



Business Efficiency Board

**Wednesday, 27 March 2019 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn**

A handwritten signature in black ink that reads 'David Wall'.

Chief Executive

BOARD MEMBERSHIP

Councillor Martha Lloyd Jones (Chair)	Labour
Councillor Andrea Wall (Vice-Chair)	Labour
Councillor Marjorie Bradshaw	Conservative
Councillor Ellen Cargill	Labour
Councillor Alan Lowe	Labour
Councillor Andrew MacManus	Labour
Councillor Tony McDermott	Labour
Councillor Ged Philbin	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor Joe Roberts	Labour
Councillor John Stockton	Labour

Please contact Angela Scott on 0151 511 8670 or e-mail angela.scott@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 24 July 2019

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

Part I

Item No.	Page No.
1. MINUTES	1 - 4
2. DECLARATION OF INTEREST	
<p>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.</p>	
3. EXTERNAL AUDIT PLAN 2018/19 YEAR END	5 - 21
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7. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	

PART II

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

8. INTERNAL AUDIT PROGRESS REPORT	76 - 182
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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.

BUSINESS EFFICIENCY BOARD

At a meeting of the Business Efficiency Board held on Wednesday, 21 November 2018 at the Civic Suite, Town Hall, Runcorn

Present: Councillors M. Lloyd Jones (Chair), Wall (Vice-Chair), M. Bradshaw, E. Cargill, A. Lowe, MacManus, McDermott, Philbin, N. Plumpton Walsh, Joe Roberts and J. Stockton

Apologies for Absence: None

Absence declared on Council business: None

Officers present: E. Dawson, M. Murphy, A. Scott and P. Richmond

Also in attendance: Helen Stevenson and Mark Heap, Grant Thornton (External Auditors)

**ITEMS DEALT WITH
UNDER DUTIES
EXERCISABLE BY THE BOARD**

BEB13 MINUTES

The Minutes of the meeting held on 26 September 2018 were taken as read and signed as a correct record.

BEB14 EXTERNAL AUDIT UPDATE REPORT

The Board received a report of the Strategic Director, Enterprise, Community and Resources, which provided an update from Grant Thornton (External Auditors) regarding:

- Progress made in delivering their responsibilities as the Council's External Auditors; and
- A summary of emerging national issues and developments that could be relevant to the work of the Board.

It was reported that the planning processes for the 2018/19 financial year audit had begun and the detailed work and audit visits would begin later in the year. Regular discussions would be held with management which would inform the risk assessment for the 2018/19 financial statements and value for money audits.

Action

Helen Stevenson, Audit Manager and Mark Heap, Engagement Lead, from Grant Thornton, attended the meeting to present the report and then dealt with Members' questions.

RESOLVED: That the report be noted.

BEB15 GENERAL DATA PROTECTION REGULATION

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, on the implementation of the General Data Protection Regulation (GDPR) legislation and an overall update on the Council's position regarding information governance.

The Board was advised that Information Governance meant the effective management of information in all forms and locations; it included electronic and paper based information, how it was held, used and shared. It was also concerned with keeping information safe and secure, ensuring it was shared appropriately when necessary to do so.

It was reported that the introduction of the GDPR strengthened and unified data protection for individuals. It heightened the standards required and imposed new obligations. Details and examples of such requirements and how they had been applied were set out in the report.

It was noted that a mandatory training requirement had been extended to include GDPR and all Officers were required to undertake the training. Members further noted and considered the view of the Monitoring Officer that consideration should be given to Members being required to complete the training, which was available as an online, interactive course via the Council's Intranet.

The report also detailed the ongoing work requirements in connection with the full review of the Council's Information Governance practices for Members' information.

RESOLVED: That the contents of the report be noted.

BEB16 CORPORATE RISK REGISTER BIENNIAL UPDATE 2018/19

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which provided an update on the Corporate Risk Register for

2018/19.

The report contained a progress commentary on the management and mitigation of the corporate risk register for the year.

The Board reviewed the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements. It was reported that at Directorate level, arrangements were in place for the high-risk mitigation measures on the Directorate Risk Registers to be reviewed and updated at mid-year. Progress on these was reported to Management Team and to relevant Policy and Performance Boards.

RESOLVED: That the report be noted.

BEB17 SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

The Board considered:

- 1) whether Members of the press and public should be excluded from the meeting of the Board during consideration of the following item of business in accordance with Section 100A (4) of the Local Government Act 1972 because it was likely that, in view of the nature of the business to be considered, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972; and
- 2) whether the disclosure of information was in the public interest, whether any relevant exemptions were applicable and whether, when applying the public interest test and exemptions, the public interest in maintaining the exemption outweighed that in disclosing the information.

RESOLVED: That as, in all the circumstances of the case, the public interest in maintaining the exemption outweighed that in disclosing the information, members of the press and public be excluded from the meeting during consideration of the following item of business in accordance with Section 100A(4) of the Local Government Act 1972 because it was likely that, in view of the nature of the business, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of

Schedule 12A of the Local Government Act 1972.

(N.B. Councillor Wall declared a Disclosable Other Interest in the following item of business as she was a Governor of St Bede's Catholic Infant School and her son also attended the St Bedes Catholic Junior School)

BEB18 INTERNAL AUDIT PROGRESS REPORT

The Board considered a report of the Divisional Manager, Audit, Procurement and Operational Finance, which provided Members with a summary of internal audit work completed since the last progress report in July 2018. The report also highlighted matters relevant to the Board's responsibilities as the Council's Audit Committee.

It was noted that a total of 18 Internal Audit reports had been finalised since the last progress report. An overall assurance opinion was provided for each audit engagement. It was reported that at the end of Quarter 2, 44.8% of the total planned audit work had been completed, and that whilst the situation was being managed, progress against the audit plan would be closely monitored for the remainder of the financial year.

It was reported that the Public Sector Internal Audit Standards required the establishment of a follow up process, to monitor and ensure that management actions had been effectively implemented or that the risk of not taking action had been accepted by senior management. Details of the follow-up work were detailed in the report and relevant appendix. However, it was noted that management had responded positively to all the issues identified in the audits and there were no outstanding matters that had implications for the annual internal audit opinion.

RESOLVED: That the update on progress against the 2018/19 Internal Audit Progress Report be received.

FUTURE TRAINING SESSIONS PRIOR TO BOARD MEETINGS

The Chair confirmed that training on Risk Factors would take place prior to the next meeting of the Board, starting at 5.30pm in the Civic Suite, Runcorn Town Hall.

Meeting ended at 7.40 p.m.

REPORT TO: Business Efficiency Board
DATE: 27 March 2019
REPORTING OFFICER: Strategic Director – Enterprise, Community & Resources
PORTFOLIO: Resources
SUBJECT: External Audit Plan - 2018/19 Year-End
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the Audit Plan relating to the 2018/19 year-end, presented by the Council's external auditor, Grant Thornton.

