



Business Efficiency Board

**Wednesday, 12 March 2014 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn**

A handwritten signature in black ink, appearing to read 'David W R', positioned above a faint rectangular stamp.

Chief Executive

BOARD MEMBERSHIP

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

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

The next meeting of the Board is to be confirmed.

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

Part I

Item No.	Page No.
1. MINUTES	
2. DECLARATION OF INTEREST	
Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item.	
3. CERTIFICATION REPORT 2012/13	4 - 17
4. BUSINESS EFFICIENCY BOARD UPDATE REPORT	18 - 46
5. EFFICIENCY PROGRAMME UPDATE	47 - 50
6. INTERNAL AUDIT PLAN - 2014-15	51 - 80
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 QTR 3 - PROGRESS REPORT	81 - 154
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In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.

REPORT TO: Business Efficiency Board
DATE: 12 March 2014
REPORTING OFFICER: Operational Director – Finance
PORTFOLIO: Resources
TITLE: Certification report - 2012/13
WARDS: Borough Wide

1.0 PURPOSE OF REPORT

To consider the report from the Council's external auditor, Grant Thornton, following the audit of grant claims and returns for the financial year 2012/13.

2.0 RECOMMENDED: That the attached report from Grant Thornton be noted.

3.0 SUPPORTING INFORMATION

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

3.2 Grant Thornton has certified four claims and returns for the financial year 2012/13 relating to expenditure of £126 million.

3.3 The attached report summarises Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

4.0 POLICY AND OTHER IMPLICATIONS

None

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

There are no direct implications.

6.0 RISK ANALYSIS

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

7.0 EQUALITY AND DIVERSITY ISSUES

None identified

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

None under the meaning of the Act



Certification report 2012/13 for Halton Council

Year ended 31 March 2013
24 February 2014

Mike Thomas

Engagement Lead

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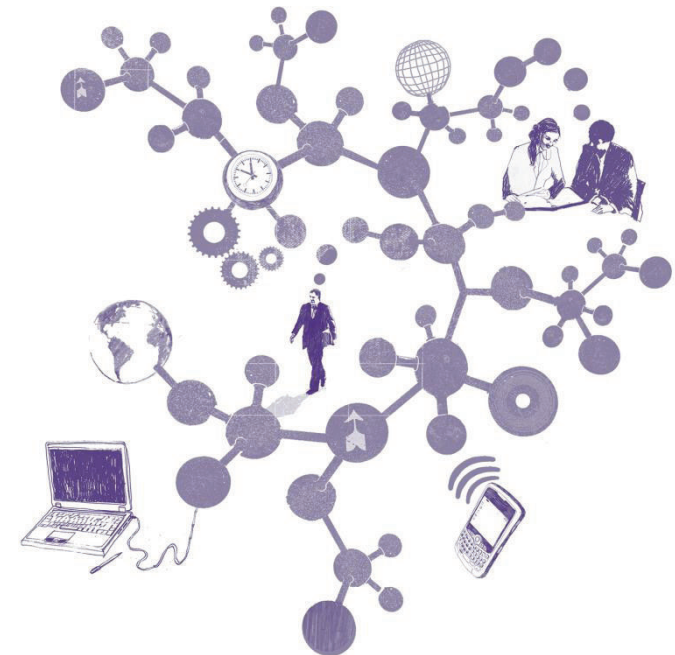
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Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Executive summary

Introduction

We are required to certify certain claims and returns submitted by Halton 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.

We have certified 4 claims and returns for the financial year 2012/13 relating to expenditure of £126 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council on 16 July 2013.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table opposite and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All four claims were submitted on time and all claims were certified within the deadlines.	● Green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	Three claims were subject to amendment, no qualification letters were issued. The Housing Benefit return was amended for a decrease of £235 payable and the Teachers Pensions return for an increase of £44 payable. The Local transport Plan Major Projects return for Silver Jubilee Bridge was amended although this did not have a financial impact on the value of the claim. Key messages are set out in detail within the significant findings on page 7.	● Amber
Supporting working papers	Working papers for all claims were satisfactory. Support from Housing Benefit staff combined with timely receipt of information enabled the certification process to proceed in an efficient manner.	● Green

The way forward

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B.

Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

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

Grant Thornton UK LLP
24 February 2014

Section 2: Results of our certification work

01. Executive summary

02. Results of our certification work

Results of our certification work

Key messages

We have certified 4 claims and returns for the financial year 2012/13 relating to expenditure of £126 million.

The Council's performance in preparing claims and returns is summarised below:

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		Direction of travel
		No.	%	No.	%	
Claims submitted on time	100%	4	100	4	100	↔
Claims certified on time	100%	4	100	4	100	↔
Claims certified with amendment	0%	3	75	3	75	↔
Claims certified with qualification	0%	0	0	0	0	↔

This analysis of performance shows that:

- All claims were submitted on time for audit and were certified on time.
- Three claims were certified with amendments.
- No claims were certified with a qualification letter.

Details of the certification of all claims and returns are included at Appendix C.

Significant findings

Our work has not identified any issues in relation to the management arrangements and certification of individual grant claims and returns:

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. This indicative fee did not include the certification of the Silver Jubilee Bridge Local Transport Plan and so has been amended from £14,350 to include the new claim this year. The indicative scale fee for the Council for 2012/13 is £15,729.

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing Benefit and Council Tax Benefit Subsidy Return – MPF720A	£66,604,013.00	Yes	£235	No	Amendment on the total subsidy claimed cell relating to un-cashed cheques.
National Non-Domestic Rates Return – NNDR3	£47,595,645.64	No	Nil	No	
Teachers Pensions Return – EOYCd/Feb 2013	£7,597,207.75	Yes	£44	No	Amendment on the contributions deducted cell.
Local Transport Plan Major Projects – Silver Jubilee Bridge	£4,745,000.00	Yes	Nil	No	Amendment did not have a financial impact on the claim.

Appendix B: Action plan – Halton grant claims and returns 2012/13

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure there is a robust quality assurance process to minimise amendments to the claims.	Low	We will review the quality assurance process to grant claims to ensure there is a consistent approach applied to the final checking and submission of all grant claims.	April 2014 Divisional Manager – Financial Management

Appendix C: Fees

Claim or return	2011/12 fee (£) *	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits subsidy claim	£17,229	£12,210	£12,210	-£5,019	The Council worked with us to complete the workbooks and helped to reduce our level of re-performance.
National non-domestic rates return	£1,276	£1,460	£1,460	£184	
Teachers Pension	£974	£680	£680	-£294	
Local Transport Plan Major Projects - Silver Jubilee Bridge	£1,780	£1,379	£1,379	-£401	Part A testing only completed in 2012/13
Total	£21,259	£15,729	£15,729	-£5,530	

* 2011/12 fee less 40% fee reduction applicable for 2012/13 onwards. This is shown in this way to make it comparable to the 2012/13 fee.



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REPORT TO: Business Efficiency Board

DATE: 12 March 2014

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Resources

SUBJECT: Business Efficiency Board Update Report

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

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

- The progress made in delivering their responsibilities as the Council's external auditors;
- A summary of national issues and developments that may be relevant to Halton as a Council;

2.0 RECOMMENDATION: That the Board notes the report.

3.0 SUPPORTING INFORMATION

3.1 Please see attached report.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 There are no direct implications.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 There are no direct implications.

