identified the key risks for the Council in preparing the 2012/13 financial statements?
- Has your Divisional Manager Finance produced a robust and adequately resourced timetable for the production and submission of its 2012/13 financial statements?
- Has this been discussed and agreed with the External Auditors?

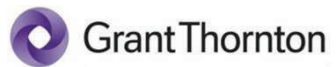
'Tough Times: Councils' financial health in challenging times'

In November, the Audit Commission published 'Tough times 2012: Councils' financial health in challenging times.' This is the second report it has produced looking at how councils are dealing with the issues from the Spending Review and focuses on the financial health of councils.

The report finds that councils generally delivered on their planned savings, however, auditors reported that signs of financial stress were visible.

Challenge question:

- Have you considered the findings of the report and any actions required?



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REPORT TO: Business Efficiency Board
DATE: 27 February 2013
REPORTING OFFICER: Strategic Director, Policy and Resources
PORTFOLIO: Resources
TITLE: 2011/12 Annual Claims and Returns Report
WARDS: Borough Wide

1.0 PURPOSE OF REPORT

To consider the report from the Council's external auditor, Grant Thornton, following the audit of 2011/12 grant claims and returns.

2.0 RECOMMENDED: That the report from Grant Thornton presented in Appendix 1 be approved.

3.0 SUPPORTING INFORMATION

3.1 The 2011/12 Grant Claims and Returns report summarises the findings from the reviews of the Council's 2011/12 grants claims and returns completed by the Grant Thornton, the Council's external auditor.

3.2 A copy of the 2011/12 Annual Claims and Returns report is attached at Appendix 1.

4.0 POLICY AND OTHER IMPLICATIONS

None

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

There are no direct implications.

6.0 RISK ANALYSIS

There are no direct risks involved with this report. However, the work of external audit assists the Council in ensuring that a sound control environment is operated, which minimises financial risks.

7.0 EQUALITY AND DIVERSITY ISSUES

None identified

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None under the meaning of the Act



Halton Borough Council

Certification work report 2011/12

February 2013

Contents

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|----------|--|----------|
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Appendices

| | | |
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| B | Details of claims and returns certified for 2011-12 | 8 |

1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £125.5 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that all work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the results of your previous auditors work which was reported to the Business Efficiency Board in November 2012.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

| Aspect of certification arrangements | Key Message |
|---|---|
| Submission and certification | All of the claims were submitted on time to audit and all claims were certified within the required deadlines. |
| Accuracy of claim forms submitted to the auditor Amendments and qualifications | Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns. Some small arithmetic amendments were required before claims could be certified but only one of these resulted in a change to the value of the claim. No claims were qualified. |
| Supporting working papers | Initial supporting working papers for all claims and returns were good, and additional working papers were provided promptly. This enabled all claims to be certified within the deadlines. |

Acknowledgements

- 1.10 We would like to take this opportunity to thank the grant claim co-ordinator and Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

February 2013

2 Results of our certification work

Key messages

- 1.1 We have certified 4 claims and returns for the financial year 2011/12 relating to expenditure of £125.5 million.
- 1.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

| Performance measure | Target | Achievement in 2011-12 | | Achievement in 2010-11 | | Direction of travel |
|---|--------|------------------------|-----|------------------------|-----|---------------------|
| | | No. | % | No. | % | |
| Total claims/returns | | 4 | | 7 | | |
| Number of claims submitted on time | 100% | 4 | 100 | 7 | 100 | → |
| Number of claims certified on time | 100% | 4 | 100 | 7 | 100 | → |
| Number of claims certified with amendment | 0% | 3 | 75 | 4 | 57 | ↑ |
| Number of claims certified with qualification | 0% | 0 | 0 | 0 | 0 | → |

- 1.3 This analysis of performance shows that:
 - All claims were submitted and certified on time
 - A small number of claims were amended for very minor arithmetic errors. Only one of these amendments, relating to the Housing and Council Tax Benefit Scheme, resulted in an adjustment to entitlement.
- 1.4 Details on the certification of all claims and returns are included at Appendix B
- 1.5 We have not identified any significant matters or opportunities for improvement in the compilation of claims and returns.

- 1.6 Your previous auditors, the Audit Commission, charged a total fee of £25,102 against an indicative budget of £25,102 for the certification of claims and returns in 2011-12. Details of fees charged for specific claims and returns are included at Appendix B

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

| Role | 2011/12 | 2010/11 |
|-----------------|----------------|----------------|
| Engagement lead | £325 | £325 |
| Manager | £180 | £180 |
| Senior auditor | £115 | £115 |
| Other staff | £85 | £85 |

B Details of claims and returns certified for 2011-12

| Claim or return | Value (£) | Amended? | Amendment Amount (£) | Qualified? | Fee 2010/11 (£) | Fee 2011/12 (£) | Comments |
|--|--------------------|----------|----------------------|------------|-----------------|-----------------|---|
| Housing and council tax benefit scheme | 64,154,459 | Yes | 662 | No | 21,185 | 21,072 | Amendment increased the subsidy claimed |
| National non-domestic rates return | 49,559,765 | Yes | 0 | No | 2,328 | 1,276 | Amendment was de-minimis and had no effect on entitlement |
| Teachers' pensions return | 7,395,119 | Yes | 0 | No | 1,100 | 974 | Amendment was de-minimis and had no effect on entitlement |
| Department for Transport Section 31 | 4,414,866 | No | 0 | No | 0 | 1,780 | New claim in 2011/12 |
| Sure-start | N/A | N/A | N/A | N/A | 801 | N/A | No claim in 2011/12 |
| Disabled facilities | N/A | N/A | N/A | N/A | 2,172 | N/A | No claim in 2011/12 |
| Single programme NWDA | N/A | N/A | N/A | N/A | 2,510 | N/A | No claim in 2011/12 |
| Total | 125,524,209 | | 662 | | 30,096 | 25,102 | |

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REPORT TO: Business Efficiency Board

DATE: 27 February 2013

REPORTING OFFICER: Strategic Director, Policy & Resources

PORTFOLIO: Resources

SUBJECT: Efficiency Programme Update

WARDS: All

1.0 PURPOSE OF THE REPORT:

To inform the Board of progress made to date with the Efficiency Programme (refer to Appendix 1).