2.0 RECOMMENDATION: That the contents of the External Audit Plan for 2018/19 year-end be noted.

3.0 SUPPORTING INFORMATION

3.1 The External Audit Plan for 2018/19 year-end is attached to this report and will be presented at the Board by Grant Thornton.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 The report contains details of the external audit fees for 2018/19.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children & Young People in Halton**

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

6.3 **A Healthy Halton**

6.4 **A Safer Halton**

6.5 **Halton's Urban Renewal**

There are no direct implications for the Council's priorities.

7.0 RISK ANALYSIS

7.1 The external audit plan is based upon Grant Thornton's risk-based approach to audit planning. The risks that have been considered as part of the opinion planning process are detailed in the attached report.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None identified.

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

9.1 There are none under the meaning of the Act.

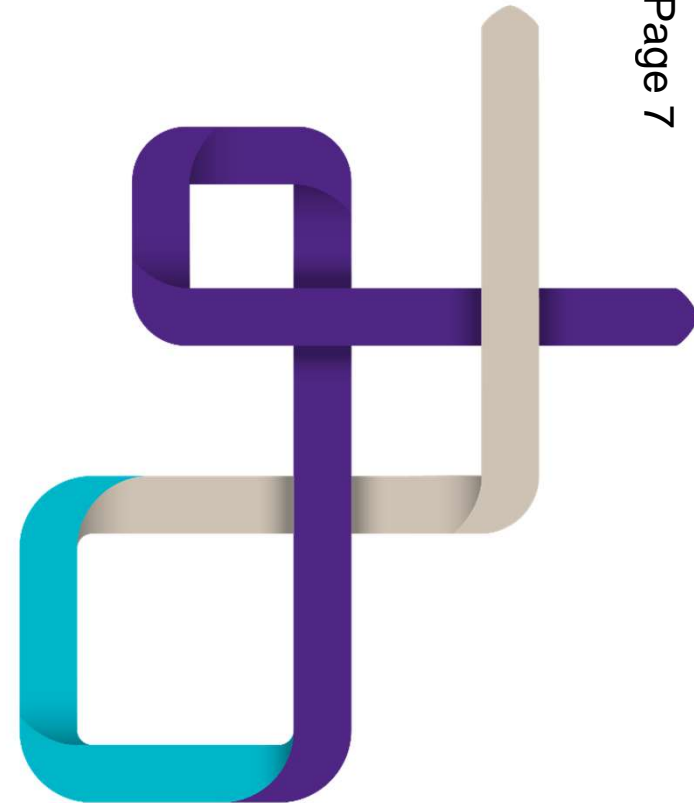
External Audit Plan

Year ending 31 March 2019

Halton Borough Council
January 2019

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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report. This draft has been created from the template dated DD MMM YYYY





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Section

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2. Key matters impacting our audit approach
3. Audit approach
4. Significant risks identified
5. Other matters
6. Materiality
8. Value for Money arrangements
9. Audit logistics, team & fees
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

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

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Halton Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Statement of accounts that have been prepared by management with the oversight of those charged with governance (the Business Efficiency Board); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

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

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

Significant risks

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

- Management override of control
- Valuation of land and buildings
- Valuation of the pension fund net liability

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

Materiality

We have determined planning materiality to be £7.421m (PY £7.116m), which equates to 2% of your prior year gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £371k (PY £355k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risk:

- Financial sustainability. The Council faces future funding uncertainties and increased costs. The Council's latest Medium Term Financial Strategy (MTFS) 2019/20 to 2021/22, requires the Council to make revenue savings of £9.8m, £8.2m and £3.3m over the next 3 years. This totals £21.3m (or 19.5%) of the net revenue budget and will be a significant challenge in the medium term.

Audit logistics

Our interim visit will take place in February 2019 and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £81,076 (PY: £105,294) for the Council, subject to the Council meeting our requirements set out on page 13.

Independence

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

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Key matters impacting our audit

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External Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

For 2018/19, the Council is currently projecting at quarter 2 a year-end outturn overspend of approximately £4.3m, if no corrective action is taken. The main budget pressure continues to be within the Children & Families Department, despite additional budget growth of £3m. The Council's latest MTFS requires the Council to make revenue savings of £9.8m, £8.2m and £3.3m over the next 3 years. This totals £21.3m (or 19.5%) of the net revenue budget.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition

Internal Factors

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Council into our risk assessment and testing approach.

Key developments One Halton and Mersey Gateway

The Council and CCG continue to work closely with the development of 'One Halton' as an entity which will oversee the development of fully integrated health and social care services.

The Mersey Gateway bridge opened in October 2017 which anticipates significant economic and regeneration benefits for the Borough.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs
- We will be testing more of your controls over the processing of operating expenditure
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

- We will keep up to date with these developments and any potential impact on the 2018/19 financial statements.

Audit approach

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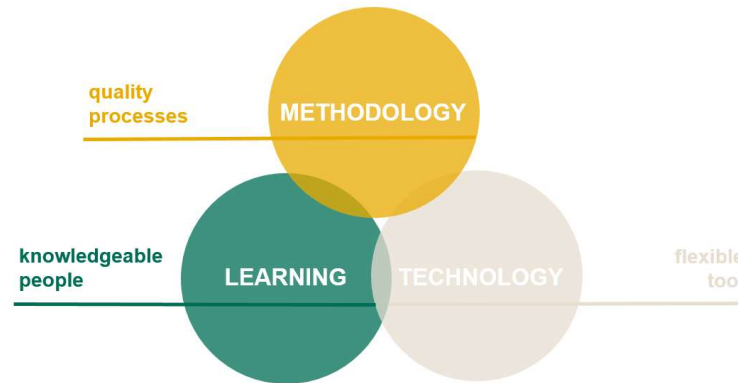
Use of audit, data interrogation and analytics software

LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian



Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Halton Borough Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£20.3m revaluation charged to services in 2017/18) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• evaluate the competence, capabilities and objectivity of the valuation expert• write to the valuer to confirm the basis on which the valuation was carried out• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding• test revaluations made during the year to see if they had been input correctly into the Council's asset register• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at the year end.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in **MMM** 2019.

Significant risks identified

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of the pension fund net liability</p>	<p>The Council's net pension fund liability, as reflected in its balance sheet as the net defined benefit pension liability, represents a significant estimate in the core financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£98.5m in the Council's 2017/18 balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's net pension fund liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the Cheshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Council's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

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The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