6.0 RISK ANALYSIS

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

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None

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

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



Business Efficiency Board Update for Halton Borough Council

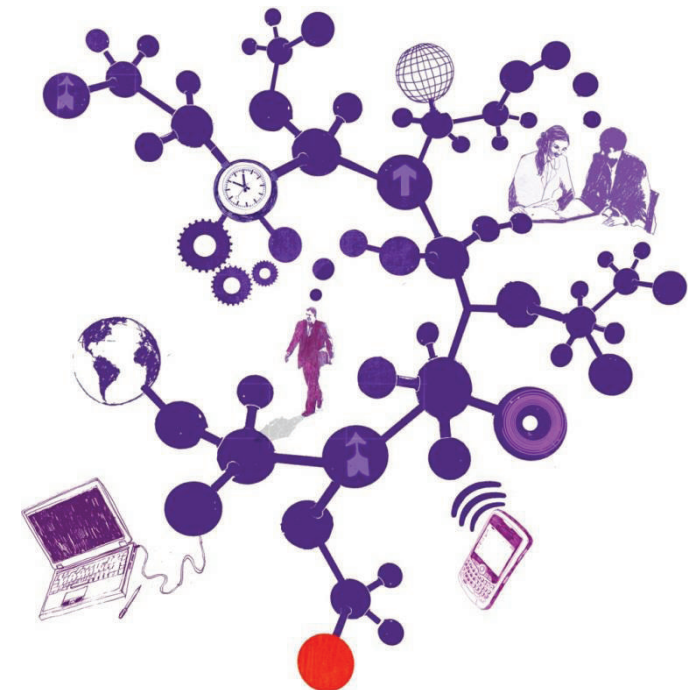
Year ended 31 March 2014

March 2014

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

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

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

Members of the Business Efficiency Board can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Reaping the Benefits': Welfare reform changes; 'Responding to the challenge: alternative delivery models in local government', '2016 tipping point?', 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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

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Progress at February 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion your 2013-14 financial statements.</p>	April 2014	In progress	We will issue an Audit Plan that summarises the findings of our audit planning and our approach to the audit of the Council's accounts and Value for Money (VfM).
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • developing our risk assessment for our Value for Money conclusion work. 	November 2013 to April 2014	In progress	Our interim fieldwork is underway. Our findings will be included in the Audit Plan.
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion the Council's accounts • considering the impact of the final accounts audit work for our VFM Conclusion • Whole of Government Accounts 	June to September 2014	Not started	We will issue our Audit Findings (Report to those charged with governance) that will set out the findings of our accounts audit and VfM work for the consideration of those charged with governance.

Progress at February 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion comprises the consideration of two criteria:</p> <ul style="list-style-type: none"> proper arrangements in place for securing financial resilience. proper arrangements for challenging how it secures economy, efficiency and effectiveness. 	January to September 2014	In progress	We are currently completing our risk assessment.
<p>Other areas of work – certification of government grant claims under the Audit Commission regime. We will certify your 2013-14 government grant claims under the arrangements prescribed by the Audit Commission.</p>	February to November 2014	Not started	
<p>Other areas of work – independent report on RGF claim You have asked us to provide a report on your Regional Growth Fund claim</p>	February 2014	Yes	Unqualified report given
<p>Other activity undertaken Other service lines within Grant Thornton UK LLP have undertaken VAT advice and Employee Solutions work for the Council. Details will be set out in the Audit Plan.</p>	On-going	In Progress	

Charging plays a significant role in funding public services

Local government guidance

Income from charging

In September, the Audit Commission published '[Income from charging: Using data from the VFM Profiles, September 2013](#)'. The briefing provides an analysis of councils' 2011/12 income from charging, totalling £10.2 billion, and the contribution it made to service spending. It looks at the trends for different types of councils across broad service areas.

Key findings were:

- charging in 2011/12 funded 9 per cent of single-tier and county councils' overall service expenditure, and 20 per cent of district councils
- nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs
- there is great variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to service spending, and the changes to these over recent years. The contribution of charging to spending in 2011/12 varied most for district councils, with 2 to 87 per cent being generated through charges.

