



**Business Efficiency Board**

**Wednesday, 25 February 2015 at 6.30 p.m.  
Civic Suite, Town Hall, Runcorn**

A handwritten signature in black ink, appearing to read 'David W R', is centered on the page.

**Chief Executive**

**BOARD MEMBERSHIP**

<b>Councillor Joe Roberts (Chair)</b>	<b>Labour</b>
<b>Councillor Martha Lloyd Jones (Vice-Chairman)</b>	<b>Labour</b>
<b>Councillor John Bradshaw</b>	<b>Conservative</b>
<b>Councillor Arthur Cole</b>	<b>Labour</b>
<b>Councillor Mike Fry</b>	<b>Labour</b>
<b>Councillor Darren Lea</b>	<b>Labour</b>
<b>Councillor Alan Lowe</b>	<b>Labour</b>
<b>Councillor Tony McDermott</b>	<b>Labour</b>
<b>Councillor Andrew MacManus</b>	<b>Labour</b>
<b>Councillor Norman Plumpton Walsh</b>	<b>Labour</b>
<b>Councillor John Stockton</b>	<b>Labour</b>

*Please contact Lynn Derbyshire on 0151 511 7975 or e-mail [lynn.derbyshire@halton.gov.uk](mailto:lynn.derbyshire@halton.gov.uk) for further information.*

*The next meeting of the Board is to be confirmed*

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

**Part I**

<b>Item No.</b>	<b>Page No.</b>
<b>1. MINUTES</b>	
<b>2. DECLARATION OF INTEREST</b>	
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.	
<b>3. CERTIFICATION LETTER 2013/14</b>	<b>1 - 6</b>
<b>4. GRANT THORNTON REPORT - 'CONTINUING TO DELIVER VALUE TO HALTON BOROUGH COUNCIL'</b>	<b>7 - 22</b>
<b>5. INTERNAL AUDIT PLAN - 2015/16</b>	<b>23 - 52</b>
<b>6. EXTERNAL AUDIT - UPDATE REPORT</b>	<b>53 - 73</b>
<b>7. PROTECTING THE PUBLIC PURSE - FRAUD BRIEFING</b>	<b>74 - 87</b>
<b>8. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	

**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.

<b>9. INTERNAL AUDIT PROGRESS REPORT</b>	<b>88 - 143</b>
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***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:** 25 February 2015  
**REPORTING OFFICER:** Operational Director – Finance  
**PORTFOLIO:** Resources  
**TITLE:** Certification Letter 2013/14  
**WARDS:** Borough Wide

### **1.0 PURPOSE OF REPORT**

To consider the report from the Council's external auditor, Grant Thornton, following the audit of grant claims and returns for the financial year 2013/14.

### **2.0 RECOMMENDED: That the attached report from Grant Thornton be received.**

### **3.0 SUPPORTING INFORMATION**

3.1 The Council's external auditor is required to certify certain claims and returns submitted by the Council. This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

3.2 Grant Thornton has certified three claims and returns for the 2013/14 financial year that relate to expenditure of approximately £110 million.

3.3 The attached report summarises Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process. In summary, there are no significant issues arising from this work which need to be brought to the attention of the Board.

3.4 The report also provides details of the fees charged by Grant Thornton in respect of the certification work undertaken.

### **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 risks associated with the decision Members are being asked to make

**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



Grant Thornton

Our Ref – LTM/Halton  
Your Ref -

Mr I Leivesley  
Strategic Director Policy & Resources  
Halton Borough Council  
Municipal Building  
Kingsway  
Widnes  
WA8 7QF

**Grant Thornton UK LLP**  
Royal Liver Building  
Liverpool L3 1PS

T +44 (0)151 224 7200  
F +44 (0)151 224 7201  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

09 February 2015

Dear Ian

### **Certification work for Halton Council for year ended 31 March 2014**

We are required to certify certain claims and returns submitted by Halton Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

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.

We have certified three claims and returns for the financial year 2013/14 relating to expenditure of £110,269,733. Further details of the claims certified are set out at Appendix A.

There are no issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £10,173 for the certification of the Housing Benefit claim and the Silver Jubilee Bridge Transport claim.

**Chartered Accountants**

Member firm within Grant Thornton International Ltd  
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP  
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.

As detailed in our Audit Findings Report and the Annual Audit Letter, we were required to certify two Transport claims and were required to submit a request to the Audit Commission for a fee variation of £2,250 in respect of the Mersey Gateway Transport claim. This additional fee is not considered final until confirmed by the Audit Commission. Our fees are set out in more detail at Appendix B.

Yours sincerely

For Grant Thornton UK LLP

## Appendix A - Details of claims and returns certified for 2013/14

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing Benefits subsidy claim (BEN01)	54,998,550	Yes	-20,602	No	The amendment recognised the value of the annual adjustment for uncashed benefit cheques, which had not been entered into the return pending checking of the underlying detail.
Silver Jubilee Bridge transport claim (TRA 11)	2,258,000	No	0	No	
Mersey Gateway Bridge transport claim (TRA 11)	53,013,183	No	0	No	
<b>TOTAL</b>	<b>110,269,733</b>		<b>-20,602</b>		



## Appendix B: Fees for 2013/14 certification work

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance (£)	Explanation for variances
Housing Benefits subsidy claim (BEN01)	12,210	9,104	9,104	0	
Silver Jubilee Bridge transport claim (TRA 11)	1,379	1,069	1,069	0	
Mersey Gateway Bridge transport claim (TRA 11)	N/A	0	2,250	2,250	Awaiting confirmation of fee from the Audit Commission
National non-domestic rates return (NNDR3)	1,460	N/A	N/A	N/A	Certification under the Audit Commission regime not required 2013/14.
Teachers' Pension (PEN 05)	680	N/A	N/A	N/A	Certification under the Audit Commission regime not required 2013/14.
<b>Total</b>	<b>15,729</b>	<b>10,173</b>	<b>12,423</b>	<b>2,250</b>	<b>Awaiting confirmation of fee from the Audit Commission re the additional TRA11 claim – Mersey Gateway Bridge.</b>

**REPORT TO:** Business Efficiency Board

**DATE:** 25 February 2015

**REPORTING OFFICER:** Strategic Director – Policy & Resources

**SUBJECT:** Grant Thornton Report – “Continuing to Deliver Value to Halton Borough Council”

**PORTFOLIO:** Resources

**WARD(S):** Borough-wide

**1.0 PURPOSE OF REPORT**

1.1 The purpose of this paper is to receive a report from the Council’s external auditors Grant Thornton, titled “Continuing to Deliver Value to Halton Borough Council”.

**2.0 RECOMMENDATION: That the report be noted.**

**3.0 SUPPORTING INFORMATION**

3.1 Grant Thornton will attend the meeting to present their report, which is shown in the Appendix.

**4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

4.1 There are none.

**5.0 IMPLICATIONS FOR THE COUNCIL’S PRIORITIES**

5.1 There are none.

**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 There are none.

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

8.1 There are none under the meaning of the Act.

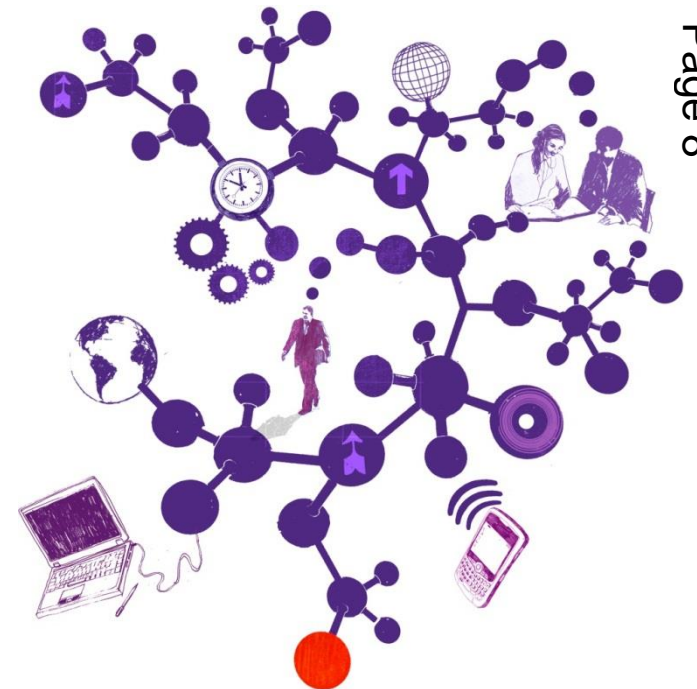
# Continuing to deliver value to Halton Council

November 2014

Mike Thomas  
Director  
T 0161 214 6368  
E [mike.thomas@uk.gt.com](mailto:mike.thomas@uk.gt.com)

Liz Temple-Murray  
Manager  
T 0161 214 6370  
E [liz.m.temple-murray@uk.gt.com](mailto:liz.m.temple-murray@uk.gt.com)

John Padfield  
Executive  
T 0161 214 6378  
E [john.padfield@uk.gt.com](mailto:john.padfield@uk.gt.com)



“

Two years on from our appointment as your external auditor, I wanted to take an opportunity to reflect on the relationship we have continued to build with you in this period.

Halton Council is a valued client of the firm and I hope we demonstrated this during the audit. We pride ourselves on delivering a high quality service and have set ourselves the goal of being second to none in our client care. To help us achieve this, we propose to carry out an independent client service review with you in the coming year. More informally, I would value any feedback from you or your team on areas where you believe we could improve our service to you.

I thought it would be useful to summarise the services we have provided during the year, and to demonstrate how we feel we have added value to you through the other work we do with you. We have made investment in our relationship with you this year, and have included some thoughts as to how we could build on this in the future.

We think our knowledge of the Council, coupled with our wider experience of the Local Government sector, puts us in a strong position to help you with the challenges you face.

We look forward to the opportunity to demonstrate our desire and enthusiasm to work with you in these challenging times.

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Mike Thomas  
Engagement Lead  
for Grant Thornton UK LLP

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# Contents

Contents	
How we brought you added value this year	4
Supporting corporate governance	5
Focus on financial resilience	7
Welfare reform and alternative delivery models	8
High growth index	9
Our unique credentials	10
National and local expertise	11
Experience of Local Government issues	12
Helping to address your challenges	13
Your client service team	14
Our fees	14

Page 10

The client names quoted within this report are disclosed on a confidential basis. All information in this document is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP.

# How we brought you added value this year

## Council leadership

### We:

- provided assurance on financial reporting and financial resilience by giving a timely audit opinion and value for money conclusion
- shared our thinking on key issues, including issuing members and management with our annual reports on Governance and Financial Health (Tipping Point) and our reports on Pensions Governance, Alternative Delivery Models, Welfare Reform, High Growth Index, Better Care Fund and 2020 Vision.
- we also dealt with a question raised by a local elector

## Business Efficiency Board

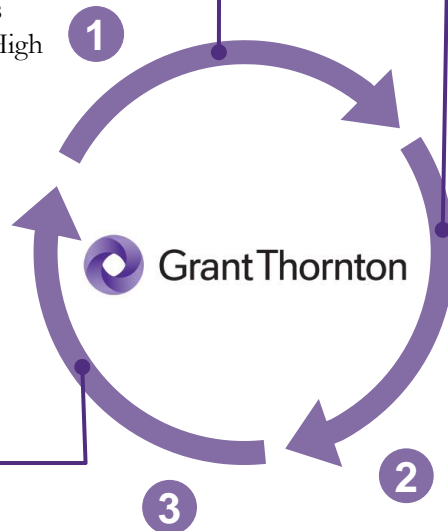
### We:

- provided independent external audit commentary and insight on your key issues through senior attendance at every audit committee and shared a LG publication to help members of local authority audit committees understand the financial statements and discharge their responsibilities as they review the accounts
- invested in regular dialogue with the audit committee to ensure there were no surprises and to maintain a robust and independent stance throughout our audit
- provided regular, timely and transparent reports from our work and briefing notes on key sector developments.

## Council management

### We:

- ensured a smooth external audit process through regular dialogue and meetings to promptly discuss financial accounts opinion audit and other issues including WGA and grant certification work to ensure you submit accurate figures to central government.
- presentation of audit requirements at your finance accountants closedown workshop reflecting our engagement and partnership working with finance
- shared technical knowledge , provided early warning on key risks and provided an opportunity to network with other Local Government bodies at our annual finance seminar
- completed a comprehensive value for money assessment report in addition to our work on the value for money conclusion
- introduced other service lines within Grant Thornton UK LLP that carried out VAT advice and Employee Solutions work at the request of the Council
- provided an independent report on Regional Growth Fund claim
- liaised with internal audit to minimise duplication.