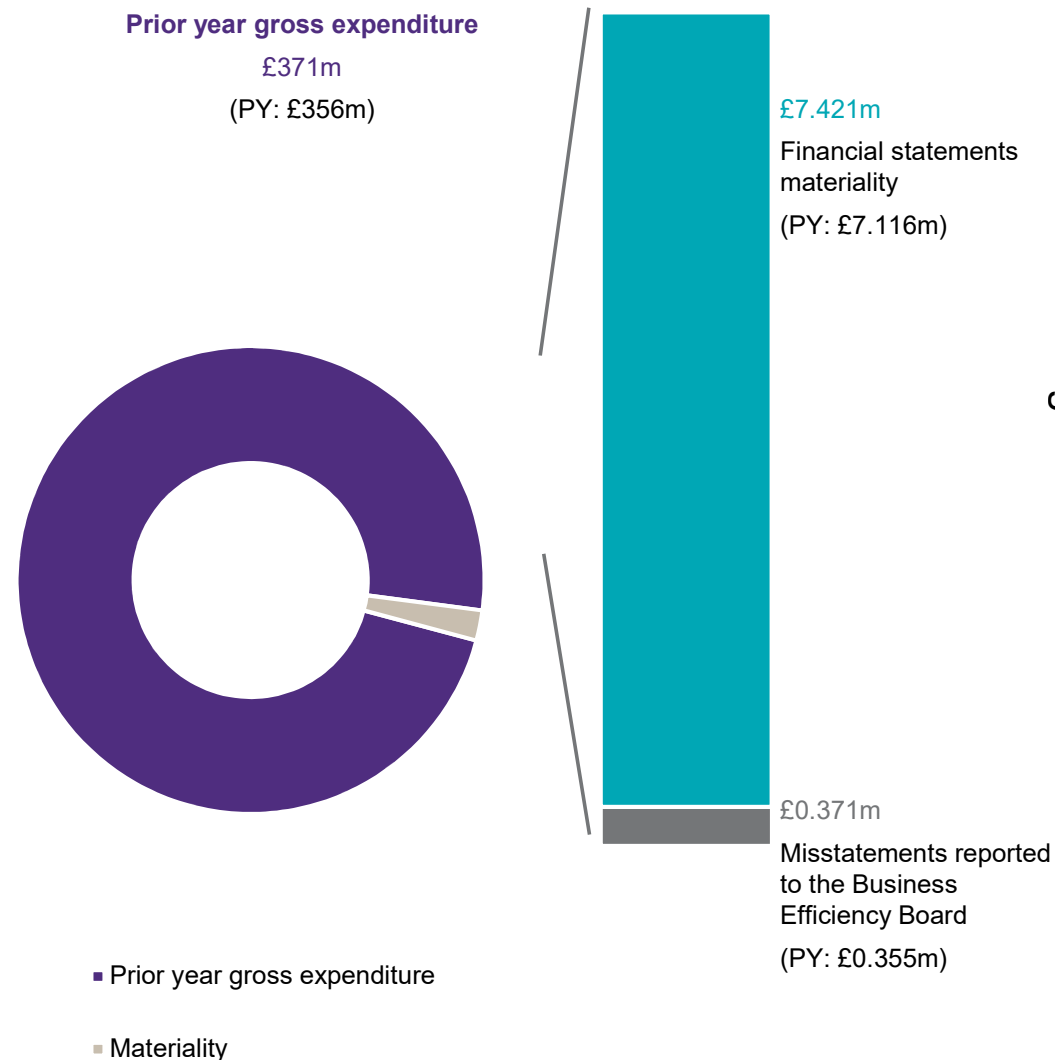
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £7.421m (PY £7.116m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £75k for senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Business Efficiency Board

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.371m (PY £0.355m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Business Efficiency Board to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

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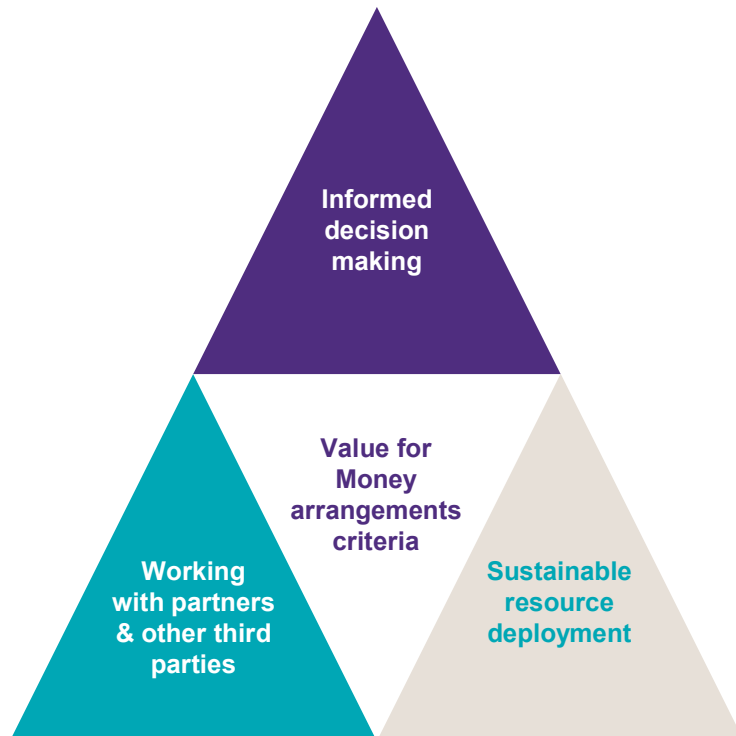
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Financial sustainability

The Council's current financial position remains challenging with continued reductions to Government funding together with increasing service demands.

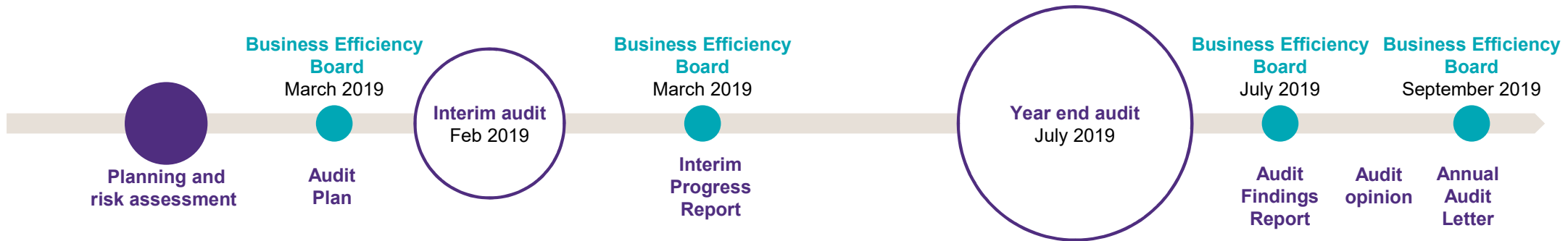
The Council's latest Medium Term Financial Strategy (MTFS) 2019/20 to 2021/22, requires the Council to make revenue savings of £9.8m, £8.2m and £3.3m over the next 3 years. This amounts to £21.3m and 19.5% of the net revenue budget and will be a significant challenge in the medium term. As at 30 September 2018 the Council is forecasting a 2018/19 year-end overspend of £4.3m unless corrective action is taken..

We will review budget monitoring reports and updates to the MTFS. We will discuss with officers plans to address future potential budget gaps and how the Council is identifying, managing and monitoring financial risks. We will continue to review and monitor revenue and capital reports.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Audit logistics, team & fees

DRAFT



Mark Heap, Engagement Lead

Leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.

Helen Stevenson, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers

Andrew McNeil, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work.