The Audit Commission chairman, Jeremy Newman, said 'There is no 'one-size-fits-all' formula for how councils set their local charging policies. We are providing information and tools for councils, and those who hold them to account, to help understand the important role that charging plays in councils' strategic financial management. The fact that some bodies derive more income from charging than council tax is neither good nor bad, but highlights the significant role charging plays in funding public services, and reminds councillors and electors to carefully scrutinise the approaches councils are taking.'

As business rate income grows, authorities will keep half of the growth

Local government guidance

Business rate collection

In April 2013, the government introduced a business rates retention scheme. Local authorities as a whole will now be able to keep half of the business rates income they collect rather than paying it all into the national pool. As business rate income grows, authorities will keep half of the growth.

In October, the Audit Commission published '[Business rates: using data from the VFM profiles October 2013](#)'. This briefing has been drawn from the Commission's Value for Money (VFM) profiles and shows an analysis of English council's collection rates and costs of collecting business rates.

The Audit Commission also highlights the following steps councils could take to maximise business rates:

- supporting existing business to do well and attracting new businesses to the area
- identifying and billing all business properties with a rateable value promptly
- using discretionary relief in an effective way, targeting businesses most in need
- preventing and tackling fraudulent claims for relief
- improving collection rates
- reducing collection costs.

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Helping the High Street

Local government guidance

Support for UK high streets

On December 6, 2013 the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Austerity continued – further cuts in spending powers

Local Government Guidance

Final local government finance settlement 2014/15

On 5 February 2014 the government published the final local government finance settlement for 2014/15. This confirmed the proposals laid out in the provisional finance settlement. The government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. This proposal needs to be accepted by Parliament.

Excluding the Greater London Authority, the spending power for local authorities in England will fall by 2.9% in 2014/15 compared to 2013/14. As in previous years, councils will have their funding reduction capped at 6.9%. Indicative funding levels for 2015/16 have also been provided to assist local authorities with their medium term financial planning. The settlement will be finalised in February 2014.

Joint Health and Social Care Plans to be in place by 4th April

Local government guidance

Better Care Fund

In the June 2013 Spending Round the Government announced the prospective implementation of the Better Care Fund (formerly the integration transformation fund). The key aim is to ensure a transformation in integrated health and social care through local single pooled budget arrangements. Pooled budget arrangements are formally underpinned by Section 75 of the NHS Act 2006.

Key issues

- £3.8 billion for funding will be available from 2015/16, largely through a top slice of existing Clinical Commissioning Group (CCG) budgets;
- Local Authorities with Adult Social Services, CCGs and NHS Trusts will need to collaborate through a single pooled budget arrangement to support the delivery of health and social care services in their designated local areas;
- finalised joint health and social care plans must be in place setting out how pooled budgets will be spent – draft plans must be formally signed off by each statutory Health and Well Being Board and submitted to NHS England area teams by 14 February, with a 4 April 2014 deadline for submission of finalised plans

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Procurement fraud in local government accounted for £876m this year

Grant Thornton

Potential for procurement fraud

The Chancellor's Spending Round announcement last summer has forced authorities to make further cuts to their budgets and operate under tighter constraints.

As Chris Clements, Head of Public Sector Forensics at Grant Thornton UK LLP, wrote in Local Government News, the National Fraud Authority estimates that in the wider public sector, the cost of fraud reached a staggering £19.9bn this year. Procurement fraud in local government accounted for £876m of this amount and therefore a properly functioning procurement process is key to mitigating much of this risk of loss.

'Helping ensure people are not in a position where they are tempted by an opportunistic gain is vital. Employees feeling undervalued – either financially or on account of other motivating factors – can breed an atmosphere of despondency which allows for procurement fraud. Sometimes all it takes is one exploratory incident by an individual to snowball into a culture wide acceptance of fraud, where employees not only rationalise the activity, but are spurred on by other actions.'