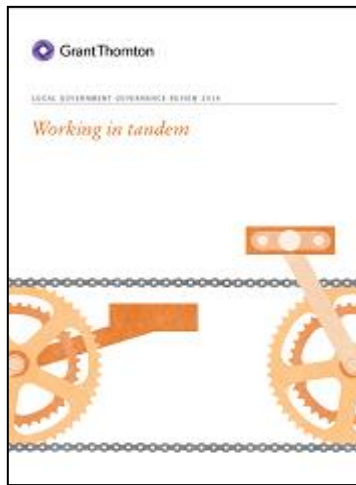


# Supporting corporate governance

Each year, we review good governance in Local Government as part of our wider analysis of UK governance practice. This complements our reviews on corporates in the FTSE 350, the NHS and charities. We aim to help organisations improve their governance by learning from other sectors and their peers and to identify examples of good practice and areas where there is scope for further development.

Our national reviews of Local Government corporate governance include analysis of the financial statements and survey responses. We include insight from similar reviews we undertake at FTSE 350 listed companies, which allows us to promote the highest standards of good governance and public reporting. Some key highlights are set out opposite.

We would be happy to engage with you during the year to benchmark your performance against the national group. In this way, you can benefit from good practice across our national Local Government client base.



**Download findings from our Improving Local Governance report from March 2014:**

<http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/>

Our audit includes an annual assessment of the key corporate governance controls

In reviewing your annual governance statement, we assess your arrangements for providing assurance to those responsible for signing the statement.

Your Business Efficiency Board members are invited to attend our local government audit committee members network.

We share our sector insights to ensure you are fully apprised of sector developments and challenges that may affect your governance or risk management arrangements.

'National tools improve governance arrangements by giving a framework... but most of the work needs to be locally driven and locally responsive'

*Survey response*



# Focus on financial resilience

**In the current challenging economic climate, we invest in providing enhanced analysis and reporting on your financial resilience. This includes a RAG rated assessment of where you are performing well and any areas requiring increased attention.**

We reported the findings from our 2013/14 financial resilience review to the September 2014 Business Efficiency Board. Some key highlights from our work are set out opposite. Our latest national report on Local Government financial resilience will be published in December 2014. It draws on the results of our assessment of financial resilience across all of our Local Government bodies in England.

We are also able to benchmark you against your peers to help support continued improvement. We can provide and discuss more detailed comparative data with you and consider what this means for your financial resilience, if that is of interest.



**Download findings from our National Financial Resilience report from December 2013:**

<http://www.grant-thornton.co.uk/en/Publications/2013/2016-tipping-point-Challenging-the-current/>



Good performance against your financial targets for the year.

You plan to address your shortfalls in your 2015/16 and 2016/17 budgetary forecasts that total £46m. This is a significant risk and one that threatens the longer term financial stability of the Council

Well-engaged Members contributing to good financial governance.

Good financial control, including effective internal budget monitoring

These findings are as at September 2014, when our Value for Money work was reported to the Business Efficiency Board.



# Welfare Reform and Alternative Delivery Models in Local Government



## In 2013, we surveyed a sample of 39 clients in the local government sector and 44 in housing associations in England

The report focuses on the governance and management arrangements being put in place nationally across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and the risks on the reform agenda in the wider context of social impact. The key messages include:

- There is evidence of a pro-active approach in addressing the current and future impact of welfare reform through effective communications with stakeholders
- There is scope for closer working between local authorities, housing associations and other partners – including the NHS - to ensure that homelessness and disruption is minimised and that employment opportunities are maximised
- The full impact of reform has yet to be felt; there is an element of calm before the storm

## In 2013, we surveyed a sample of 70 clients in the local government sector and identified nearly 40 different services they had externalised and provided under an alternative delivery model.

This report

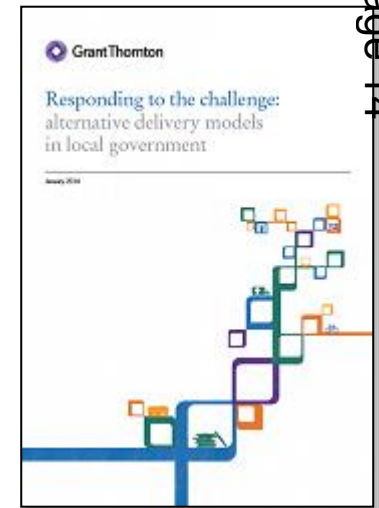
- outlines the main alternative delivery models
- aims to assist other authorities as they develop their options and implement innovation strategies
- considers aspects of risk.

Download findings from our Alternative Delivery Model report from January 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/>

Download findings from: our National Welfare Reform report from February 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Reaping-the-benefit-First-impressions-of-the-impact-of-welfare-reform/>



# High Growth Index in Local Government



Where growth happens  
The high growth index of places

Place Analysis insight  
Autumn 2014



## In 2014, we issued a report on where growth happens in the local government sector in England.

The report focuses on the high growth, dynamic growth and growth corridors. The key messages include:

- **High Growth** – Our High Growth Index of places, based on economic and demographic measures, shows the pivotal role played by London in driving growth nationally and the role of cities for driving growth regionally. Outside London, Manchester is the strongest performer, with Birmingham, Milton Keynes, Bristol and Brighton and Hove all ranking in the top five.
- **Dynamic Growth** – Highlighting past areas of growth, however, may not necessarily be an indicator of future growth or sustainability. A dynamism index, ranked by assessing a basket of productivity drivers, indicates the quality of growth. The emerging picture shows that dynamism clusters around cities and their wider conurbations. Again, London leads, but is followed by Cambridge, then Reading, Manchester, Bristol, Oxford, Brighton and Hove, Milton Keynes, Leeds and Warrington.
- **Growth Corridors** – Combining rankings for both growth and dynamism reveals a pattern of growth in England based around nine growth corridors. These are functional, large scale, economic areas which have been at the heart of growth over the last decade and are likely to maintain a pivotal role in shaping that growth in the future. Based around key cities, these corridors extend across district borders and create key strategic linkages with other high growth and dynamic areas.

Download findings from:  
our **Where Growth Happens** report from  
**Autumn 2014:**

[http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf)

# Our unique credentials

**Biggest  
UK CIPFA employer**



## Overview

You are an ambitious Council with a vision for regeneration and a sustainable community. We are proud to be associated with you. You are important to us and we are passionate about supporting you to achieve your strategic goals.

As the largest supplier of external audit to local government in the country, we are uniquely placed to work with you and support you in achieving your goals. We understand the political and public sector environment you work in and the challenges and pressures you are facing. We have a genuine insight and understanding into your business and your needs, from our many decades of dedication working in the public sector and our longstanding commitment to local government.

With Grant Thornton, you benefit from the full commitment of an experienced team that has worked together over many years and has a passion for helping you achieve your success.

We believe in Local Government. All our Local Government specialist staff know and understand the unique issues faced by the Local Government bodies. We have the experienced resources available to meet your needs and support you in responding to the challenges you face. Our commitment to you is that we will work with you and help and support management and the Audit Committee in achieving your goals. We believe that with our extensive knowledge of the Council and our highly skilled and experienced local audit team, we are exceptionally well placed to support the Council over the next few critical years.

At a national level, our extensive access to our wider audit practice, our networks with central government, local government and healthcare bodies and

our focus on people as the driving force for quality and innovation set us apart. Grant Thornton benefits you by:

- bringing its commitment to improving public sector financial and service management for the benefit of users
- fielding local experts in the strategic and operational needs of the Council
- sharing best practice, knowledge and up to date information from across local government, drawing on the knowledge gained from our unparalleled market share
- delivering a high-quality audit focused on the specific issues facing councils in the North. We audit more councils than any other audit firm and draw on the insights this provides us to tailor our work with you.

At a local level, we offer you:

- an audit team which understands the Council, its direction and objectives and the environment in which you operate, identifying areas where we can support you
- an audit team which is not afraid to deliver difficult messages to you and provide robust challenge to management
- a proven track record of delivering high quality audit work, working with you in partnership to deliver better services for local people.

**We are confident we can continue to meet your requirements for a comprehensive, efficient and effective external audit service. You will benefit from our relationship as you face the challenges of delivering a modern and customer focused service. We look forward to continuing our working relationship with you.**

# National and local expertise

# 138

Local Government  
audit clients

# 400+

Dedicated public  
sector staff

## National credentials

- Through our Audit Commission framework contract, we have been **external auditors to Local Government since 1982**. Over this time, and based on the quality of our work, we have increased our Local Government audit presence.
- Following the outsourcing of the Audit Commission's in-house audit practice we are proud to be **largest external provider of audit services** to Local Government, serving **40% of the market**.
- We are currently **auditors to 138 Local Government authorities**.
- We have audit staff on secondment to local authorities, helping our staff learn about local government from the inside out. We also train our staff on the latest developments within Local Government. We also receive staff on secondment from clients. We would be happy to discuss secondment opportunities with you.
- We also deliver a national programme of GT closedown workshops in partnership with CIPFA FAN; a joint approach which allows the opportunity for delegates to hear both the key accounting issues and the audit considerations for the accounts in one combined event.
- We have delivered a series of Local Government Audit Committee conferences for Members, to encourage better governance in Local Government.

## Local focus

- Our North Public Sector Assurance team is made up of over **80 dedicated local government and NHS external audit specialists** with extensive skills and experience with local Government. The regional team undertakes external audit services for **two County Councils, 16 Metropolitan Councils, 15 District Councils and 33 other local government, pension, police and fire authorities**.
- We have audited a number of other bodies over the last few years, and are currently auditing 11 NHS Trusts, 26 Clinical Commissioning Groups (CCGs) and 8 Foundation in the north region. We therefore have extensive knowledge of partnership working across health and social care.
- We work flexibly across our assurance and advisory teams. For example, we have a **rolling programme of secondments into the advisory team**, which gives our auditors the broader perspective that our clients appreciate.
- We also have VAT, employment tax, real estate, infrastructure, governance, performance improvement and anti-fraud experts with significant experience of our current Local Government clients

All of this means that our Local Government clients can be assured of relevant expert knowledge and expertise to support them with current and forthcoming challenges.

# Experience of Local Government issues

## We have significant experience of the local government sector, and are aware that this is a challenging period for Local Government.

Challenges include the Welfare reforms, the introduction of joint social care, rising demand for services, demands for higher and more consistent quality of service, the reduction of central government grants, the localisation of funding and increasing financial pressures.

Our experience, both locally and nationally, has enabled us to develop a number of audit and advisory services to support our clients in achieving their objectives. We set out opposite some of our areas of specialism:



### Regulatory requirements

- Value-added assurance services; external audit; internal audit; governance reviews; financial reporting reviews; IFRS reporting; risk management including IT and systems assurance

### Governance

- Advice on governance including: assessment of governance effectiveness and the roles, responsibilities and capabilities of individual directors, working with leaders and Members developing strategy

### Efficiency agenda

- Operational services reorganisation; turnarounds; skills gap analysis; performance management; service and cost savings reviews; costing analysis and benchmarking; shared service project support; procurement support; treasury and finance department reviews

### Managing infrastructure

- PFI work providing: bid evaluation; refinancing; feasibility studies; preparation of business cases; risk analysis and public sector comparator (PSC) development; development of payment mechanisms; financial modelling; and funding competitions

### Asset management

- use of assets for regeneration, reviews of efficiency and cost in use; diagnostics of performance of inventory, evaluating and prioritising options and implementing rationalisation of assets

### Major investments, mergers and acquisitions

- Investment appraisals; business case support; investment due diligence; due diligence and advisory services

### Establishment of property trading arms and companies

- Assisting with procurement of development partners, structuring and establishing development vehicles such as Strategic Partnerships, Local Asset Backed Vehicles, and Joint Venture Companies

### Alternative Delivery Models

- Outsourcing; quantitative data analysis and stakeholder interviews, benchmarking results against our database of outsourced partnership activity

### Tax advice

- Corporate and international tax; indirect tax; employer solutions

# Helping to address your challenges

Area of focus	Your challenges	Examples of how we have helped you and other Local Government bodies
<b>Optimise operations</b>	<ul style="list-style-type: none"> <li>• <b>Significant budget shortfalls</b> - you face a significant challenge over the forthcoming three years (2015/16 to 2017/18) to find £46m in shortfalls in your budget plans.</li> <li>• <b>Cost Improvement Plans (CIPs)</b> You have set a challenging budget in 2014/15. Future budgets are likely to contain a similar level of savings. Continued delivery on such scale becomes increasingly difficult without recourse to non-recurrent savings.</li> <li>• <b>Effectiveness:</b> In order to meet future challenges, you intend to look at every service to review the outcomes, needs, service models and resources. Your work will focus on what the future outcomes for the borough need to be and how you can maximise these outcomes with the reduced resources that will be available to your organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• We review your arrangements for setting and monitoring your savings plans and assess whether they are realistic and feasible.</li> <li>• We review whether you have appropriate financial management arrangements and plans in place to tackle financial resilience in the longer term.</li> <li>• At other sites, we have facilitated workshops, leading to the generation of a 'long list' of long-term, sustainable savings and service redesign proposals which will feed in to future savings programmes.</li> </ul>
<b>Welfare Reform</b>	<ul style="list-style-type: none"> <li>• <b>Welfare Reform</b> – changes to housing benefit and welfare reform continue to increase the rate of homelessness and demand for social housing. Changes include Welfare Benefit cap, under-occupancy adjustment (bedroom limit), Universal Credit and Direct Payments</li> </ul>	<ul style="list-style-type: none"> <li>• Our 2014 Welfare report draws on our experience and that of our clients, over the past year, in order to provide insight into the impact of welfare reform and will be the first in a series of updates that will contribute to understanding of these issues within the sector and provide a platform for sharing experience and good practice.</li> </ul>
<b>Realise strategic ambition</b>	<ul style="list-style-type: none"> <li>• <b>Regeneration</b>– your business plan includes significant regeneration plans including the major Mersey Gateway scheme.</li> <li>• You are aware of the complexities involved in this project and the Board seeks appropriate assurances that this will be effectively managed</li> </ul>	<ul style="list-style-type: none"> <li>• Our Tax and Employee Solutions service lines within Grant Thornton have provided extensive advice on tax and VAT.</li> <li>• Introducing you to 'the CEO Room' – a structured, facilitated space that provides 'a critical thinking environment for business leaders'.</li> </ul>

Your audit team will be happy to further discuss these and other challenges with you, and will involve relevant specialists where this is of value to you.