Audit fees

The planned audit fees are £81,076 (PY: £105,294) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Fees for non-audit services

Service	Fees £
Audit related services	
- Housing benefit grant certification	8,500
- Teachers pensions return certification	3,750 (tbc)
- Department for Transport Silver Jubilee Bridge	TBC
Non-Audit related services	
- CFO Insights	12,500

Where additional audit work is required to address risks relating to the application of changes to International Financial Reporting Standard (IFRS) 9 – Financial Instruments and changes to the Council’s recognition and accounting treatment of financial assets and/or liabilities, the application of changes to International Financial Reporting Standard (IFRS) 15 – Revenue from contracts with customers and the Council’s recognition and accounting treatment of income from contracts/emerging going concern issues, we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and require PSAA approval.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section ‘Early Close’. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

The 2017/18 audit for Halton Borough Council was successfully delivered to the earlier deadline.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

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

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

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Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters. We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following other services were identified.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing Subsidy Grant claim	8,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,500 in comparison to the total fee for the audit of £81,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Mersey Gateway (Department for Transport)	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit of £81,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers Pension Return	3,750 (tbc)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,750 in comparison to the total fee for the audit of £81,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non audit related			
CFO Insights	12,500	Self-Interest (because this is a recurring fee)	The fee is a subscription, planned to be recurring, and is therefore high self-interest threat. However, the fee for this work is negligible in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. It is also a fixed fee with no contingent element. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related services to be undertaken by Grant Thornton UK LLP in the current financial year. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

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REPORT TO:	Business Efficiency Board
DATE:	27 March 2019
REPORTING OFFICER:	Strategic Director – Enterprise, Community & Resources
PORTFOLIO:	Resources
SUBJECT:	External Audit Update Report
WARDS:	Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 The purpose of the report is for the Council's external auditors, Grant Thornton, to update the Board on progress made in delivering their responsibilities as the Council's external auditors and to provide a summary of emerging national issues and developments which may be relevant to the work of the Board.

2.0 RECOMMENDATION: That the report be noted.

3.0 SUPPORTING INFORMATION

Grant Thornton will attend the meeting to present the report shown in the Appendix.

4.0 POLICY IMPLICATIONS

None

5.0 FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications arising directly from this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

None.

6.2 Employment, Learning and Skills in Halton

None.

6.3 A Healthy Halton

None.

6.4 A Safer Halton

None.

6.5 Halton's Urban Renewal

None.

7.0 RISK ANALYSIS

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

8.0 EQUALITY AND DIVERSITY ISSUES

There are no equality and diversity issues arising from this report.

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

None under the meaning of the Act.

Audit Progress Report and Sector Update

Halton Borough Council
Year ending 31 March 2019

March 2019



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Introduction

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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 as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Board may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Business Efficiency Board can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grant-thornton.co.uk..

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.

Progress at March 2019

Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and include our detailed audit plan on the agenda papers. This sets out our proposed approach to the audit of the Council's 2018/19 financial statements.

We started our interim audit in February which included:

- Updating our review of the Council's control environment
- Updating our understanding of financial systems
- Reviewing Internal Audit reports on core financial systems
- Discussing any emerging accounting issues
- Early substantive testing

We do not have any areas of concern that we need to report to you from this work.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We have discussed our plan and outline timetable with officers.

The final accounts audit is due to begin in June with findings reported to you in the Audit Findings Report by the deadline of July 2019.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach are included in our Audit Plan. This is included as a separate agenda item.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2017/18 work is complete and the certification report included on the Agenda.

The 2018/19 claim will be concluded in November 2019 and the results reported to you.

Meetings

We have held regular liaison meetings with officers and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. We held our Financial Reporting workshops in February 2019 to help ensure that members of your finance team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<p>Annual Certification Letter</p> <p>This letter reports any matters arising from our certification work carried out under the PSAA contract.</p>	December 2018	Complete
<hr/>		
2018/19 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2018/19.</p>	April 2018	Complete
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Business Efficiency Board setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.</p>	February 2019	Complete
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit. We will include our initial value for money risk assessment within our Audit Plan.</p>	March 2019	In progress
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the July Business Efficiency Board.</p>	July 2019	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2019	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	August 2019	Not yet due
<p>Annual Certification Letter</p> <p>This letter reports any matters arising from our certification work.</p>	December 2019	Not yet due

Local Government audits 2018/19 and beyond

Grant Thornton's External Audit commitment

Audit 2018/19

PSAA Contract Monitoring

Halton Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts in 2018/19. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the attached presentation. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019

Our team

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"I have always been extremely pleased with the work done by colleagues from Grant Thornton, there is continuity of staff delivering the team who presented the bid. This continuity remains through the cycle of work that takes place during the year; allowing the team to continue to understand the corporate objectives whilst allowing us to ensure we comply with the required standards. The team are very friendly and approachable with an accommodating style".

Director of Finance, local audited body

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach



"I have found Grant Thornton to be very impressivethey bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."

Director of Finance, County Council



Our relationship with our clients– why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery



We are the largest supplier of external audit services to local government

We audit over 150 local government clients

We signed 95% of our local government opinions in 2017/18 by 31 July

In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of experience



We are well connected to MHCLG, the NAO and key local government networks

We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice

We have a strong presence across all parts of local government including blue light services

We provide thought leadership, seminars and training to support our



We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists

We provide technical and personal development training

We employ over 80 Public Sector trainee accountants



Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing

We are fully compliant with ethical standards

Your audit team has passed all quality inspections including QAD



We have specialist leads for Public Sector Audit quality and technical

We provide national technical guidance on emerging auditing, financial reporting and ethical areas

Specialist audit software is used to deliver maximum efficiencies



Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

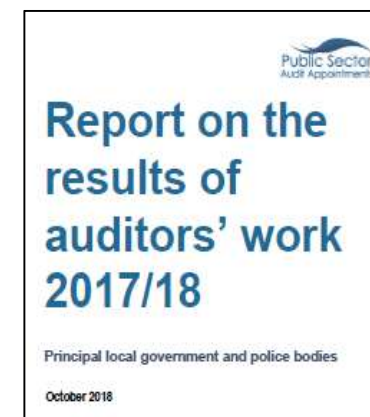
The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

PSAA Report

Challenge question:

Has your Authority identified improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?



National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

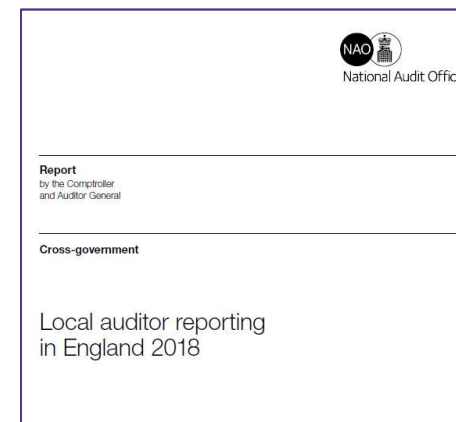
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



NAO Report

Challenge question:

Has your Authority responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?



National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

NAO Report

Challenge question:

Has your Authority got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

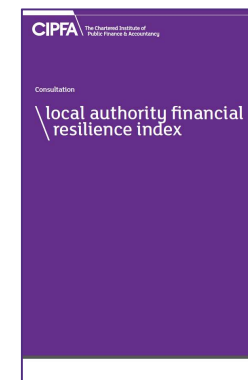
“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

CIPFA Consultation

Challenge question:

Has your Operational Director - Finance briefed members on the Council’s response to the Financial Resilience Index consultation?



ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

• Short-term solvency vs. Longer-term value:

- LG & NHS: Facing financial pressures, oversight & governance pressures

• Limited usefulness of auditors reports:

'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'

• Other powers and duties:

implementing public interest reports in addition to VFM

• Restricted role of questions and objections:

Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.

• Audit qualification not always acted on by those charged with governance:

'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'

• Audit committees not consistently effective:

Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.

• Decreased audit fees:

firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.

• Impact of audit independence rules:

new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role

• Other stakeholders expectations not aligned with audit standards

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

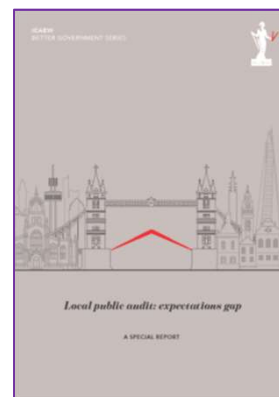
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



The expectations gap

Challenge question:

How effectively is the audit meeting client expectations?



Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies. Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

Your organisation – including considerations on workforce, funding, and changes to legislation

Your services and suppliers – ensuring that critical services are protected and building resilience within supply chains

Your place – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

Brexit

Challenge question:

How well advanced are your authority's plans for Brexit?



A Caring Society – bringing together innovative thinking, people and practice

The Adult Social Care sector is at a crossroads. We have yet to find a sustainable system of care that is truly fit for purpose and for people. Our Caring Society programme takes a step back and creates a space to think, explore new ideas and draw on the most powerful and fresh influences we can find, as well as accelerate the innovative social care work already taking place.

We are bringing together a community of influencers, academics, investors, private care providers, charities and social housing providers and individuals who are committed to shaping the future of adult social care.

At the heart of the community are adult social care directors and this programme aims to provide them with space to think about, and design, a care system that meets the needs of the 21st Century, taking into account ethics, technology, governance and funding.

We are doing this by:

- hosting a 'scoping sprint' to determine the specific themes we should focus on
- running three sprints focused on the themes affecting the future of care provision
- publishing a series of articles drawing on opinion, innovative best practices and research to stimulate fresh thinking.

Our aim is to reach a consensus, that transcends party politics, about what future care should be for the good of society and for the individual. This will be presented to directors of adult social care in Spring 2019, to decide how to take forward the resulting recommendations and policy changes.

Scoping Sprint (Oct 2018)

Following opening remarks by Hilary Cottam (social entrepreneur and author of Radical Help) and Cllr Georgia Gould (Leader of Camden Council) the subsequent debate identified three themes for Grant Thornton to take forward:

1. Ethics and philosophy: What is meant by care? Should the state love?

2. Care in a place: Where should the power lie? How are local power relationships different in a local place?
3. Promoting and upscaling effective programmes and innovation

Sprint 1 – What do we really mean by 'Care'? (Dec 2018)

Julia Unwin, Chair of the Civil Societies Futures Project, and Sam Newman of Partners4Change sparked debate on why we need society to be brave enough to talk about care and the different levels at which 'care' can be applied to create a Caring Society.

Sprint 2 – A new role for the state? (7 Feb 2019)

Donna Hall, CEO of Wigan Council and Andrew of Reform, will start the debate on how can the state – nationally and locally – develop and adapt itself to be in service to a caring society.

To find out more or get involved:

- Join the conversation at #acaringssociety
- [Why we need to create a caring society](#)
- [Creating a caring society – the start of the debate](#) – the key themes from our first round table
- [Social care must take the starring role in its own story](#) – why the definition of social care is so important if the system is to change
- [Markets, trust & governance](#) – how social care can evolve to become a driver of local care economies
- [The future care leader](#) – Fiona Connolly, director of adult social care at Lambeth, discusses the importance of local care leaders working across the entire health system

Challenge question:

How is your authority engaging in the debate about the future of social care?



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

REPORT TO:	Business Efficiency Board
DATE:	27 March 2019
REPORTING OFFICER:	Divisional Manager – Audit, Procurement & Operational Finance
SUBJECT:	Internal Audit Plan – 2019/20
WARDS:	Borough-wide

1.0 PURPOSE OF THE REPORT

This report seeks the Board's approval for the planned programme of internal audit work for 2019/20.

2.0 RECOMMENDATION: That the Board considers and approves the proposed Internal Audit Plan for 2019/20.

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 (PSIAS). The plan sets out the proposed internal audit activity for 2019/20.
- 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 overall assurance framework.
- 3.3 In preparing the plan consultation has taken place with senior management, external audit and the Chair of the Business Efficiency Board. The plan has also incorporated a number of reviews originally included in the 2018/19 Audit Plan that could not be completed during the year due to capacity issues.
- 3.4 The draft Audit Plan for 2019/20 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 895 days of audit work is planned for 2019/20. This level of resource is based on a forecast staffing establishment of 5.21 FTE staff, which remains unchanged from 2018/19. The actual number of days to be delivered has however reduced due to a maternity absence and an ongoing long term sickness absence. The planned coverage is however 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 It is important to note that the Audit Plan will need to remain flexible and changes may be required in order to respond to risks that emerge during the year. Similarly it may be necessary to prioritise planned work if there are any in-year changes to the resourcing of Internal Audit.
- 3.8 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 are implemented and remain appropriate.

5.0 OTHER IMPLICATIONS

- 5.1 The Council is required to comply with the requirements of the Accounts and Audit Regulations 2015, 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.

2019/20

Internal Audit Plan



- 1.1 This document summarises the results of Internal Audit’s planning work. It sets out details of the:
- Responsibilities and scope of internal audit
 - Resourcing and delivery of the Council’s internal audit service
 - Arrangements for reporting internal audit work
 - Proposed programme of work for 2019/20 (the Audit Plan)
- 1.2 The Audit Plan for 2019/20 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector.
- 1.3 The Council has adopted the PSIAS 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 In accordance with PSIAS, the mission of internal audit is to ‘enhance and protect organisational value by providing risk-based and objective assurance, advice and insight’.
- 1.5 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 Corporate Plan.
- 1.6 The PSIAS 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 relating to internal audit set out in section 6.2 of Finance Standing Orders constitute the Council’s internal audit charter.

INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

2.1 Responsibilities of internal audit

The internal audit function is responsible for:

- Reviewing and developing the Council’s governance processes. Specifically, this includes:
 - Promoting appropriate ethics and values within the Council
 - Supporting 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 of the Council’s risk management processes and contributing to their improvement
- Assisting in the maintenance and development of an effective control environment by providing robust independent assurance over its operation.

2.2 Responsibilities of management

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.

2.3 Responsibilities of the Business Efficiency Board

In regard to internal audit, the Business Efficiency Board is responsible for:

- Approving, but not directing, internal audit’s strategy, plan and monitoring performance
- Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary
- Receiving and considering the Head of Internal Audit’s annual report.

INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

2.4 Responsibilities for fraud prevention and detection

The primary responsibility for the prevention and detection of fraud rests with management. Management's responsibilities include creating an environment where fraud is not tolerated, identifying fraud risks, and taking appropriate actions to ensure that controls are in place to prevent and detect fraud.

