



# Business Efficiency Board 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**

13 June 2013

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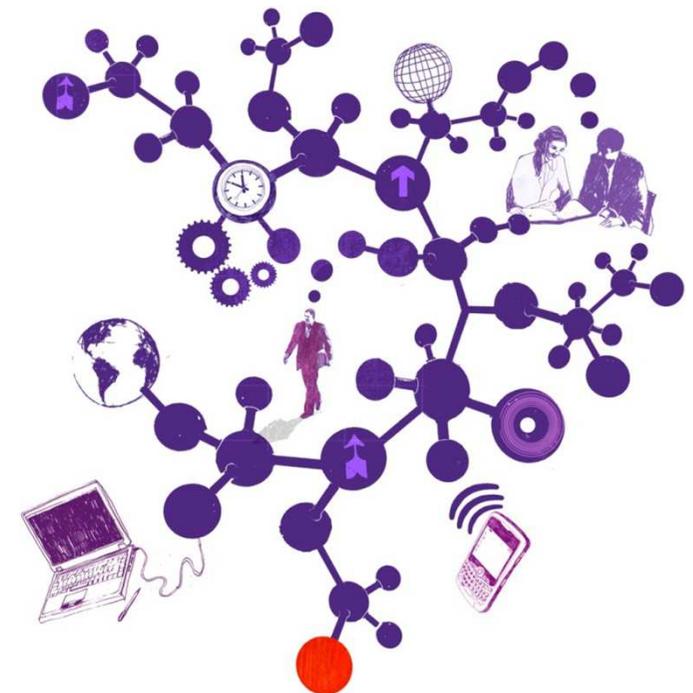
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## Introduction

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](http://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 – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', '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.

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## Progress at June 2013

Work	Planned date	Complete?	Comments
<p><b>2012-13 Accounts Audit Plan</b> 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	Yes	Our audit plan was presented to the last meeting of the Business Efficiency Board in May 2013.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	February to June 2013	On track	<p>Our interim accounts work is nearing completion. To date we have not identified any issues that we need to bring to your attention.</p> <p>Our work on the accounting treatment of Mersey Gateway development costs has not yet started. We had an initial meeting with finance officers on 3 April where we agreed a timeline and information requirements. Officers are currently reviewing the costs that have been capitalised before providing that information for audit.</p> <p>Following discussion with the Audit Commission, our review of the Mersey Gateway development costs will no longer be subject to additional fee. We have been asked to incorporate our work within the core audit fee.</p>

## Progress at 13 June 2013

Work	Planned date	Complete?	Comments
<p><b>2012-13 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2012-13 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	July to September 2013	On track	<p>Our planning for the audit of the Council's 2012-13 financial statements is about to commence and onsite work will begin on 1 July 2013. We will report our findings to the Business Efficiency Board in September 2013.</p> <p>We will conclude our work to support the Value for Money conclusion and report our conclusion to the Business Efficiency Board in September 2013.</p>
<p><b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2012/13 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• A review of your arrangements to ensure financial resilience</li> <li>• A review of your arrangements to secure economy, efficiency and effectiveness in the use of resources</li> <li>• A review of the affordability, procurement and risk management arrangements associated with the Mersey Gateway Project.</li> </ul>	February to August 2013	On track	<p>Our audit work is currently underway.</p> <p>Members will recall we agreed additional fee to review arrangements for the Mersey Gateway project. Following discussion with the Audit Commission, the scope of our work was reduced with a consequent reduction in the audit fee. Our work is now limited to a review of the work undertaken by the Council in two areas, affordability and risk . Internal Audit are reviewing the project's procurement arrangements. The additional fee for our work is subject to approval by the Audit Commission but it is expected to be within the range of £7,000 to £10,000.</p>
<p><b>Other areas of work</b> We will certify your 2012-13 government grant claims.</p> <p>Other service lines within Grant Thornton UK LLP have undertaken VAT advice work for the Council. Details are set out in the Audit Plan</p>	July to October 2013	On track	<p>Work on your Housing Benefits claim started in June 2013. All other grant claims will be progressed during the summer.</p> <p>The VAT advice work is not part of the main audit. It is subject to a separate engagement letter and fee.</p>

## Emerging issues and developments

### Accounting and audit issues

#### LAAP Bulletin 96: Closure of the 2012/13 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 96](#). The bulletin provides further guidance and clarification to complement CIPFA's 2012/13 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- a reminder that authorities should tailor CIPFA's example financial statements to meet their own reporting needs in order to give a true and fair view of their own financial position and performance
- the need for billing and precepting authorities to disclose their share of non-domestic rate appeals liabilities that transferred to them on 1 April 2013
- the revised disclosure format for dedicated schools grant
- accounting for carbon reduction commitment (CRC) energy efficiency scheme assets
- accounting for the transfer of public health reform in 2013/14.

Challenge question:

- Has your Divisional Manager Finance reviewed the guidance and assessed the potential impact for your financial statements?

#### Accounting for Schools in Local Authorities

CIPFA/LASAAC has issued a [technical alert](#) on accounting for schools. There are no changes planned for the 2013/14 Code. The alert refers to the issues that were consulted on for the 2013/14 Code and draws attention to the need for CIPFA/LASAAC to consider the impact of IFRS 10: 'Consolidated Financial Statements' on school accounting which is due to be adopted in the 2014/15 Code.