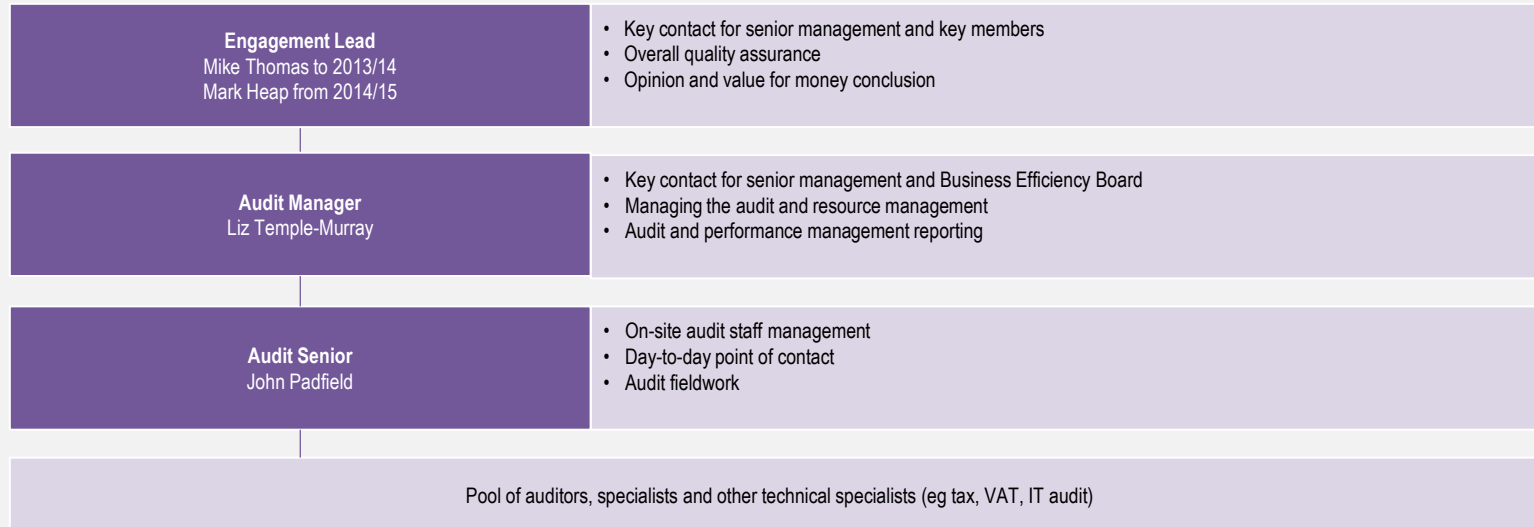
# Your client service team

**We understand what you expect from us: an approachable, proactive, locally based and highly skilled team with access to a national network of specialists and expertise as required.**

The existing team will continue to:

- understand you and your priorities, and provide innovative and constructive advice
- challenge you where necessary to support your continued improvement
- be readily accessible and responsive to your needs but independent and challenging to deliver a rigorous audit
- be connected into a Local Government network
- communicate relevant information to you in a prompt, clear and concise manner

## Grant Thornton core team



# Our fees

## Our fee proposal provides you with transparency and value for money.

Our audit fees over the past two years and for the current year have remained constant at around £140,000. These fees are set by the Audit Commission.

We are committed to openness and transparency in our fee with you – now and in the future. We know that you want an external audit that continues to offer a transparent fee structure which represents best value for money.

To deliver against your needs our fee includes:

- discounted rates – our position as the largest auditors to local government allows us to offer a discount on our usual rates
- no hidden costs – the fee we propose is the fee we will charge (plus VAT)
- investment in our relationship – the value in the core audit and the additional added value inputs we describe in this document are all included in the fee
- certainty over fee levels year on year – we hold the fee for the duration of the contract, absorbing fee inflation through audit efficiencies
- specialist, qualified staff - 100% of the time spent on the audit will be from qualified or part qualified staff, with over 60% from fully qualified staff, all specialists in working with local government
- expenses are included – saving you the 5%-10% that may typically arise on a contract
- no assumption of additional fee income – our external audit fee includes no assumption around you commissioning additional paid for services from us.







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<b>REPORT TO:</b>	Business Efficiency Board
<b>DATE:</b>	25 February 2015
<b>REPORTING OFFICER:</b>	Operational Director - Finance
<b>SUBJECT:</b>	Internal Audit Plan – 2015/16
<b>PORTFOLIO:</b>	Resources
<b>WARDS:</b>	Borough-wide

### **1.0 PURPOSE OF THE REPORT**

This report seeks the Board's approval for the planned programme of internal audit work for 2015/16.

### **2.0 RECOMMENDATION: That the Business Efficiency Board is recommended to consider and approve the proposed Internal Audit Plan for 2015/16.**

### **3.0 SUPPORTING INFORMATION**

- 3.1 A risk-based Audit Plan has been prepared in accordance with relevant professional guidance, i.e. the Public Sector Internal Audit Standards 2013 (PSIAS). The plan sets out the proposed internal audit activity for 2015/16.
- 3.2 The plan is designed to enable internal audit to deliver an overall opinion on the Council's risk management, control and governance arrangements. In prioritising audit coverage account has therefore been taken of the Council's corporate objectives and the overall assurance framework.
- 3.3 In preparing the plan consultation has taken place with key officers across the Council, external audit and the Chair of the Business Efficiency Board.
- 3.4 The draft Audit Plan for 2015/16 is attached as an appendix to this report. The document provides information on the role of internal audit and the factors taken into account in developing the plan.
- 3.5 A total of 1,231 days of audit work are planned for 2015/16. This level of resource is based on a forecast staffing establishment of 6.09 FTE staff and is considered sufficient to deliver a robust annual audit opinion.
- 3.6 Performance against the Audit Plan will be kept under review throughout the year and quarterly progress reports will be provided to the Business Efficiency Board.

- 3.7 Internal Audit will continue to work closely with the Council's external auditor, Grant Thornton, to minimise duplication and to ensure efficient and effective deployment of the overall audit resource.

#### **4.0 POLICY IMPLICATIONS**

Delivery of the Audit Plan will provide assurance that the policies and procedures established by the Council remain appropriate and are complied with in practice.

#### **5.0 OTHER IMPLICATIONS**

- 5.1 The Council is required to comply with the requirements of the Accounts and Audit Regulations 2011, regarding its "arrangements to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".
- 5.2 Internal audit work 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 work 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 arising from this report.

#### **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 6.1 Internal audit work supports the delivery of all the Council's priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds.
- 6.2 The Audit Plan has been designed to provide assurance over the adequacy of the arrangements established to mitigate risks that may threaten the delivery of the Council's priorities.

#### **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 The Public Sector Internal Audit Standards require the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems and controls.
- 7.3 Changes to planned work may therefore become necessary during the year. Minor changes 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 2013

2015/16

Internal Audit Plan



Page 26

## 1. Introduction

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
- How the Council's internal audit service is resourced and delivered
- How internal audit work is reported
- The proposed programme of work for 2015/16 (the Audit Plan)

1.2 The Audit Plan for 2015/16 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards.

1.3 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'.

1.4 The work of internal audit is a key element in delivering the Council's strategic priority of corporate effectiveness and business efficiency, but also supports the Council in achieving all the aims and objectives set out in the Sustainable Community Strategy and the Corporate Plan.

## 2. Internal Audit – Responsibilities & Scope

### 2.1 The internal audit function is responsible for:

- Assessing and recommending improvements to the Council’s governance processes. Specifically, this includes:
  - Promoting appropriate ethics and values within the organisation
  - Ensuring effective organisational performance management and accountability
  - Communicating risk and control information to appropriate areas of the organisation
  - Coordinating the activities of, and communicating information among, the Business Efficiency Board, external audit, internal audit and management
- Evaluating the effectiveness and contributing to the improvement of risk management processes
- Assisting in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement

### 2.2 The scope of internal audit work 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 involvement.

2.3 The Public Sector Internal Audit Standards require that the internal audit service is delivered and developed in accordance with the internal audit charter. The Council has formally agreed that the provisions set out in section 6.2 of Finance Standing Orders constitute the Council’s internal audit charter.

2.4 The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by internal audit can reduce risk and improve systems of control. However, the implementation of audit recommendations cannot eliminate risk entirely.

2.5 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. Resourcing and delivering internal audit

- 3.1 The level of resource required to deliver an effective internal audit service to the Council has been assessed based on the need to provide adequate audit coverage of the Council's:
- Financial systems
  - Risk management and governance arrangements
  - Front line services and support services
  - Procurement and contract management activity
  - Information management arrangements
  - Anti-fraud and corruption arrangements
  - Schools
- 3.2 Account has also been taken of the need to be able to resource:
- Unplanned work which may arise during the year
  - Follow up work to provide assurance that agreed recommendations are implemented
  - Provision of advice and consultancy to internal customers
- 3.3 The level of internal audit resource available in 2015/16 is considered sufficient to deliver a robust annual internal audit opinion to the Board.
- 3.4 The 2015/16 Internal Audit Plan will be delivered predominantly by an experienced and suitably qualified in-house team of 6.09 FTE auditors. As in recent years, a small amount of external support to assist the audit of information management systems will be provided by Salford City Council. Where considered appropriate, the internal audit team will also collaborate with internal audit colleagues from other local authorities in regard to the approach and delivery of particular audit assignments.
- 3.5 The internal audit team is managed by the Divisional Manager – Audit & Operational Finance, who also has responsibility for the following functions:
- Purchase to Pay



- Income control (collection and reconciliation of income)
  - Insurance
  - Client Finance (Corporate Appointeeships and Deputyships)
  - Direct Payments
- 3.6 Arrangements have been agreed to mitigate any potential impairment to independence and objectivity in regard to the audit of these areas. These arrangements will involve the Principal Auditor reporting the findings from the audits directly to the Operational Director – Finance without any influence or involvement of the Divisional Manager – Audit & Operational Finance.
- 3.7 When planning specific audit assignments, other sources of assurance may be taken into consideration in order to ensure the best use of the audit resource. Any work that is necessary in order to place reliance on other sources of assurance will be determined as required for each assignment.
- 3.8 The only planned assurance service to be provided to an external party is an annual audit provided to Manchester Port Health Authority, which is the governing body for the Manchester Ship Canal and River Weaver. Halton Borough Council is one of the funding authorities of Manchester Port Health Authority.

## 4. Reporting arrangements

4.1 At the conclusion of each audit assignment, a draft report is issued to the appropriate manager within the Council. A final report containing management responses to any issues identified is subsequently distributed 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
- Grant Thornton (the Council’s external auditor)

4.2 In each audit report, an overall assurance opinion is provided on the area audited. The opinion is based on the information obtained in the course of the audit and represents 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 Opinion	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.

4.3 Throughout the year regular internal audit progress reports are presented to the Business Efficiency Board summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, governance weaknesses and value for money issues.

4.4 An annual report is presented to the Business Efficiency Board that provides the Head of Internal Audit’s overall opinion on the Council’s control environment. This opinion forms one of the sources of assurance in support of the Council’s Annual Governance Statement. The opinion is based upon the collective findings from the internal audit work completed during the year.