It is not the role or responsibility of internal audit to detect fraud. However, internal audit will evaluate the potential for the occurrence of fraud in each assignment and review how the Council manages the risk of fraud.

The Council operates a dedicated Investigations Team that works alongside internal audit. The team is responsible for all fraud-related work and HR investigatory work. As such, this work does not form part of the Internal Audit Plan and the results of this work are reported separately to the Business Efficiency Board.

2.5 Scope of internal audit activities

The scope of internal audit work includes:

- The entire control environment of the Council, comprising financial and non-financial systems.
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an involvement.

Internal audit may also provide assurance services to parties outside the Council with the prior agreement of the Business Efficiency Board.

INTERNAL AUDIT - RESOURCING & DELIVERY

3.1 Resource requirements

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:

- Key financial systems
- Risk management and governance arrangements
- Front line services
- Support services
- Procurement and contract management activity
- Information management arrangements
- Schools

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 previously agreed recommendations are implemented
- Provision of advice and consultancy to internal customers

3.2 Delivery of the internal audit service

The 2019/20 Internal Audit Plan will be delivered predominantly by an experienced and suitably qualified in-house team of 5.21 FTE auditors. This remains the same staffing establishment as in 2018/19 but the planned number of audit days is reduced due to a maternity absence and ongoing long term sickness absence. The level of available resource is considered sufficient to deliver a robust annual internal audit opinion to the Board.

As in recent years, external support to assist the audit of information management systems will be provided by Salford City Council. Additional external support may also be sought to assist with the completion of planned audit work if required.

INTERNAL AUDIT - RESOURCING & DELIVERY

Where opportunity arises, 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.

3.3 Mitigation of any potential impairment to independence and objectivity

The internal audit team is managed by the Divisional Manager – Audit, Procurement & Operational Finance, who also has management responsibility for the following functions:

- Purchase to Pay
- Procurement
- Income control (collection and reconciliation of income)
- Insurance
- Corporate appointeeships and deputyships
- Direct Payments
- Income & Assessment
- Debtors

The arrangements to mitigate any potential impairment to independence and objectivity regarding the audit of these areas that were previously approved by the Business Efficiency Board remain in place.

3.4 Approach to placing reliance on other sources of assurance

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 and reference made to it in the resulting audit report.

3.5 Assurance services to other organisations

The only planned assurance service to be provided to an external party is an annual audit provided to Manchester Port Health Authority (MPHA), which is the governing body for the Manchester Ship Canal and River Weaver. Halton Borough Council is one of the funding authorities of MPHA.

The Council and MPHA have recently renewed the SLA relating to the provision of an internal audit service. 2019/20 is the first year of a new three year SLA. This work has only a minimal impact on the audit work undertaken for the Council.

INTERNAL AUDIT – REPORTING ARRANGEMENTS

4.1 Distribution of internal audit reports

At the conclusion of each audit assignment, a draft report is issued to the manager responsible for the area which has been audited. A final report containing management responses to any issues identified is subsequently distributed to:

- The Chief Executive
- The Strategic Director – Enterprise, Community & Resources
- The Operational Director – Finance (s151 officer)
- The Strategic Director, Operational Director and Divisional Manager responsible for the area reviewed
- The Council’s external auditor

4.2 Overall assurance opinion

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 risk management, control and governance processes in the area audited.

The range of opinions provided in audit reports is set out in the following table:

Assurance Opinion	Explanation
● Limited	Improvements in procedures and controls are required to strengthen the management of risk(s) fundamental or material to the activities reviewed.
● Adequate	In the main there are appropriate procedures and controls in place to mitigate the key risks to the activities reviewed. However, some opportunities were identified to improvement the management of some risks.
● Substantial	Effective procedures and controls in place to mitigate the key risks to the activities reviewed.

INTERNAL AUDIT – REPORTING ARRANGEMENTS

4.3 Grading of Recommendations

Recommendations made in individual internal audit assignments are categorised according to the following priorities:

Priority	Definition
High	Deficiencies in control where the potential risk impact is fundamental or material to the activity audited
Medium	Deficiencies in control where the potential risk impact is of lesser significance and not material to the activity audited.
Low	Opportunities to improve practice, efficiency or further reduce exposure to risk.

4.4 Reporting to elected members

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, performance improvement opportunities and value for money issues.

4.5 Annual Audit Opinion

An annual report is presented to the Business Efficiency Board which includes the Head of Internal Audit's overall opinion on the Council's risk management, control and governance processes. 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.

INTERNAL AUDIT – PLANNING METHODOLOGY

5.1 Requirements of the Public Sector Internal Audit Standards

The PSIAS 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 Development of the Audit Plan

In developing the Audit Plan, account has been taken of:

- The Council’s risk management processes
- Senior management’s views on risk in their areas of responsibility
- The results of previous internal audit work
- The Council’s assurance framework, including the work of external audit
- New or emerging risks affecting the Council or local government as a whole
- Known changes to the Council’s business, operations, programs, systems, and controls
- The requirement to ensure sufficient and wide ranging coverage in order to provide a robust annual audit opinion
- Planned work deferred from the 2018/19 Audit Plan that is still considered important

5.3 Alignment of the Audit Plan to the Council’s Corporate Priorities

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 Budgeted time allocations

A budgeted time allocation has been set for each assignment included in the Audit Plan. It is recognised that the exact resource requirement for each assignment cannot be forecast with certainty. The plan therefore represents the best estimate of the way

INTERNAL AUDIT – PLANNING METHODOLOGY

in which the Council's internal audit resources will be deployed. It may therefore be necessary to adjust the budgeted allocations for specific assignments during the year.

5.5 Timing and prioritisation of audit work

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 2018/19 that remains incomplete at year-end
- The need to prioritise the reviews deferred from the 2018/19 Audit Plan
- 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 Significant interim changes to planned work

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. As in previous years, minor changes will be agreed with the Operational Director – Finance. Any significant interim changes will be reported to the Business Efficiency Board.

SUMMARY INTERNAL AUDIT PLAN – 2018/19

Corporate Priority	Planned Days
Corporate Effectiveness & Business Efficiency:	385
Use of Resources	300
Governance	85
Children & Young People in Halton	115
Employment, Learning & Skills in Halton	40
A Healthy Halton	170
A Safer Halton	70
Halton's Urban Renewal	20
<u>Other work:</u>	95
Contingency	55
Manchester Port Health Authority	5
Completion of outstanding 2018/19 audits	35
Total Planned Days	895