2.0 RECOMMENDATION:

The board is asked to note the contents of the report.

3.0 SUPPORTING INFORMATION

Up to date workstream information is available via the Efficiency Programme Office's team site at: <http://intranet/sites/Teams/Efficiency/Pages/Home.aspx> .

4.0 POLICY IMPLICATIONS

None identified at this stage. Activity within the Efficiency Programme may result in recommendations to change policies as individual workstreams progress.

5.0 OTHER IMPLICATIONS

It should be noted that since commencing in 2009, the Efficiency Programme, and activity associated with it, has identified savings in the region of over £11m. This has assisted the Council in the difficult task of dealing with the budget gap.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

The Efficiency Programme is designed to improve the effectiveness of services across the authority and reduce costs associated with service delivery. This affects all of the Council's priorities.

7.0 RISK ANALYSIS

Given the financial constraints facing the Council in the immediate and medium terms, failure to continue to progress Efficiency Programme workstreams into future stages may result in the Efficiency Programme not achieving its objectives – primarily service improvement and cost reduction. This could result in services being underfunded, with departments unable to meet the costs of staff and other resources required to deliver to the community of Halton.

As resources become ever more restricted, the organisation should remain aware of the possibility of ‘double counting’ of savings. The Efficiency Programme Office and Financial Management Division will work together to manage this risk.

8.0 EQUALITY AND DIVERSITY ISSUES

N/A

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

N/A

Halton Council Efficiency Programme

Progress update – February 2013

Progress to date against each of the current workstreams is given below.

Review of Operational Fleet & Client Transport (Wave 2)

This workstream is on track to achieve its total stated savings target of £400,000 by end of March 2013 (£200,000 of this was achieved in 2011/12).

The feasibility of an Integrated Transport Unit (ITU) has been considered as part of this workstream. The total integration of all transport functions and budgets would not appear to be viable for a variety of reasons. As the council's transport functions are closely linked to service delivery anyway, the opportunity for significant savings is not apparent.

Review of Income & Charging (Wave 3)

Programme Office resources have been deployed to other workstreams so progress on this one has been limited. There is nothing new to report at this point in time.

Review of the Contact Centre (Wave 3)

On-going monitoring of operations through normal management activity continues.

An evaluation of the new service delivery model, which considers operational data for the first six months of operation (from 1st April to 30th September 2012) along with qualitative feedback is nearing completion. The qualitative aspect of the evaluation is being carried out independently by a colleague from the Merseyside Improvement and Efficiency Partnership.

Savings achieved: £418,000 net (against a target of £110,000)

Review of Waste Management (Wave 3)

Efficiency Programme Office is working with Waste Management Divisional Manager and senior officers to progress initial improvement options.

Commercial Waste service, School Waste collection and Bulky Waste service are being examined in detail with a view to ensure that service delivery arrangements are appropriate and all costs incurred are recovered.

Procurement of a waste disposal contract for the period 2013 to 2015/16 is in progress. Once complete, a view can be taken on reconfiguration of rounds.

Savings target for this workstream is £300,000

**Review of Policy & Strategy,
Review of Performance & Improvement,
Review of Communications & Marketing (Wave 4)**

Following the development of options for future delivery of these services, a consultation period was held with staff and trade unions. This concluded on 4th January 2013. Final structures have been drawn up and the following changes will be made:

- Policy & Performance activity will be streamlined and devolved to the three directorates to be incorporated into existing management arrangements. The Centres of Excellence for Performance & Improvement and Policy & Strategy will be discontinued.
- The Communications & Marketing Division will be discontinued. A Customer Intelligence Unit will be set up alongside a Marketing, Design & Communications Unit. This will streamline and refocus activity.

The new structures will come into effect at the end of April 2013.

There is a savings target of £125,000 across the three areas. Anticipated savings are in the region of £580,000.

Review of Child Protection (Children in Need Service) (Wave 4)

Following production of the As-Is report in August 2012, a range of 'To-Be' options were drawn up and a number of measures have been implemented to minimise risk across the child protection system. These include temporary addition of resource to some areas to generate more productive social worker time. The impact of this is currently being evaluated.

Work is on-going to progress the remaining options.

There is no savings target for this workstream.

Review of Employment, Learning & Skills (Wave 4)

This review covers all activity within the Employment, Learning & Skills Division. The As-Is position is currently being drawn up. A savings target will be confirmed as that stage is completed.

Review of Intermediate Care (Adult Social Care) (Wave 4)

This is a new workstream and is currently at scoping stage. This will broadly cover pathways in place for people discharged from hospital who require rehabilitation prior to returning home, or require 'reablement' support in order to regain independence.

Savings target to be confirmed.

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