## 5. Internal Audit Plan – 2015/16

- 5.1 The Public Sector Internal Audit Standards state that the ‘chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals’.
- 5.2 In preparing the Audit Plan, account has been taken of:
- The Council’s risk management processes
  - The views of senior management
  - The results of previous internal audit work
  - Other existing sources of assurance, including the work of external audit
  - New or emerging risks, including known changes to the Council’s business, operations, programs, systems, and controls
  - The requirement to ensure sufficient coverage in order to provide a robust annual audit opinion
  - Planned work deferred from the 2014/15 Audit Plan
- 5.3 The Audit Plan is presented in a way that shows how each piece of planned work aligns with the Council’s Corporate Priorities. Some planned reviews clearly contribute to more than one priority. For presentational purposes the reviews have been listed under the priority that is considered most closely linked to the review area.
- 5.4 A budgeted time allocation has been set for each assignment included in the Audit Plan. It is accepted that the exact resource requirement for each assignment cannot be forecast with certainty. The plan therefore represents the best estimate of the way in which the Council’s internal audit resources will be deployed.
- 5.5 The intention is to complete all planned work within the year. However, the timing and respective prioritisation of work will take account of:
- The need to finalise any work from 2014/15 that remains incomplete at year-end
  - The need to prioritise the reviews deferred from the 2014/15 Audit Plan
  - The requirement to provide assurance over the Council’s key financial systems
  - The views of management of the service areas in regard to the timing of work
  - Any other factors that may be relevant to the timing of a particular piece of work

- Any urgent unplanned work arising
  - Changes in the level of audit resources available
- 5.6 The Audit Plan will be kept under review during the year and it may be necessary to make revisions to planned work in order to respond to changes in priorities or changes in the level of internal audit resources. Minor changes will be agreed with the Operational Director – Finance. Any significant changes will be reported to the Business Efficiency Board.
- 5.7 The following appendix sets out the proposed Audit Plan for 2015/16 explaining the rationale for each piece of planned work.

## SUMMARY INTERNAL AUDIT PLAN - 2015/16

Corporate Priority	Planned Days
<b>Corporate Effectiveness &amp; Business Efficiency:</b>	
Financial Management	155
People Management	40
Information Management	50
Asset Management	35
Governance	130
Anti-Fraud & Corruption	65
<b>Children &amp; Young People in Halton</b>	<b>292</b>
<b>Employment, Learning &amp; Skills in Halton</b>	<b>5</b>
<b>A Healthy Halton</b>	<b>140</b>
<b>A Safer Halton</b>	<b>15</b>
<b>Halton's Urban Renewal</b>	<b>50</b>
<b><u>Other work:</u></b>	
Contingency	164
Manchester Port Health Authority	3
Completion of outstanding 2014/15 audits	90
<b>Total Planned Days</b>	<b>1231</b>

## Corporate Effectiveness &amp; Business Efficiency:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>Financial Management</b>				
Adult Social Care charges	20	Implementation of Care Financials will lead to significant changes to processes.	Financial assessment and invoicing procedures	Audit report
Procurement Strategy	20	Improved procurement practice is one of the key elements of the Council's overall strategy in responding to continuing funding pressures.	Implementation of the Procurement Strategy and testing compliance with Procurement Standing Orders.	Audit report
Income	20	A significant element of the Council's overall income derives from fees and charges. However, there is a pattern of reducing income levels across the Council.	The review will focus on the efficiency and effectiveness of the various systems used to collect income from fees and charges.	Audit report
<u>Financial key control reviews:</u>		These systems provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within each financial system	Audit report for each system
Payroll	10			
Loans & Investments	10			
Income Control and Reconciliation	10			
NNDR	10			
Council Tax	10			
Housing Benefit	10			
Accounting journals	5			
Accounts receivable	10			
Accounts payable	10			
Fixed assets	10			
<b>Total</b>	<b>155</b>			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>People Management</b>				
Employee Engagement	20	<p>Employee engagement is when employees are happy in their job, focused on the tasks assigned to them, are more productive and take less time off sick.</p> <p>The recent results of the staff survey highlighted five areas of concern which may indicate that employees are feeling less engaged than they were previously:</p> <ul style="list-style-type: none"> <li>• Lack of career and development opportunities;</li> <li>• Not feeling valued;</li> <li>• Stress levels increasing;</li> <li>• Having to work excessive hours;</li> <li>• Reduced motivation and morale.</li> </ul>	The review will examine on the arrangements the Council has put in place to promote employee engagement and address the issues identified in the staff survey.	Audit report
Learning & Development	20	Learning and development is an investment for any organisation. At a time of continuing funding pressures it is therefore particularly important that there is a clear business link to the needs of the organisation and that learning and development opportunities are provided in a cost-effective manner.	The audit will examine the arrangements put in place to identify and address the learning and development needs of the organisation and individuals. This will include reviewing how the effectiveness of investment in learning and development opportunities are assessed.	Audit report
<b>Total</b>	<b>40</b>			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>Information Management</b>				
CareFirst Financials	20	<p>CareFirst Financials provides a complete set of financial management tools that are fully integrated with the CareFirst care management system.</p> <p>The module will have a significant impact on a range of areas, including budget management, provider payments and charging.</p> <p>This audit was originally included in the 2014/15 Audit Plan but has been deferred due to delays with the system's implementation.</p>	Post-implementation review	Audit report
Remote and agile working	20	<p>The Council is rationalising its administrative buildings and is implementing an agile working policy. This will increasingly see employees working from a range of locations potentially leading to an increase in home working.</p> <p>Increased adoption of mobile working presents additional security risks which the Council needs to manage.</p>	Review of the arrangements in place to manage the additional risks presented by remote and mobile working.	Audit report
Agresso – IT system review	10	<p>The Agresso system has recently undergone a significant upgrade to Milestone 4.</p> <p>The Council will also commence hosting the Agresso system for Sefton MBC from April 2015.</p>	Review of system administration, backup and data security arrangements for the Agresso system.	Audit
<b>Total</b>	<b>50</b>			



Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>Asset Management</b>				
Unoccupied Council buildings	20	Unoccupied buildings present a cost and an insurance risk to the Council. They also provide an opportunity to be put to an alternative use or to be sold to generate capital receipts.	Review to focus on compliance with conditions of insurance in regard to unoccupied buildings. It will also examine the Council's plans or strategies for future use or disposal.	Audit report
Land & Property disposals	15	Part of the Council's strategy to address the funding reductions is to rationalise its land and property portfolio.	Review to examine processes followed to ensure that the Council obtains the best consideration for any land and property disposals.	Audit report
<b>Total</b>	<b>35</b>			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>Governance</b>				
Performance Reporting	20	The LGA Peer Review suggested that there may be an opportunity to review the level of detail currently included in performance data.	Review of the process and controls governing the selection, collection, processing and analysis of performance data and how results are reported and utilised to improve performance.	Audit report
Local Code of Corporate Governance	20	The Council has a Local Code of Corporate Governance that forms part of the Constitution. The document sets out how the Council ensures that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.	The review will examine and test the operation of some of the key elements of the Local Code of Corporate Governance. This audit will form one of the sources of assurance for the Council's Annual Governance Statement.	Audit report
Council Constitution	5	Need to ensure that the Council Constitution reflects changes in the legislation, policies and procedures.	Internal Audit contributes to a working party that meets each year to review and propose changes to the Council's Constitution.	Updated Council Constitution
Annual Governance Statement	5	Statutory requirement for the Council to produce an Annual Governance Statement.	Internal Audit input to the Corporate Governance Group which develops the Annual Governance Statement.	Publication of Annual Governance Statement
Reporting to the Business Efficiency Board	15	The Council Constitution requires Internal Audit to report to the Business Efficiency Board.	Attendance at, and preparation of reports for, the Business Efficiency Board on internal audit and governance related matters.	Audit Plan Regular progress reports Internal Audit Annual Report Annual Fraud & Corruption report
Follow up of internal audit recommendations	50	To provide assurance that agreed internal audit recommendations are implemented.	Follow up of agreed internal audit recommendations to determine whether or not they have been implemented.	Follow up audit reports

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Information Governance	7	Information governance refers to the structures, policies, procedures, processes and controls implemented to manage information at an organisational level.  Penalties of up to £500k can be imposed for breaching the Data Protection Act.	Internal audit input to the work of the Information Governance Group	Further development of the Council's information governance arrangements
Working groups / advice	8	Internal Audit is frequently asked for advice on specific issues and to contribute to various working groups within the Council.	Advice and input to be provided as required	Advice and guidance on risk and control issues
<b>Total</b>	<b>130</b>			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>Anti-Fraud &amp; Corruption</b>				
National Fraud Initiative (NFI)	15	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.	Co-ordination and investigation of the data matches identified from the exercise.	An update will be provided for the Business Efficiency Board in the Annual Fraud & Corruption report.
Review of Counter Fraud arrangements	10	Fraud and corruption are ever-present risks to all organisations. Official estimates assess the value of fraud loss in the public sector to be significant.  The Business Efficiency Board is responsible for reviewing the adequacy of the Council's arrangements to counter fraud and corruption. This audit will provide assurance to the Board over the adequacy of these arrangements.	Review against best practice guidance produced by CIPFA in 'Managing the Risk of Fraud'.	Annual report to the Business Efficiency Board on the Council's Anti-Fraud and Corruption arrangements
Fraud awareness & Whistle-blowing initiatives	15	Employee education and awareness of fraud risks form a key element of an organisation's resilience to fraud.	Fraud awareness marketing campaign	Increased fraud awareness amongst employees and Members
Fighting Fraud In Cheshire	15	The Council has been successful in a joint bid to secure funding from the DCLG for a Counter Fraud Analyst post.  The post will undertake proactive forensic analysis, investigation and awareness-raising in areas identified with a high risk of fraud across the four Cheshire local authorities.	The areas that formed the basis of the successful bid were procurement / contract fraud and insurance fraud.	Identification and investigation of potential frauds.  Training and information sharing across the four Cheshire authorities.  Re-design of systems where fraud risks identified.

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Confidential Offence Reporting	5	Internal audit receives reports from the public that are submitted through the Council's online reporting system. Reports received may relate to suspected fraud but also cover other issues such as fly tipping, noise pollution and child neglect.	The reports are reviewed and assigned to the relevant team within the Council to be investigated.	Investigation of complaints raised by members of the public
Fraud in Schools	5	The Audit Commission publication 'Protecting the Public Purse 2014' highlights that the number of cases of fraud affecting maintained schools is increasing.	Development of fraud awareness guidance for schools.	Guidance document to be circulated to schools
<b>Total</b>	<b>65</b>			

## Children & Young People in Halton:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Sustainable School Travel	20	The Council has a duty to provide 'home to school' assisted travel arrangements for children of statutory school age under the Education and Inspections Act 2006. The Act also requires the Council to produce a Sustainable School Travel Policy. This document incorporates the Council's policy for the provision of education transport. Expenditure on school transport exceeds £1.2m per year.	Full review of the systems in place that ensure the Council meets its legal obligations in regard to school travel.	Audit report
Specialist Services	20	A range of specialist services are commissioned from voluntary sector providers. 2015/16 expenditure on commissioned services is budgeted at approximately £2.1m.	The review will focus on commissioning, contract management and financial control arrangements.	Audit report
Support to Care Leavers	20	The Council has statutory duties to support young people leaving care under the Leaving Care Act (2000). This includes financial support in moving into independent living and support with employment, education or training. Failure to improve education and employment opportunities for Care Leavers is identified as a key risk in the Children & Enterprise Directorate Risk Register.	The review will examine the effectiveness of the measures taken to improve education and employment opportunities, performance management and provision of financial support.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Free Early Education Entitlement	20	<p>Local authorities are required by legislation to secure and fund education places offering 570 hours a year until a child reaches compulsory school age.</p> <p>Expenditure on Free Early Years Education Entitlement for 2015/16 is budgeted at approximately £2.5m.</p> <p>Concerns have been identified by other local authorities in the region in regard to the way in which some providers charge for the sessions provided.</p>	The audit will focus on how the Council controls and reconciles payments to providers.	Audit report
Foster Care and Special Guardianship Orders	20	<p>Foster carers are an essential component of the local authority's care provision. They provide placements for children in care and receive an allowance for this service.</p> <p>The allowance paid is determined by each local authority. During 2014/15, the Council introduced a revised scheme for the payment of foster care allowances.</p> <p>Projected expenditure in this area for 2014/15 is approx. £2.0m against a budget of £1.7m.</p>	The audit will examine the financial management arrangements relating to the calculation and payment of Foster Care allowances and Special Guardianship Orders allowances.	Audit report
Troubled Families	10	<p>This is a Government initiative involving local authorities and their partners to help turn around the lives of troubled families in England.</p> <p>Funding is available to local authorities under a payment by results model.</p>	Verification and certification work in respect of the quarterly claims to be submitted in 2015/16.	Annual audit report covering quarterly claims

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Out of Borough and independent residential placements	20	This audit was requested by management as there are significant budget pressures in this area. Projected spend in 2014/15 is £5.0m against a budget of £2.85m.	The audit will examine the procurement, contract management, and budgetary control arrangements.	Audit report
School admissions	15	School admission fraud is on the increase with some parents providing false information on their child's application form in a bid to secure their child access to particular primary and secondary schools.	The review will examine the systems and controls in place to verify school admission applications and the process for allocating places.	Audit report
Birth to 25 Education, Health and Care Plans	20	The Children and Families Bill 2013 extends the SEN system from birth to 25, giving children, young people and their parents greater control and choice in decisions and ensuring needs are properly met. This will include an offer of a personal budget for families with an Education, Health and Care Plan.	The audit will examine the systems and processes established by the Council in response to the new legislation.	Audit report



Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<p><b><u>School audits:</u></b>            All Saints Upton CEVC            Ashley School            Beechwood            Brookvale            Castle View            Chesnut Lodge            Gorsewood            Halebank CEVC            Moorfield            Murdishaw West            Our Lady Mother Of The Saviour RC            Pewithall            Spinney Avenue CEVC            St Berteline's CE            St Clement's RC            St John Fisher RC            Westfield            Woodside</p>	127	<p>The Council has 60+ schools that are responsible for setting their own budgets and managing their finances.</p> <p>The frequency of school audit visits is determined by the audit assurance rating from the previous audit:</p> <ul style="list-style-type: none"> <li>• Substantial – 4 year cycle</li> <li>• Adequate – 3 year cycle</li> <li>• Limited – Annual cycle</li> </ul>	A standard audit programme has been developed for school audits, which is tailored to each school as required.	Audit report for each school
<b>Total</b>	292			

**Employment, Learning & Skills in Halton:**

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Halton People Into Jobs	5	<p>A4e is one of the prime contractors for the DWP's Work Programme, which is being delivered through a number of contract areas. Halton is part of a large contract area which includes Merseyside, Lancashire and Cumbria.</p> <p>The Council acts as a sub-contractor to A4e in delivering employment support services under the programme.</p> <p>As part of the contractual arrangements with A4e, the Council is required to comply with the A4e Security Plan.</p>	Annual verification work in regard to compliance with the A4e Security Plan (ISO27001:05).	Audit report
<b>Total</b>	<b>5</b>			

**A Healthy Halton:**

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Public Health	20	The Council assumed new responsibilities for the public health function in April 2013.	The review will examine the governance arrangements for public health and how these have been incorporated into the Council's structure. It will also examine the contract management arrangements relating to the services commissioned by the Public Health team.	Audit report
Domiciliary and Personal Care Services	20	The Council awarded new contracts for Domiciliary and Personal Care contracts in 2014/15. The annual total cost of the contracts is over £4.5m. Changes to the arrangements for paying providers are also being introduced as a result of the implementation of CareFirst Financials.	The audit will focus on contract management and payment procedures.	Audit report
Mental Health and Wellbeing	20	The Council has adopted a Mental Health and Wellbeing Strategy. Effective commissioning of services is a key element in improving outcomes for service users.	The audit will cover commissioning, contract management and financial management arrangements.	Audit report
Care Services – Contingency Planning	20	The majority of domiciliary and residential care is commissioned from independent providers. There is consequently a significant risk to the Council should a major provider of care services fail.	The audit will how the Council vets potential social care providers to gain assurance over their financial stability. It will also examine how robust the contingency arrangements are should a major provider fail.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Health Improvement Team	20	The Halton Health Improvement Team transferred to the Council in 2014/15. The team provides a wide range of services to help residents improve their health and wellbeing.	The audit will focus on governance and financial management arrangements.	Audit report
Better Care Fund	20	<p>The Better Care Fund (BCF) was announced by the Government in June 2013 to deliver a transformation in integrated health and social care. The BCF is a single pooled budget to support health and social care services to work more closely together in local areas.</p> <p>The total agreed value of the BCF Pooled Budget between the Council and the NHS Halton CCG for 2015/16 is £41.5m.</p>	The audit will examine the governance structures, financial management, risk management and performance management arrangements established in regard to the BCF.	Audit report
School Meals Service	20	<p>Free school meals were made available for all infant school children from September 2014. Schools receive funding of £2.30 per meal based on actual take-up by newly eligible infant pupils.</p> <p>Capital funding of £366k has also been received to increase capacity in school kitchens.</p> <p>The School Meals Service is also currently piloting a cashless pay solution in a number of schools.</p>	The audit will review controls relating to the cashless pay pilot and examine its impact on school meal take up. The accounting arrangements and use of capital funding relating to the provision of free school meals for infant school children will also be examined.	Audit report
<b>Total</b>	<b>140</b>			

**A Safer Halton:**

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Trading Standards	15	The service was brought back 'in house' in 2014/15 after being delivered by Warrington under a Service Level Agreement.	The audit will examine service planning and performance reporting in addition to examining controls around expenditure and control over test purchases.	Audit report
<b>Total</b>	<b>15</b>			

**Halton's Urban Renewal:**

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Section 106 Agreements	15	<p>The Financial Management Division has reported some difficulties in the processing of Section 106 charges, covering land charges on developments to contribute towards services, infrastructure and amenities.</p> <p>If these charges are not properly identified or conditions are not followed there is a risk of the Council having to repay the charge or it not being spent on the purpose for which it was specifically intended.</p>	The audit will review the adequacy and effectiveness of controls over the recording / monitoring of Section 106 Agreements.	Audit report
Highways	15	<p>A six-year contract is in place with 'Tarmac' for highway repairs, which was jointly let with Warrington Borough Council. The annual contract value is £3.5m.</p> <p>The procurement stages of the contract were previously audited but the operation of the contract has yet to be reviewed.</p>	The audit will provide assurance that there are sufficient controls in place to ensure that the contract conditions are fully complied with for work let under the contract in regards to the quality standards required and agreed cost.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Norton Priory – Monastery to Museum Project	15	<p>This is a joint venture between the Council and Norton Priory Museum Trust.</p> <p>The £4.478m project has received funding of £3.67m from the Heritage lottery. The remaining match funding is being raised by Norton Priory Trust.</p> <p>The project is due to start in March 2015 with completion expected in June 2016.</p>	The audit will examine the project in its entirety from contract award to contract completion.	Audit report
Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance)	5	<p>For 2015/16 the Council will receive an allocation of £3.13m for the integrated transport and highways maintenance block grant.</p> <p>It is a requirement that the Head of Internal Audit signs a declaration to confirm that the conditions of funding have been complied with.</p>	Grant claim audit	Certification of grant claim
<b>Total</b>	<b>50</b>			

**REPORT TO:** Business Efficiency Board

**DATE:** 25 February 2015

**REPORTING OFFICER:** Operational Director – Finance

**SUBJECT:** External Audit - Update Report

**PORTFOLIO:** Resources

**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

1.1 The purpose of this item is for Grant Thornton to:

- Update the Board on the progress made in delivering their responsibilities as the Council's external auditors;
- Provide a summary of emerging national issues and developments that may be relevant to the work of the Board.

**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 identified

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

8.1 None under the meaning of the Act.



# Business Efficiency Board Update

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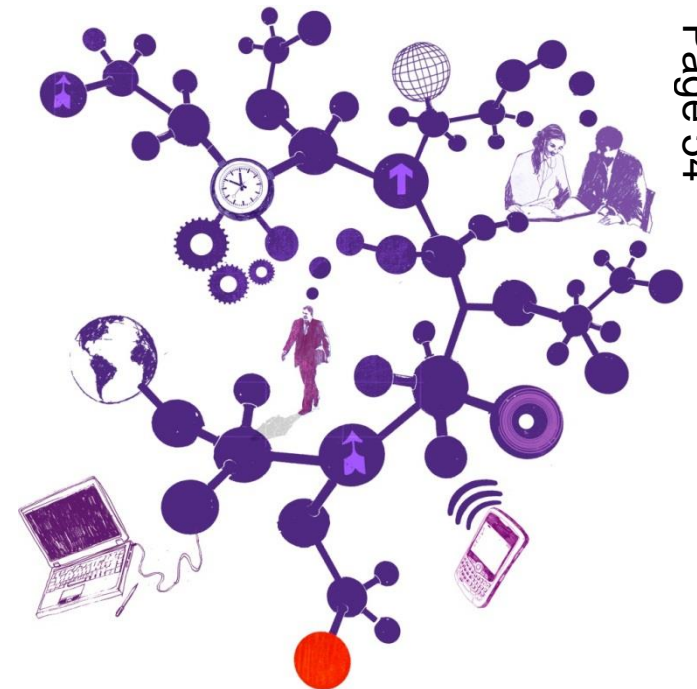
**Year ended 31 March 2015**

February 2015

Mark Heap  
Director  
T 0161 234 6375  
E [mark.r.heap@uk.gt.com](mailto:mark.r.heap@uk.gt.com)

Liz Temple-Murray  
Manager  
T 0161 214 6370  
E [liz.m.temple-murray@uk.gt.com](mailto:liz.m.temple-murray@uk.gt.com)

John Padfield  
Executive  
T 0161 214 6378  
E [john.padfield@uk.gt.com](mailto:john.padfield@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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# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at February 2015	5
Emerging issues and developments	8

# Introduction

This paper provides the Business Efficiency Board 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.

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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

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

Mark Heap, Engagement Lead    T 0161 234 6375    M 07880 456 204    E [mark.r.heap@uk.gt.com](mailto:mark.r.heap@uk.gt.com)  
Liz Temple-Murray, Engagement Manager    M 07880 456 171    E [liz.m.temple-murray@uk.gt.com](mailto:liz.m.temple-murray@uk.gt.com)

# Progress at February 2015

**Progress against plan**

**on track**

**Opinion and VfM conclusion**

**all planned to be met**

**Outputs delivered**

**Fee letter and Progress Reports delivered to plan**

Audit work	Planned date	Complete?	Comments
<p><b>2014-15 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 2014-15 financial statements.</p>	<p>March 2015</p>	<p>In progress</p>	<p>We sent the 'Planned fee letter for 2014/15' to the Council on 24 April 2014 and presented it to the Board on 11 June 2014. This included notification of the scale fee of £139,322 set by the Audit Commission, the scope of the audit and an outline audit timetable. The Audit Commission has now confirmed an updated scale fee of £140,392 to take into account a supplementary fee for audit work on business rates.</p> <p>The Audit Plan will be presented to the next meeting of the Business Efficiency Board.</p>
<p><b>Interim accounts audit</b> Our interim fieldwork visit including:</p> <ul style="list-style-type: none"> <li>• updated review of the Council control environment</li> <li>• updated 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>	<p>December 2014 to March 2015</p>	<p>In progress</p>	<p>We will build on our knowledge of the Council following the audit last year.</p> <p>We are currently completing our interim work and issues arising will be set out in the Audit Plan presented to the next meeting of the Business Efficiency Board.</p>

# Progress at February 2015

Audit and certification work	Planned date	Complete?	Comments
<p><b>2014-15 final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>audit of the 2014-15 financial statements and Whole of Government Accounts (WGA)</li> <li>proposed opinion on the Council's accounts and WGA</li> <li>proposed Value for Money conclusion.</li> </ul>	June to September 2015	Not yet started	
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises the two criteria specified by the Audit Commission:</p> <ul style="list-style-type: none"> <li>The organisation has proper arrangements in place for securing financial resilience. The focus will be on whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> <li>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The focus will be on how the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</li> </ul>	January to September 2015	In progress	<p>The detailed guidance from the Audit Commission has now been published on its website for the benefit of auditors and audited bodies. This includes the key areas for consideration that will be reviewed under both the criteria.</p> <p>We are starting to carry out an initial risk assessment to determine our approach and report this in our audit plan</p>
<p><b>Other areas of work – certification work under the Audit Commission Regime</b></p> <ul style="list-style-type: none"> <li>2013/14 - Housing Benefit (HB); Two transport (TRA) - Mersey Gateway and Silver Jubilee Bridge</li> <li>Grant Certification 2014/15 – Housing Benefit; transport claims</li> </ul>	<p>HB 28 November 2014</p> <p>TRA 31 December 2014</p> <p>November and December 2015 respectively</p>	<p>2013/14 complete</p> <p>2014/15 not yet started</p>	<p>The letter reporting the outcome of our certification work 2013/14 is being presented to the February 2015 BEB meeting</p> <ul style="list-style-type: none"> <li>The Housing Benefit claim - certified with no qualification letter and a small amendment.</li> <li>The Silver Jubilee Bridge and Mersey Gateway Bridge transport claims - certified with no amendment or qualification letters.</li> </ul>

# Progress at February 2015

Non-audit services work	Planned date	Complete?	Comments
<p><b>Other activity undertaken* – claims and returns</b>            You asked us to provide a report on a number of claims that do not fall under the Audit Commission regime:</p> <ul style="list-style-type: none"> <li>independent report on Teachers' Pensions return (PEN); agreed fee £4,200</li> <li>independent report on Regional Growth Fund claim (RGF); agreed fee £3,110</li> </ul>	PEN 28 November 2014. RGF Feb 2015 (revised date June 2015)	PEN complete RGF re-scheduled	<ul style="list-style-type: none"> <li>We completed the Teachers' Pensions return by the deadline; there were no amendments and nothing to report by exception. The final fee was the same as the agreed fee of £4,200.</li> <li>The DCLG has recently informed the Council of new deadlines for RGF claims - 15 June 2015 for submission by the Council and 30 June for the auditor's report.</li> </ul>
<p><b>Other activity undertaken* – tax</b>            Other service lines within Grant Thornton UK LLP have undertaken Tax (Employee Solutions) work for the Council:</p> <ul style="list-style-type: none"> <li>Tax; agreed fee £8,750</li> </ul>	By March 2015	Substantially complete	Tax work comprises: Construction Industry Scheme training workshop; review of the tax treatment of the Council's salary sacrifice scheme; and advice relating to the Mersey Gateway Crossings project.
<p><b>Other activity undertaken* – VAT</b>            Other service lines within Grant Thornton UK LLP have undertaken VAT advice and Tax (Employee Solutions) work for the Council:</p> <ul style="list-style-type: none"> <li>VAT; agreed fee £25,800 - £27,800</li> </ul>	By March 2015	Substantially complete	VAT work includes advice and queries on: the development of Norton Priory; the pooled budget; option to tax; Runcorn Hill Park Café; the treatment of dilapidations; s106; GPark Widnes; Assist Education.