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Budget Monitoring Framework	20	The Council’s revenue budget is increasingly under pressure with another overspend forecast in 2018/19. Continuing budgetary pressures increase the importance of a robust budget monitoring framework.	The audit will review the operation and effectiveness of the Council’s existing budgetary control framework and test compliance with the provisions contained within Finance Standing Orders.	Audit report
Accounts Payable	30	The Accounts Payable system is one of the Council’s key financial systems that provides material disclosures for the financial statements.	The key focus of this particular audit will be to examine the adequacy and robustness of authorisation controls within the main feeder systems to the Accounts Payable module of Agresso (e.g. Property P2 system, Carefirst, Housing Benefit system, payment files submitted by batch interface).	Audit Report
Concessionary Travel & Bus Support Subsidy	25	Concessionary travel costs the Council in excess of £2m a year. The Blue Badge scheme is also a recognised fraud risk area.	The audit will examine the financial management arrangements relating to concessionary travel and subsidy provided to bus operators. It will also examine the controls relating to the administration of the Blue Badge scheme.	Audit Report
Grant claims	50	A general provision is included for a range of grant claims for which the Head of Audit is required to sign a declaration confirming that the amounts claimed are eligible and in accordance with the conditions of grant.	Grant claims audits	Audit report for each claim

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Apprenticeships	20	<p>The Government introduced an ‘Apprenticeship Levy’ in April 2017. Employers with a UK pay bill of over £3m will be required to pay 0.5% of that pay bill into a levy.</p> <p>The Government has set a target that each local authority will have to provide 2.3% of their workforce headcount as apprenticeships. This equates to about 55 apprentices for Halton annually.</p>	The audit will examine the Council’s arrangements to comply with The Apprenticeship Levy and the implementation of the Council’s Apprenticeship Policy.	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 the investment in learning and development opportunities is assessed.	Audit report
Mersey Gateway toll reimbursement system	15	The Council has established a new policy and claim process for reimbursement of bridge tolls. Management has requested that that internal audit carries out an audit to provide assurance that the new process is operating effectively and in accordance with the policy.	Review of claims policy and process and sample testing of claim reimbursements.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Redundancy and severance payments	15	<p>The Council operates a local protocol in regard to redundancy arrangements.</p> <p>There is also a requirement for the Council to report in its financial statements on the numbers of exit packages and provide details of the total cost of compulsory redundancies, voluntary redundancies and early retirements.</p>	<p>The audit will provide assurance that redundancy and severance processes and payment calculations are being operated in accordance with the Staffing Protocol and that appropriate arrangements exist to capture and report on compulsory redundancies, voluntary redundancies and early retirements.</p>	Audit report
Property Valuations	15	<p>Keeping an accurate and up-to-date schedule of properties protects the Council from underinsurance in the event of a claim. Under-estimates of property reinstatement values could therefore potentially result in the Council having to self-fund some of the reinstatement costs in the event of a claim.</p> <p>CIPFA has also recently issued updated guidance around the requirements of International Financial Reporting Standard (IFRS) 13 for property asset valuations.</p>	<p>The audit will examine the adequacy of the Council's arrangements for revaluing its property portfolio by reference to the updated CIPFA guidance on property asset valuation.</p>	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Cemeteries & Crematoria	20	<p>The Council’s cemeteries and crematorium are areas that generate a significant amount of income.</p> <p>The service is also required to manage a number of potential risks in terms of the maintenance and operation of equipment and the maintenance of the grounds and management of potential risks from failed headstones and memorials.</p>	<p>The audit will focus on the income management systems in place and the ways in which the service manages potential risks to employees and the public relating to the operation of equipment and management and maintenance of the grounds.</p>	Audit report
Catering & Bars	25	<p>The Council’s catering and bars are discretionary activities which ought to be at least self-funding.</p> <p>Management is aware of issues in regard to the accounting arrangements for income and difficulties in accurately monitoring financial performance.</p>	<p>The audit will examine the catering activities and bars provided by the Council and review the arrangements for accounting for income, expenditure and stock.</p>	Audit report
i-Trent	15	<p>i-Trent is the Council’s HR and Payroll system through which all salary related expenditure is processed.</p>	<p>A full system review will be undertaken to provide assurance that appropriate controls exist over system access permissions, back up procedures, change management controls, system performance and maintenance and support.</p>	Audit report
Halton Cloud Service Delivery	15	<p>The move to Cloud Service Delivery represents a significant change in IT Strategy, which potentially presents different risks in regard to data protection, data security and system performance.</p>	<p>The audit will examine the project management arrangements, system stability and performance, data storage, data protection and security, and the overall financial implications.</p>	Audit report