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

How to streamline and simplify local authority financial statements

Accounting and audit issues

Simplifying and streamlining the presentation of local authority financial statements

Both HM Treasury and CIPFA/LASAAC have recently consulted on how to streamline and simplify local authority financial statements. In our response, we set out our view that streamlining is a collaborative process involving standard setters, preparers of the accounts and auditors. This requires a much needed change in culture and attitude from the accounting and auditing profession as a whole.

However, there is much that can be done now. In his October article in [Room 151](#), the on-line local authority finance publication, Graham Liddell, Grant Thornton's National Technical Lead sets out the practical steps local authorities can take to:

- learn the lessons from 2012/13 to improve the preparation and audit of the financial statements for future years
- de-clutter their accounts using the previous year's financial statements as the starting point

Graham notes that Grant Thornton has been working with a range of local authorities to achieve these goals. One council audited by Grant Thornton succeeded in producing a set of financial statements in 2012/13 that were only half the length of those for 2011/12 and were much easier to follow.

The Local Authority Accounting Code of Practice for 2014/15

Accounting and audit issues

Consultation on Local Authority Accounting Code of Practice for 2014/15

CIPFA/LASAAC's consultation on the Local Authority Accounting Code of Practice for 2014/15 closed in October.

In our response we noted that the complexity of international financial reporting standards (IFRS) inevitably means that it is increasingly difficult to construct a Code that is comprehensive, of reasonable length and fit for purpose. We suggested that the Code of Practice follows the approach adopted by the Treasury in the Financial Reporting Manual under which bodies are required to follow the relevant accounting standard other than where there are specified formal adaptations or interpretations. This would result in a much shorter simpler Code with local authorities referring directly to the underlying standards themselves. This approach is consistent with that adopted in the NHS, where the accounting manuals do not seek to repeat text from accounting standards.

In respect of the some of the other key consultation issues, our views were:

- IFRS 13 - the Code should follow the principles of IFRS 13 as closely as possible. We regard it as important that there is a common application of fair value by all bodies preparing accounts under IFRS.
- Infrastructure assets - we supported the adoption of IFRS based accounting for infrastructure assets. We recognise the practical difficulties in doing this and have offered to work with CIPFA/LASAAC and local authorities to help overcome these difficulties.
- Schools - we emphasised the importance of addressing the accounting issues for schools as a matter of priority, particularly because this is an area for which the Whole of Government Accounts are currently qualified.

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

How do you recognise a PFI?

Accounting and audit issues

Private Finance Initiative Schemes and Service Concessions

The Government financial reporting manual (FReM) and the Local Government CIPFA Code of Practice have now adopted IPSAS 32 (International public sector accounting standards) – Service Concession Arrangements.

Previously under IAS 17 (International Accounting Standards – Leases), the recognition point for an asset and a liability in the financial statements for such a scheme was at the commencement date of the contract, when the asset was handed over to the public sector and ready for use.

Now under IPSAS 32, the recognition point is when:

- it is probable that future economic benefits associated with the asset will flow to the organisation
- the cost of the asset can be measured reliably.

This suggests that some authorities may need to consider recognising service concession assets during the construction phase as assets under construction. In reaching a judgement as to whether to recognise an asset under construction, we would expect authorities to consider the extent to which they bear construction risk and whether they can get reliable information on the cost of construction from the operator.

Keeping your PFI accounting up to date

Accounting and audit issues

Private Finance Initiative Schemes and Service Concessions

Updating the accounting model during the operational phase

Most authorities derive their accounting entries from an accounting model which, in turn, is derived from the operators costing model. The initial accounting model will have included a range of assumptions, such as inflationary increases. We would expect authorities to update the accounting model for actual information, such as inflationary increases and performance variations, during the contract.

Disclosing the impact of inflation on commitments

We expect authorities to disclose the impact of inflation on their service concession commitments. These commitments are affected by:

- past inflation – previous price rises will be built into future payments
- fluctuations in future inflation – this gives rise to uncertainties about future payments.