## Note re: Other activity undertaken\*

- We are required to disclose in writing to the Council the auditor independence assessment and summary of non-audit services and related safeguards; and that we are independent and the objectivity of the audit partner and audit staff are not impaired. We confirm that we are satisfied that our independence as external auditor to the Council will not be impaired by any of this additional work. The tax and VAT work will be led and undertaken by a team separate from the audit team; our work does not involve making decisions on management's behalf. The certification work is in line with certification work completed under the Audit Commission framework; the scope does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
- We are required to seek specific approval from the Audit Commission for Grant Thornton to undertake additional work over a threshold of 20% of the audit fee. We can confirm that the Audit Commission has noted our arrangements to ensure independence and approved the additional fee work noted above.

# Grant Thornton training and publications

## Grant Thornton

### Accounts workshops for local government:

Grant Thornton is running workshops in partnership with CIPFA for preparers of accounts at Local government bodies. The workshops are designed and delivered by CIPFA colleagues and our highly experienced public sector assurance team and will be delivered through a mix of presentations and group exercises to maximise networking opportunities and shared learning. They will help officers prepare for the financial statements by highlighting potential risk areas and giving the opportunity for discussion and questions. Amongst the areas covered are:

- the revised accounting treatment for group accounts and joint arrangements;
- accounting for schools;
- year-two accounting for business rates retention; and
- material cross-cutting issues and disclosure requirements..

The local workshops are:

27 Feb 2015 Preston

3 and 6 March 2015 Manchester

### Forthcoming publications:

Grant Thornton is the appointed external auditor to around 40% of local government bodies in England, giving us an excellent insight into the key issues facing the sector and the solutions being adopted across the country. From research, meeting with key people, carrying out presentations and workshops, and attending audit committees, we find that many of the key issues raised and risks faced are common to many authorities. We have a programme of publications for up-to-date insight and analysis from our technical, sector and service teams – such as our December 2014 report 'Rising to the Challenge' on financial health at English local authorities. Planned publications relevant to local authorities include:

- Audit Committee Effectiveness (survey)
- Welfare Reform (second report)
- Health and Wellbeing Guide (Place Analytics)
- Alternative Delivery Models (2<sup>nd</sup> report)
- Where Growth Happens (2<sup>nd</sup> report)



# Rising to the challenge – financial health of local government

## Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

# All Aboard? – Local Government Governance Review 2015

## Grant Thornton

Our national report, Local Government Governance Review 2015: All Aboard, was published in February and is available at: <http://www.grant-thornton.co.uk/en/Publications/2015>

The challenges faced by local authorities continue to intensify. The task of maintaining good and effective governance is becoming ever more complex, and at the same time increasingly important. This report aims to assist the managers and elected members of councils, fire & rescue authorities (FRAs) and police bodies to assess the strength of their governance arrangements and to prepare for the challenges ahead. We have focused on three particular aspects:

- governance of the organisation: ensuring internal governance arrangements are robust, with risks properly managed while effective scrutiny holds the executive to account
- governance in working with others: implementing appropriate governance arrangements for alternative service delivery models and new cross-sector responsibilities such as public health
- governance of stakeholder relationships: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

The findings are based on comprehensive research by auditors and a wide-ranging survey of council / FRA /police senior officers and members. We report that:

- 90% of our survey feel their organisations encourage well-managed risk taking and innovation, but:
- 46% consider that backbench members have no real influence over council decisions
- 43% think scrutiny committees are not effective at challenging the way authorities do things
- 87% of respondents say their organisations are now using or considering alternative delivery models but only 45% feel that scrutiny of service quality is sufficiently challenging
- 49% say the transition to police and crime commissioners has not had a positive impact on local partnership working arrangements
- 42% see no difference in local healthcare governance as a result of councils' new public health role
- The annual accounts and annual governance statement continue to expand in length, making them even more challenging for the public to read and understand
- Only 30% of cabinet positions in local authorities are held by women, while over half our survey say members do not adequately reflect the demographic profile of the local population.

Alongside the research findings, the report highlights examples of good practice and also poses a number of questions for management and Members, to help them assess the strength of their current governance arrangements. Hard copies of our report are available from your Engagement Lead or Audit Manager.

# Accounting for schools

## Accounting and audit issues

### Accounting for schools

The debate about the recognition of school land and buildings on local authority balance sheets (which most commentators had thought settled) has been reignited. Grant Thornton is taking a leading role in trying to resolve this unexpected development.

In March, CIPFA/LASAAC Code concluded that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities that need to be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the CIPFA/LASAAC Code requires local authorities to account for maintained schools within their single entity accounts. This includes school income and expenditure as well as assets and liabilities. The general expectation in the sector was that:

- the vast majority of voluntary aided, voluntary controlled and foundation schools would be recognised on local authority balance sheets
- a small number of school buildings that are provided at no charge by a religious body and where there was a realistic possibility that they could be taken back by their owners would be treated as assets of the religious body and so not recognised on the local authority balance sheet.

However, at the CIPFA conference in November, CIPFA clarified that it considers that most voluntary aided and voluntary controlled school buildings would **not** be recognised on the balance sheet. This view has been set out in more detail in LAAP 101. This is because the religious bodies have a legal right to take back these assets. Nor does CIPFA consider the position for foundation school building to be clear cut and local judgement would need to be applied. We are discussing issues with CIPFA in particular:

- how the treatment proposed by CIPFA complies with the Code
- the significant practical implications for the sector
- the potential for inconsistent accounting treatments depending on local judgement.

We are working with the Audit Commission, CIPFA and the other audit firms suppliers to try to seek a practical way forward as soon as possible.

We will continue to share the latest developments with officers. In the mean time we note your preparations for recognising school land and building including:

- identifying those schools where school buildings are owned by third parties (such as church dioceses) and determining under what circumstances the buildings could be taken back by the third party
- obtaining valuations for school land and buildings for each of the three balance sheet dates (1 April 2013, 31 March 2014, 31 March 2015)
- obtaining sufficient information to enable the authority to restate its revaluation reserve and capital adjustment account.

# Group accounting standards

## Accounting and audit issues

The CIPFA Code has adopted a new suite of standards for accounting for subsidiaries, associates and joint arrangements. These changes affect how local authorities account for services delivered through other entities and joint working with partners. The key changes for 2014/15 are to:

- the definition of control over 'other entities'. The revised definition is set out in IFRS 10 and determines which entities are treated as subsidiaries
- the accounting for joint arrangements. This now follows IFRS 11 and includes changes to the definition of joint ventures and how joint ventures are consolidated in group accounts
- disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities as set out in IFRS 12.

### **Changes to the definition of control over 'other entities'**

Control was previously defined in terms of power to govern the financial and operating policies of an entity. IFRS 10 sets out three elements for an investor to be considered as controlling an investee (all of which must be met):

- the investor has the rights to direct the relevant activities of the investee (relevant activities being the ones that determine the return for the investors – the return could be in the form of a service rather than money)
- the investor has exposure, or rights, to variable returns from its involvement with the investee
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the commercial sector, this is generally thought to have resulted in more entities being treated as subsidiaries. However, the change is in both directions: some subsidiaries have been redefined as associates. Local authorities with investments in 'other entities' will need to consider whether:

- they control any entities using the new definition. Local authorities will need to pay particular attention to special purpose vehicles and any other entities where there was a close judgement call under the old IAS 27
- there is a need for a prior period adjustment.

# Group accounting standards (continued)

## Accounting and audit issues

### Changes to accounting for joint arrangements

Joint arrangements are contractual arrangements between two or more parties where there is joint control. IFRS 11 makes three key changes from IAS 31:

- there are now only two types of joint arrangements: joint operations and joint ventures
- In a joint operation the investing parties have rights and obligations in relation to the arrangement's assets and liabilities, whereas in a joint venture the parties have rights to the arrangement's net assets. IFRS 11 bases its definition of joint ventures on the substance of the arrangement rather than legal status. It is for the entity to assess whether a joint arrangement is a joint operation or joint venture by considering its rights and obligations arising from the arrangement. To do this the entity needs to consider the structure and legal form of the arrangement, the terms agreed by the parties and any other relevant facts and circumstances. Appendix B to IFRS 11 provides further explanation and examples of joint operations and joint ventures.
- local authorities are still required to consolidate joint ventures in their group accounts but must now do so using the equity (single line) method. The option for proportionate (line-by-line) consolidation has been removed.

The key challenge for most local authorities will be determining whether their joint arrangements are joint ventures or joint operations. The difference should be clear from the contract but in some cases judgement may be required. Local authorities that have previously used the proportionate consolidation method will need to account for the move to equity accounting as a prior period adjustment.

### Disclosure of interests in other entities

IFRS 12 makes consistent the requirements for disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. It includes the need for transparency about the risks to which the reporting entity is exposed as a consequence of its investment in such arrangements.

# Earlier closure and audit of accounts

## Accounting and audit issues

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is almost 4 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

# Financial sustainability of local government

## Local government guidance

In November the National Audit Office published their report on the [Financial Sustainability of Local Government](#).

The report concludes that Local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. The Department for Communities and Local Government has a limited understanding of authorities' financial sustainability and the impacts of funding cuts on services, according to the National Audit Office.

The Government reduced its funding to local authorities by an estimated 28% in real terms between 2010-11 and 2014-15. Further planned cuts will bring the total reduction to 37% by 2015-16, excluding the Better Care Fund and public health grant. Although there have been no financial failures in local authorities in this period, a survey of local auditors shows that authorities are showing signs of financial pressure. Over a quarter of single tier and county councils had to make unplanned reductions in service spend to deliver their 2013-14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52% of single tier and county councils not being well-placed to deliver their medium-term financial plans.

There are significant differences in the scale of funding reductions faced by different authorities. Authorities that depend most on government grant are the ones most affected by funding reductions and reforms. This was an outcome of policy decisions to tackle the fiscal deficit by reducing public spending, and for local authority funding to offer incentives for growth.

Local authorities have tried to protect spending on social care services. Other service areas such as housing services and culture and leisure services have seen larger reductions. While local authorities have tried to make savings through efficiencies rather than by reducing services, there is some evidence of reduction in service levels.

According to the NAO, however, the Department does not monitor in a coordinated way the impact of funding reductions on services, and relies on other departments and inspectorates to alert it to individual service failures. In consequence, the Department risks becoming aware of serious problems with the financial sustainability of local authorities only after they have occurred.

The Department's processes for assessing the capacity of authorities to absorb further funding reductions are also not sufficiently robust.

# Public Health England - supporting local authorities with their new responsibilities for public health

## Local government guidance

The National Audit Office (NAO) has recently published a report that finds that Public Health England (PHE) has made a good start in supporting local authorities with their new responsibilities for public health. The NAO considers however that it is too early to tell whether PHE's approach is achieving value for money.

PHE provides advice to local authorities on public health and gives them a ring-fenced grant to carry out their new public health responsibilities – £2.7 billion in 2013/14. The agency has, however, encountered some problems with the accuracy of how local authorities record what has been spent on public health.

Spending on different aspects of public health varies significantly between local authorities, reflecting the differing needs and circumstances of different areas. The NAO found, however, examples where spending decisions were not obviously aligned to local needs and priorities. The NAO found that PHE could do more to identify these examples and offer appropriate advice and support to local authorities.

Public health funding increased by 5.5% in 2013/14, reflecting the importance the Department of Health places on this issue. Historic local decisions on public health funding by the NHS have left some local authorities receiving a significantly greater or lesser proportion of the funding than they would have been allocated based on need. The Department has not decided how long the ring-fence will remain in place. According to the NAO, PHE's ability to influence and support public health outcomes will be put to the test in future, should the grant cease to be ring-fenced.



# Local government financial reporting remains strong

## Local government guidance – Audit Commission

### Auditing the Accounts 2013/14

The Audit Commission published its report, [Auditing the Accounts 2013/14: Local government bodies](#), on 11<sup>th</sup> December. Audited accounts are the principal means by which public bodies discharge their accountability for the stewardship of public money. Publishing timely audited accounts, with an unqualified audit opinion, reflects well on bodies' financial management arrangements and is a fundamental feature of good governance.