The technical alert recommends 'local authorities set out clearly in their 2012/13 and 2013/14 financial statements, in the summary of significant accounting policies, their approach to accounting for maintained schools' income, expenditure, assets, liabilities and reserves. These accounting policies need to be consistently applied throughout the complete set of financial statements'.

Challenge questions:

- Do your accounting policies set out clearly your approach to accounting for maintained schools?
- Do your financial statements apply these accounting policies consistently?

## Emerging issues and developments

### Accounting and audit issues

#### Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2013/14. The main changes to the Code include:

- amendments for the requirements of the localisation of business rates in England
- amendments to how 'other comprehensive income' is presented in the Comprehensive Income and Expenditure Statement. These changes follow the June 2011 amendments to IAS 1 Presentation of Financial Statements.
- amendments to how authorities should account for the cost of employees. This is as a result of the June 2011 amendments to IAS 19 Employee Benefits and include amendments to the classification, recognition, measurement and disclosure of local authority pension costs. This is accounted for as a prior period adjustment which means that the figures for previous years will need to be restated.
- clarifications and improvements of the Code as a result of the CIPFA/LASAAC post-implementation review of IFRS on issues such as:
  - the recognition and measurement of property, plant and equipment – in particular, paragraph 4.1.2.35 of the Code now requires items within a class of property, plant and equipment to be revalued simultaneously. The Code does permit a class of assets to be revalued on a rolling basis provided the revaluation is completed within a short period and provided the revaluations are kept up to date.
  - leases and lease-type arrangements (for example where lease rentals are charged at peppercorn rents)
  - service concession (PFI/PPP) arrangements in relation to assets under construction and intangible assets
  - the recognition of non-current assets held for sale
- amendments relating to deferred tax which may be applicable to authorities with group accounts. These follow amendments to IAS 12 Income Taxes issued in December 2010.

The Code also notes that guidance on the adoption of IFRS 13 Fair Value accounting and on accounting for schools has been deferred to the 2014/15 Code.

Challenge questions:

- Is your Divisional Manager Finance aware of the changes to the 2013/14 Code and assessed the potential impact?
- In particular, has your Divisional Manager Finance consulted:
  - your actuary to ensure you will have the information you need to restate amounts relating to pensions from previous years
  - your valuer to ensure that your revaluation programme complies with the new requirements for property, plant and equipment?

## Emerging issues and developments

### Accounting and audit issues

#### Internal audit – practice case studies

The NAO and the Institute of Internal Auditors have released a [set of case studies](#), available on the NAO website, illustrating some of the key principles of effective internal auditing, taken from a range of public and private sector organisations (including British Telecom, Department for Work and Pensions, EDF). These cover the following areas:

- applying internal audit resources
- scope of internal audit
- auditing projects
- the relationship with the audit committee
- risk-based internal audit
- evaluating internal audit

Examples of the practical advice these case studies provide are:

- 'ensure that the internal audit function has the right development practices and the right mix of people'
- 'internal audit must check its own performance'
- 'look at the range and depth of assurance that is being provided to management from other assurance providers within the organisation: this will reduce the duplication and free up resources to provide deeper assurance in other areas'
- 'make sure that internal audit's work is aligned to management's view of risk: the function may be focussing on the wrong issues if it does not understand management's risk priorities'
- 'review whether senior management and the business share the same view of risk – highlight where differences occur to ensure that the right risks and controls are targeted in the audit plan'
- 'consider carrying out a benchmarking review with a similar sized organisation in the same industry sector to compare and contrast approaches to internal audit and resourcing'

Challenge question:

- Have your Strategic Director and Divisional Manager Audit & Operational Finance reviewed these case studies and considered whether the Council can drive more organisational value from internal audit?

## Emerging issues and developments

### Local government guidance

#### 2010/11 Whole of Government Accounts

The following reports have been published on the audited 2010/11 Whole of Government Accounts (WGA):

- Public Accounts Committee (PAC) issued its [2010/11 WGA report](#) - PAC has recommended that HM Treasury should do more to use WGA accounts to inform decision making and also drew attention to the need for the preparation and audit of WGA to be timelier.
- DCLG published an unaudited consolidated account for [English Local Government 2010/11](#) - the information is high-level, focussing on the consolidated statement of revenue and expenditure, the consolidated statement of financial position and the consolidated statement of changes in taxpayers' equity. There is no breakdown of line items and no comment on cash flows, commitments and off balance sheet liabilities. However, the document does provide links to more detailed local government finance statistics.

Challenge question:

- Has your Divisional Manager Finance considered these reports and any lessons for the Council?
- Has your Divisional Manager Finance produced a robust and adequately resourced timetable for the production and submission of 2012/13 WGA returns?

#### Governance statements

The National Audit Office has published '[Fact Sheet: Governance Statements: good practice observations from our audits](#)' providing insight and commentary on the first year of Governance Statement reporting observations on good practice “challenge questions” for those whose role it is to oversee and scrutinise an organisation’s Governance Statement.

Challenge questions:

- How do you plan to make your Annual Governance Statement be more transparent and relevant to your Council?
- Have you used the challenge questions in the fact sheet to help inform your review of the Annual Governance Statement?

## Emerging issues and developments

### Local government guidance

#### Openness and transparency on personal interests - A guide for councillors

In March, DCLG published '[Openness and transparency on personal interests - A guide for councillors](#)'.

This guide provides guidance to councillors about how to be open and transparent about their personal interests now that new standards arrangements have been introduced by the Localism Act 2011.

Challenge question:

- What has your Council done to improve awareness of openness and transparency requirements for councillors?



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