Internal Audit Plan – Use of Resources

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Payment Card Industry Data Security Standard (PCIDSS)	15	<p>PCI DSS is a widely accepted set of policies and procedures intended to optimise the security of credit, debit and cash card information.</p> <p>As the Council receives debit and credit card payments in the course of its business it is required to ensure that it is compliant with the Standard.</p>	The audit will review and test the Council's arrangements to ensure continued compliance with the requirements of PCI DSS.	Audit report
Total	300			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Governance				
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	40	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
Risk management	15	The Council's risk management arrangements are one of the key areas over which Internal Audit is required to provide assurance.	The audit will examine the Council's risk management arrangements at both corporate and directorate level.	Audit report
Information Governance Group	5	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
Total	85			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
0 -19 Healthy Child Service	25	A new five year contract was recently awarded that provides an integrated health visiting, family nursing and school nursing service. The contract has a potential value of £24.5m over its full term.	The audit will focus on reviewing the contract management and performance management arrangements relating to the contract.	Audit report
Inclusion and High Needs Service	20	The service area has faced continuing budget pressures over the past couple of years and management has requested that the service be reviewed.	The audit will examine the financial and budgetary control arrangements in place and also examine the commissioning of services and contract monitoring.	Audit report
<p>School audits:</p> <p>Warrington Road Nursery Ditton Nursery Weston Point Community Primary Birchfield Nursery Hallwood Park Primary The Brow Community Primary St. Edward’s Catholic Primary</p>	70	<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"> • Substantial – 4 year cycle • Adequate – 3 year cycle • Limited – Annual cycle 	A standard audit programme has been developed for school audits, which is tailored to each school as required.	Audit report for each school
Total	115			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Adult Learning Service	20	<p>The Liverpool City Region Devolution Deal in 2015 set out how the Adult Education Budget (AEB) would be fully devolved to local areas. This is due to commence in 2019/20.</p> <p>The Council's Adult Learning Service currently receives £633k AEB, which funds all staffing and operating costs. Any changes in funding levels could have a significant impact on the service.</p>	<p>The audit will examine the financial management and budgetary control arrangements relating to the Adult Learning Service.</p> <p>The audit will also examine the planning and delivery of provision in association with partners to ensure that the needs of residents are met and that there is no duplication of provision.</p>	Audit report
DWP – new Work & Health Programme	20	<p>In 2017 the DWP Work and Health Programme (WHP) contract was awarded to Ingeus for the North West Contract Package Area. The Council was successful in being awarded a seven year sub-contract agreement by Ingeus for 100% of the Work and Health Programme in Halton.</p>	<p>The audit will examine performance against the Customer Service Standards that must be achieved within the contract. The audit will also examine the data quality arrangements in regard to the performance information that must be produced under the contract.</p>	Audit report
Total	40			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Madeline McKenna / Millbrow care homes	30	<p>The Council is now directly running two care homes that were purchased when the previous operators ran into financial difficulties.</p> <p>As the care homes are relatively new entities, the financial management and risk management arrangements in operation in the homes have not previously been audited.</p>	<p>The audit will focus on the financial management, accounting, client billing, staffing and risk management arrangements established at the two homes.</p>	Audit report
Tele-healthcare	20	<p>This use of remote monitoring is increasingly enabling people to lead more independent lives. The Council's use of Tele-healthcare is to be expanded to help more people to be supported to live at home or in extra care housing schemes.</p>	<p>The audit will examine the implementation of the Tele-healthcare strategy and the associated financial management arrangements. It will also examine the arrangements to measure and record the savings generated, and consider options for the wider use of this type of technology in regard to supporting people to maintain independence.</p>	Audit report
Intermediate care	25	<p>Intermediate care is a range of needs led, transitional and integrated services that are intended to improve patient health outcomes. Services are delivered in partnership between primary and secondary health care.</p> <p>Expenditure on intermediate care services is in excess of £3m per annum.</p>	<p>Audit to focus on contract and performance management arrangements.</p>	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Disabled Facilities Grants	20	Annual spend is approximately £1.6m. This area is recognised nationally as a potential fraud risk.	The audit will examine the control environment relating to the processing of applications for Disabled Facilities Grants. It will also explore any opportunities to make better use of applicant information already held within the Council to expedite the process.	Audit report
Domiciliary Care	30	<p>The domiciliary care contract was retendered in 2017 and let to a single provider, which represented a significant change from the previous multi-provider model.</p> <p>This is a key service area that enables individuals to live independently in their own homes. However, delivery of the service is operationally complex given the large client base and regular changes in needs of service users.</p> <p>Nationally care providers are facing significant financial pressures.</p>	The audit will focus on the contract management and financial management arrangements relating to the contract.	Audit report
Complex Care Pooled Budget	25	The Council has a pooled budget with the Clinical Commissioning Group (CCG) for which the Council is the accountable body. This is a major area of spend and the budget is increasingly under pressure.	The audit will examine the funding, budgetary control and financial reporting arrangements relating to the Pooled Budget.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Adult Placement Service – Shared Lives Scheme	20	<p>The Shared Lives scheme represents a new approach to the delivery of the Adult Placement service in Halton. It involves service users receiving care and accommodation that is provided by individuals, couples or families in the local community.</p> <p>The scheme provides an opportunity for the Council to better meet the needs of individuals and to deliver significant financial savings in comparison to the cost of traditional residential care.</p>	The audit will examine the operation of the scheme and the associated financial management arrangements.	
Total	170			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Highways Inspections	20	<p>The Council is implementing a new highways inspection regime following the issue of a new national Code of Practice.</p> <p>Highways inspections play a vital role in ensuring the safety of the borough's highways and provide a key part in the defence of highways related insurance claims.</p>	The audit will examine how the Council has developed and implemented its highways inspections in light of the new guidance.	Audit report
Waste Management (Disposal)	30	<p>The annual cost of waste disposal is approximately £6m per annum. The area is also subject to complex charging arrangements.</p>	The audit will focus on the contracting and contract management processes relating to the Council's waste disposal arrangements and seek to provide assurance that the Council is charged correctly for its disposal costs.	Audit report
Syrian Resettlement Programme	20	<p>Halton, along with other LCR authorities has pledged to accommodate 160 individuals under the Syrian Resettlement Programme (SRP) and the Vulnerable Children Resettlement Scheme (VCRS). As at February 2019 the Council has accommodated 104 SRP individuals and 8 VCRS individuals.</p> <p>The Council receives funding in relation to the schemes from the Liverpool City Region Combined Authority who administer grant payments in regard to the schemes.</p>	The audit will examine the financial management arrangements relating to the SRP and VCRS and review the arrangements for ensuring that all eligible expenditure is recovered.	Audit report
Total	70			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
De-linking of the Silver Jubilee Bridge in Runcorn	20	<p>The opening of the Mersey Gateway and temporary closure of the Silver Jubilee Bridge has presented an opportunity to redefine the existing road infrastructure in the area of the Runcorn Town Centre.</p> <p>This scheme involves changes to the road layout and the removal of certain structures that will improve the visibility of the town centre and its connectivity to and from Runcorn station.</p> <p>The estimated cost of the scheme is £9.61m.</p>	The audit will examine the procurement and project / financial arrangements relating to the project.	Audit report
Total	20			

REPORT TO: Business Efficiency Board
DATE: 27 March 2019
REPORTING OFFICER: Strategic Director – Enterprise, Community & Resources
PORTFOLIO: Resources
SUBJECT: 2017/18 Housing Benefit Subsidy Claim Certification
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the audit and certification of the 2017/18 housing benefit subsidy claim by the Council's external auditor, Grant Thornton.

2.0 RECOMMENDATION: That the audit and certification of the 2017/18 housing benefit subsidy claim, as outlined in the Appendix, be noted.

3.0 SUPPORTING INFORMATION

3.1 The Council's external auditor Grant Thornton have completed their audit and certification of the 2017/18 housing benefit subsidy claim. Grant Thornton will attend the meeting to outline the findings of their audit, the outcome of which is presented in the Appendix.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 The Appendix contains details of the external audit fees charged for the audit of the 2017/18 housing benefit subsidy claim.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children & Young People in Halton**

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

6.3 A Healthy Halton

6.4 A Safer Halton

6.5 Halton's Urban Renewal

There are no direct implications for the Council's priorities.

7.0 RISK ANALYSIS

7.1 There are no risks associated with this report.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None identified.

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

9.1 There are none under the meaning of the Act.



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Our ref: Halton BC/Certification/1718

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Ed Dawson
Operational Director Finance
Halton Borough Council
Municipal Building
Kingsway
Widnes
WA8 7QF

Dear Ed

Certification work for Halton Borough Council for the year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim 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.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments Ltd (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £39.412million. Further details are set out in Appendix A.

We identified errors from our certification work in two areas which we wish to highlight for your attention. We performed additional testing where appropriate in relation to these errors. We did not identify any further errors as a result of the additional testing. We were able to quantify the errors and the claim was amended accordingly. The errors were insignificant compared to the total subsidy receivable.

As a result of the errors identified, the claim was amended. The DWP may require the Council to undertake further work or to provide assurances on the errors we have identified.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £6,828. This is set out in more detail in Appendix B.

Yours sincerely

A handwritten signature in black ink that reads "Grant Thornton UK LLP".

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£39,412,059	Yes	£9	No	See below

Findings from certification of housing benefits subsidy claim**Non HRA rent rebates:**

From the testing of Non HRA rent rebates we identified one error noted relating to the income calculation and one error relating to applicable amounts. Therefore, there was a requirement for 40+ testing to be performed. However, there were only 22 cases in total therefore we tested all the remaining cases. No further errors were noted. From the testing undertaken the fails resulted in a required change to the claim between cells 023 and 026. The overall impact on the subsidy claimed was nil.

Uncashed cheques:

The agreement of the Northgate system to the claim identified that the uncashed cheques cell 006 and cell 179s were overstated by £9. This was human error and the claim was adjusted to correct it. The correction provides the council with an additional £9 subsidy.

Appendix B: Fees for 2017/18 certification work

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£6,828	£6,828	£6,828	£0	
Total	£6,828	£6,828	£6,828	£0	

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of the Local Government Act 1972.

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