#### Key messages:

- The audit opinion was issued by 30 September at 99 per cent of councils, 90 per cent of fire and rescue authorities, 97 per cent of police bodies, all other local government bodies and 99 per cent of both parish councils and internal drainage boards. This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2012/13. Eight principal authorities were listed where the auditor was unable to issue an opinion by the 30th September deadline.
- Overall, 506 out of 512 principal bodies met the statutory accounts publication requirements.
- Sixteen principal bodies received an unqualified opinion by 31 July 2014 and published their audited accounts promptly. This compares to 13 bodies for 2012/13. Although, as only 21 principal bodies have managed to publish their audited accounts by 31 July since 2008/09, a move to bring the accounts publication date forward is likely to cause significant challenges for the majority of public bodies.
- The RFO failed to sign and certify the accounts by 30 June 2014 at five principal bodies.
- At the date of preparing this report, no principal bodies had received a qualified audit opinion on the 2013/14 accounts.
- Auditors aimed to issue the assurance statement on the WGA return by 3 October 2014. They were able to do so at 95 per cent of principal bodies. This is a slight reduction from 2012/13, where auditors at 97 per cent of principal bodies were able to issue their assurance report by the specified submission date.
- The timeliness of WGA reporting has improved since 2008/09 although there is scope for bodies to improve the quality of the information submitted to inform the WGA.
- Of the 2013/14 conclusions on bodies' arrangements to secure VFM issued by auditors at the date of preparing this report, only those for 14 councils and two police bodies were qualified. Auditors issued a 'report on matters arising' from their VFM work at one council and one other local government body.
- Auditors exercised their public reporting powers and issued public interest reports at two principal bodies and five small bodies.

# Council tax and business rates income rises, despite £4.55 billion uncollected

## Local government guidance – Audit Commission

### Council tax and business rates collection

The Audit Commission has published Council tax and business rates collection: an update (November 2014), using publicly available data from its Value for Money (VFM) Profiles Tool. The update to two previous briefings, examining English councils' collection rates and costs of collecting council tax and business rates, reveals that £4.55 billion remained unpaid at the end of March 2014. The uncollected £4.55 billion is equivalent to the cost of building close to 300 secondary schools.

The debt consisted of over £1.21 billion of outstanding council tax and business rate payments that councils were unable to collect for 2013/14 and £3.34 billion due to councils from previous years. Councils collected just over £46.05 billion of the nearly £47.26 billion due to be collected in 2013/14.

Council tax collection rates for 2013/14 varied, both between types of council and among councils of the same type, from 91.7 per cent to 99.3 per cent. The council tax in-year collection rate for all types of council fell in 2013/14, except London boroughs, which remained unchanged, resulting in an overall national average fall of 0.4 per cent to 97 per cent compared to the previous year. This is only the second fall in the overall national in-year collection rate since council tax was introduced in 1993/94. Had the previous year's collection rate been maintained, councils would have collected around an additional £94 million in 2013/14.

Despite the reduction in collection rates, the amount of council tax collected in 2013/14 still increased by 2.7 per cent in real terms compared with the previous year. This could be due to a number of factors, including that:

- council tax benefit was replaced by local council tax support schemes in 2013/14, giving councils discretion over how much people of working age on low incomes should pay towards their council tax;
- councils could also increase the amount of council tax charged for empty and second homes; and
- 123 councils decided to increase the overall level of council tax rather than accept the government's offer of a grant to reduce it or freeze it at the 2012/13 level. The national average increase in council tax was 0.8 per cent in 2013/14.

The total council tax arrears owed to individual councils at the end of March 2014 ranged from £11.1 million to £105.2 million. Where councils decide debt is uneconomical to pursue they can write it off and in 2013/14, only 13 councils chose not to write off any debt. Of those that did, the amount they wrote off ranged from £1.1 million to £25.3 million.

# Three new publications from CIPFA

## Local government guidance – CIPFA publications

### **It's a risky business**

CIPFA in November 2014 published an updated edition of the 2005 publication *It's a Risky Business*. It has been brought up to date to reflect the latest in professional standards for internal audit, and developments in governance and in the UK public sector generally. It includes examples and case studies from audit practitioners to illustrate how internal auditors can provide assurance on and contribute to the improvement of their organisation's risk management processes.

Those charged with setting the strategic direction for the organisation and for ensuring its achievement are responsible for owning the risks to objectives and managing them effectively. But internal auditors have a valuable part to play in evaluating and contributing to risk management, governance and assurance processes. This publication is therefore aimed at internal audit, but it also has a wider audience in the public sector – all those interested in or responsible for public service governance and risk management, including leadership teams, chief executives, audit committees, other stakeholders and those responsible for managing the internal audit function.

### **Outcomes and Public Service Delivery**

This publication considers outcomes based approaches, their features and their application. This includes consideration of the various ways in which an outcomes view can be utilised in areas such as contracting, service development, performance measurement and reporting.

### **Code of Practice on Managing the Risk of Fraud and Corruption - Guidance Notes**

This publication replaces CIPFA's *Managing the Risk of Fraud* publication. The code and underpinning guidance notes contain good practice guidance that will help organisations improve the effectiveness of counter fraud arrangements.



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**REPORT TO:** Business Efficiency Board

**DATE:** 25 February 2015

**REPORTING OFFICER:** Operational Director – Finance

**SUBJECT:** Protecting the Public Purse – Fraud Briefing

**PORTFOLIO:** Resources

**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this item is to brief Members on comparative information on council fraud detection levels based on the Audit Commission's annual detected fraud and corruption survey from 2013/14. Submission of the survey is a mandatory requirement under Section 48 of the Audit Commission Act 1998.
- 1.2 Grant Thornton, as the Council's external auditor, provided confirmation that the submissions made fairly reflected their knowledge of the Council's fraud detection activities.
- 1.3 The report highlights national fraud risks and asks Members to consider if the Council's remaining counter-fraud resources and skill sets are adequate after its benefit fraud investigators have left to join the Single Fraud Investigation Service.
- 1.4 Grant Thornton will be attending the meeting to present their report.

**2.0 RECOMMENDATION: That the Board notes the report and considers the issues raised by Grant Thornton.**

## **3.0 SUPPORTING INFORMATION**

- 3.1 Please see attached report.

## **4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

- 4.1 This briefing report summarises the Council's performance in tackling a range of fraud types and provides an opportunity for Members to consider fraud detection performance compared to other unitary local authorities.

## **5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 5.1 Effective arrangements to prevent and detect fraud and corruption help to safeguard public money and therefore contribute to the achievement of all the Council's priorities.

**6.0 RISK ANALYSIS**

6.1 There are no risks directly associated with this report. However, the report highlights the potential fraud risks to which a local authority is likely to be exposed.

**7.0 EQUALITY AND DIVERSITY ISSUES**

7.1 None identified.

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

8.1 None under the meaning of the Act.

# Protecting the Public Purse

## Fraud Briefing 2014

Halton Borough Council



# Purpose of Fraud Briefing



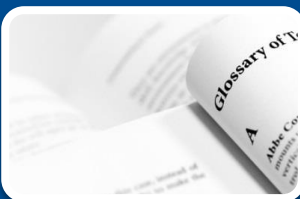
Provide an information source to support councillors in considering their council's fraud detection activities



Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities



Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed



Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud



# Understanding the bar charts

Outcomes for the first measure for your council are highlighted in yellow in the bar charts. The results of your comparator authorities are shown in the green bars.



Outcomes for the second measure for your council are highlighted as a green symbols above each bar. The results of your comparator authorities are shown in the white triangles.



A '\*' symbol has been used on the horizontal axis to indicate your council.

Page 78

All data are drawn from council submissions on the Audit Commission's annual fraud and corruption survey for the financial year 2013/14.

In some cases, council report they have detected fraud and do not report the number of cases and/or the value. For the purposes of this fraud briefing these 'Not Recorded' records are shown as Nil.

# Interpreting fraud detection results



Contextual and comparative information needed to interpret results



Detected fraud is indicative, not definitive, of counter fraud performance (*Prevention and deterrence should not be overlooked*)



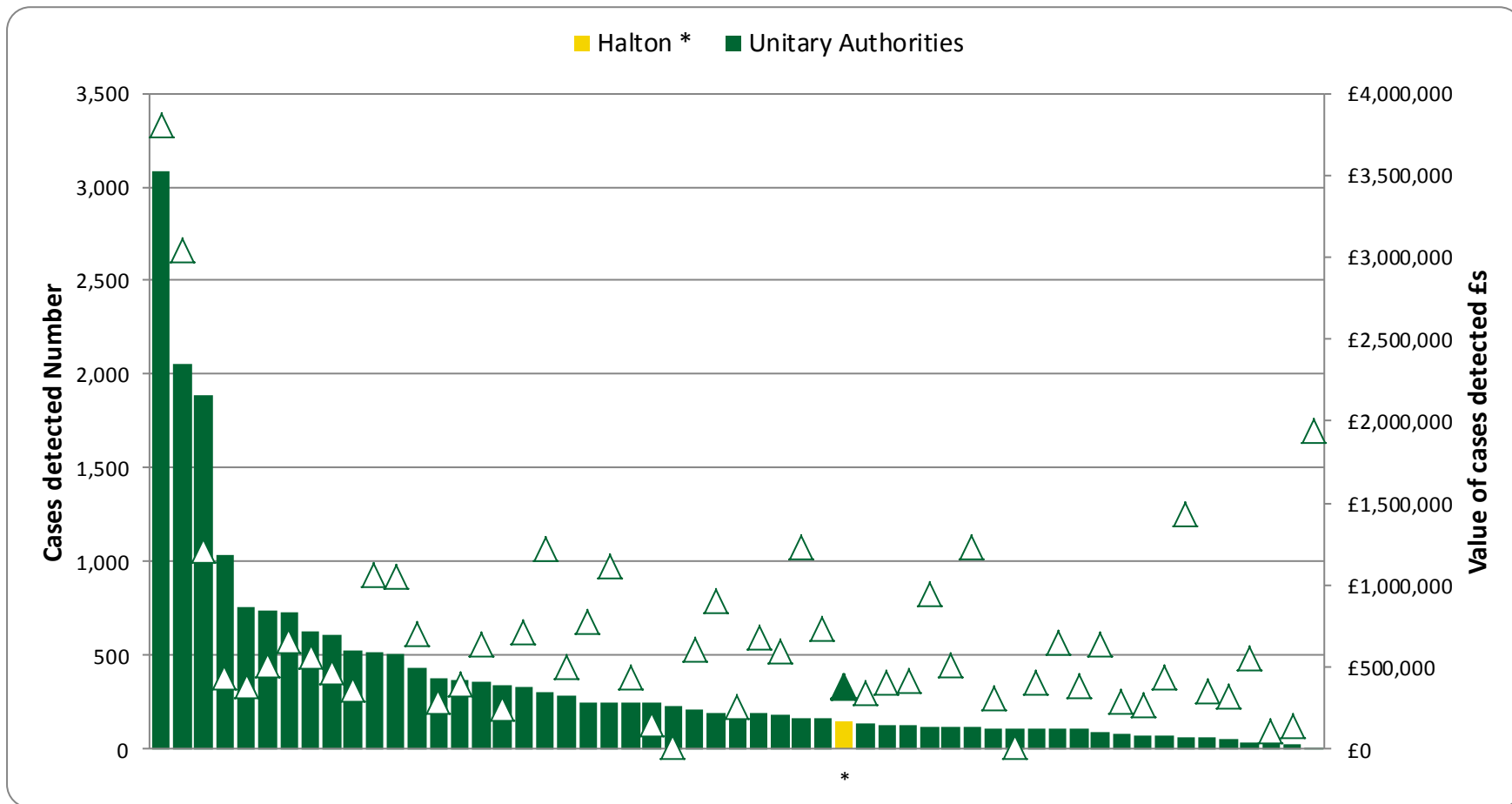
No fraud detected does not mean no fraud committed (*Fraud will always be attempted and even with the best prevention measures some will succeed*)



Councils who look for fraud, and look in the right way, will find fraud (*There is no such thing as a small fraud, just a fraud that has been detected early*)

# Total detected cases and value 2013/14 (Excludes Housing tenancy fraud)

## Halton



Halton detected 142 cases of fraud. The value of detected fraud was £376,136 #.

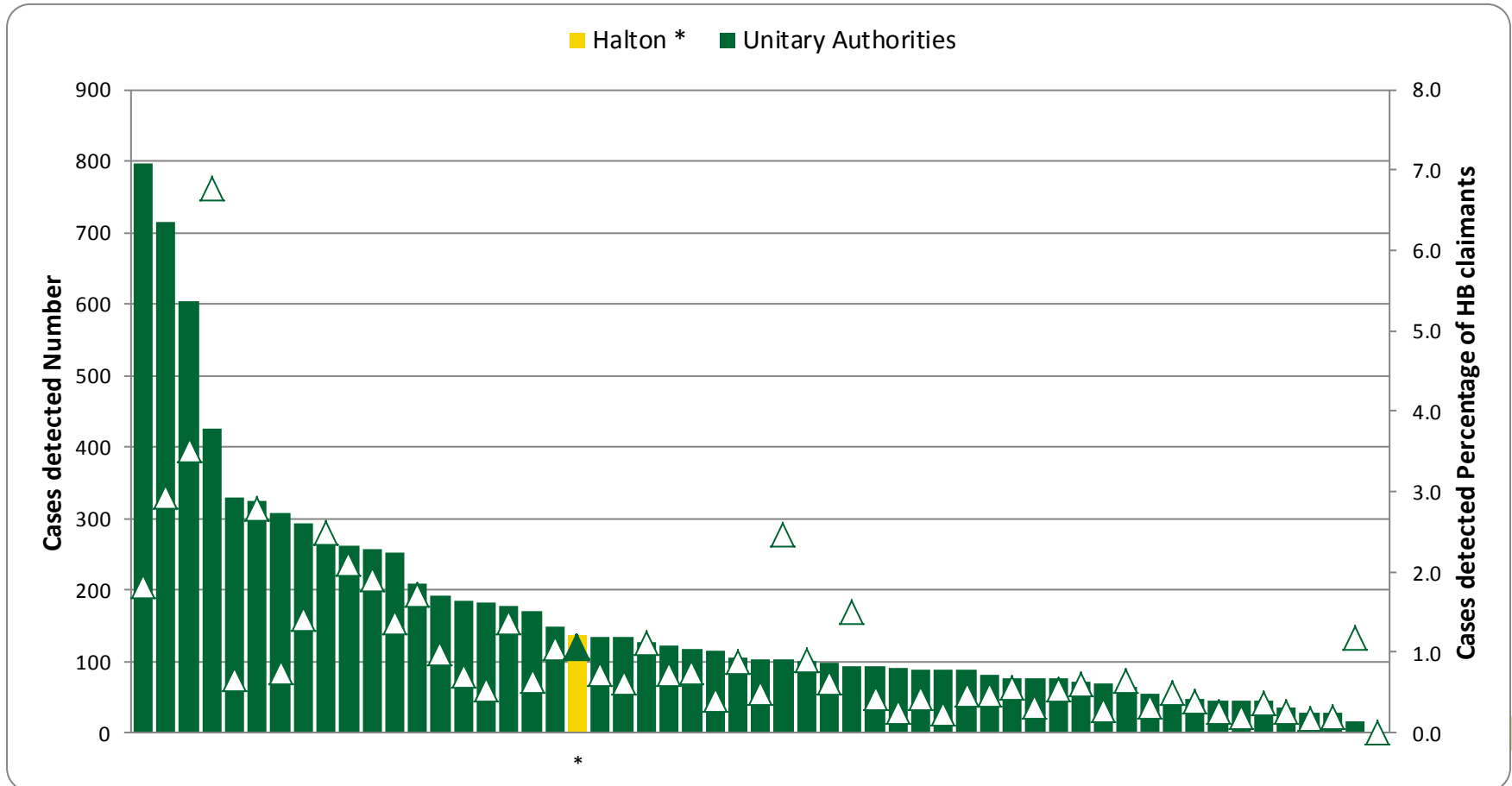
Average for other Unitary Authorities: 374 cases, valued at £699,834



# Housing Benefit (HB) and Council Tax Benefit (CTB) 2013/14

## Total detected cases, and as a proportion of housing benefit caseload

### Halton



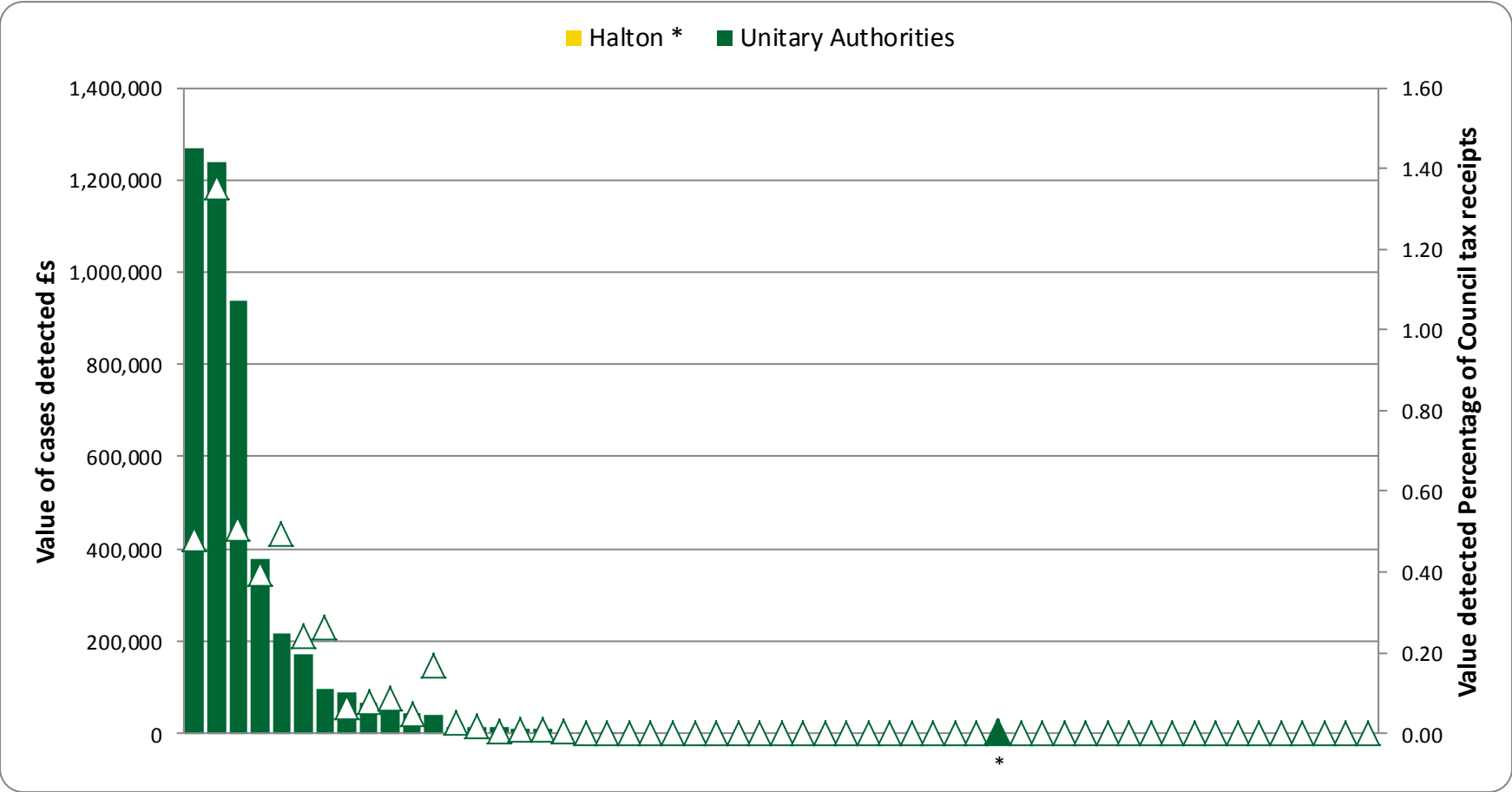
Halton detected 137 cases of this type of fraud. The value of detected fraud was £366,602.

Average for other Unitary Authorities: 163 cases, valued at £548,465

# Council tax discount fraud 2013/14

## Total detected value, and value as a proportion of council tax income

### Halton



Halton did not detect any cases of this type of fraud.

Average for other Unitary Authorities: 173 cases, valued at £86,424



# Councils without housing stock 2013/14

## Housing tenancy fraud

4 per cent of social housing stock in London and 2 per cent outside London is subject to tenancy fraud

Second largest fraud loss to local government, £845 million

Combined with housing associations the total loss in England, £1.8 billion

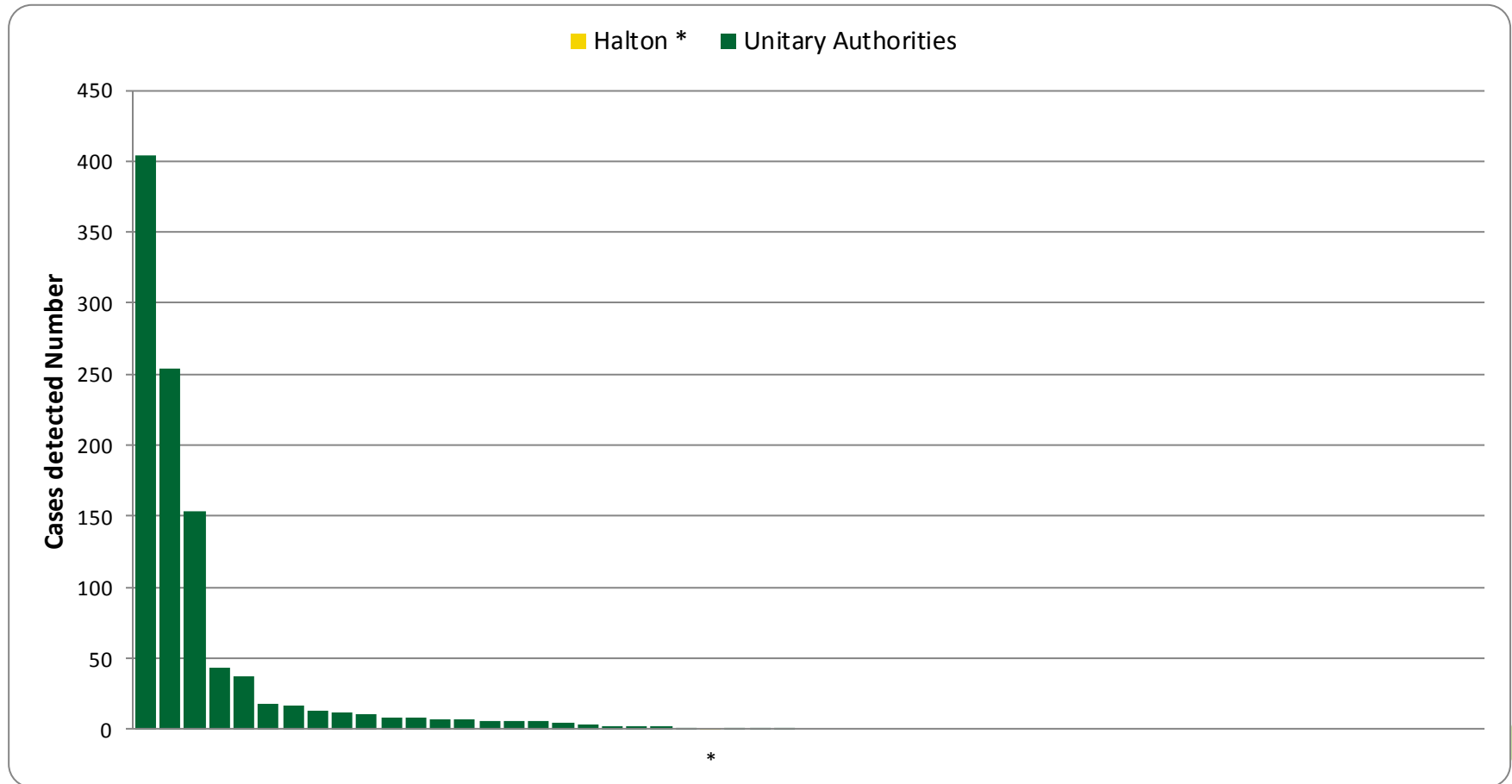
The Prevention of Social Housing Fraud Act 2013: criminalises tenancy fraud

Councils have powers to investigate and prosecute tenancy fraudsters on behalf of housing associations

**Should you be using this legislation and powers to work in partnership with local housing associations?**

# Disabled parking (Blue Badge) fraud 2013/14

## Halton



Halton detected 1 case of this type of fraud.  
Average for other Unitary Authorities: 19 cases

## Other frauds 2013/14

### Halton

Procurement: Halton did not detect any cases of this type of fraud.  
Total for other Unitary Authorities: 25 cases, valued at £832,190

Insurance: Halton did not detect any cases of this type of fraud.  
Total for other Unitary Authorities: 34 cases, valued at £988,636

Social care: Halton detected 1 case of this type of fraud. The value of detected fraud was £9,534.  
Total for other Unitary Authorities: 46 cases, valued at £721,845

Internal: Halton detected 4 cases of this type of fraud. The value of detected fraud was £1,023.  
Total for other Unitary Authorities: 316 cases, valued at £1,029,475

*Correctly recording fraud levels is a central element in assessing fraud risk.  
It is best practice to record the financial value of each detected case*



# Questions elected members and decision makers may wish to ask

**Post SFIS**

**Local priorities**

**Partnerships**

**Using information and data**

Are our remaining counter-fraud resources and skill sets adequate after our benefit fraud investigators have left to join SFIS?

Are local priorities reflected in our approach to countering fraud?

Have we considered counter-fraud partnership working?

Are we satisfied that we will have access to comparative information and data to inform our counter-fraud decision making in the future?

# Any questions?



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