Disclosing the fair value of the service concession liability

Service concession liabilities are financial instruments. Therefore, we would expect authorities to disclose the fair value of the liability unless this is not materially different from the carrying value. In most cases we would expect the fair value for operational schemes to be higher than the carrying value. This is because once a scheme is operational, authorities have access to lower interest rates for refinancing. This is because the pre-construction interest rate reflects the risks associated with construction.

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

Reporting the costs of public health

Accounting and audit issues

Changes to SeRCOP – new public health line

SeRCOP for 2013/14 introduces a new cost of service line for 'Public health'. This has been introduced to reflect new responsibilities placed upon local authorities following restructuring in the NHS. We expect this new service line to be presented on the face of the CIES within cost of services. If there were material amounts relating to this service in 2013/14, we would expect comparative figures to be restated.



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REPORT TO: Business Efficiency Board

DATE: 12 March 2014

REPORTING OFFICER: Strategic Director, Policy & Resources

PORTFOLIO: Resources

SUBJECT: Efficiency Programme Update

WARDS: All

1.0 PURPOSE OF THE REPORT:

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

2.0 RECOMMENDATION: That the Board is asked to note the contents of the report.

3.0 SUPPORTING INFORMATION

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

4.0 POLICY IMPLICATIONS

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

5.0 OTHER IMPLICATIONS

It should be noted that since commencing in 2009, the Efficiency Programme, and activity associated with it, has identified savings in the region of nearly £12m. This has assisted the Council in the difficult task of dealing with the budget gap.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

7.0 RISK ANALYSIS

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

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

8.0 EQUALITY AND DIVERSITY ISSUES

N/A

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

None under the meaning of the Act.

Halton Council Efficiency Programme

Progress update – September 2013

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

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

This workstream has now concluded. The Efficiency Review recommended the placing of additional administrative support into the service, which has resulted in an increase in productive Social Worker time.

An examination of the utilisation of Inglefield Short Breaks Centre took place and indicated a range of potential uses to build on the services currently provided at Inglefield. Some of these have been adopted and the facility is now generating income through the provision of short breaks capacity to neighbouring authorities. Other potential opportunities are being progressed by the service.

The workstream is now closed. There was no savings target for this workstream, however productivity has increased and additional income is now being generated as a result.

Review of Employment, Learning and Skills (Wave 4)

This review has now concluded, and has been closed. Savings of £230,000 were generated from this review against a target of £200,000.

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

The As-Is report for this workstream was considered by the Efficiency Programme Board in mid-December. A range of improvement opportunities are now being followed up. These will be reported back to the Efficiency Programme Board in the coming months.

Review of Library Services (Wave 5)

The As-Is phase of this workstream has been completed and the As-Is report was considered by the Efficiency Programme Board in December. Work is now commencing on developing To-Be options for future delivery of the service.

Review of Learning & Achievement (Wave 5)

The As-Is phase of this workstream has been split and two reports will be produced. One relates to the 0-19 Division and will be considered by the Efficiency Programme Board at the end of March. A further report related to the 0-25 Inclusion Division will be produced in shortened form, as the service is already considering how it needs to work in the future to respond to the changes to be implemented as a result of the Children & Families Bill, particularly around Special Educational Needs Reform. The work of the Efficiency Programme Office will link into this.

Review of Halton Supported Housing Network (Wave 5)

The As-Is for this workstream will be presented to the Efficiency Programme Board in at the end of March 2014.

Supplier Relationship Review (Wave 5)

The early stages of work have been completed on this pilot workstream, which is being delivered jointly by the Efficiency Programme Office and the Procurement Division. Initial analysis is underway to examine spend within (and outside of) a small selection of contracts that are part way through their term. Once this analysis has been completed, the project will engage with the relevant service departments and highlight opportunities to seek efficiencies that can be passed on to the Council.

Review of Highways Services (Wave 5)

Service areas to be in scope are Bridge & Highway Maintenance Division, Highway Development Division, and Traffic. This review will commence later in the year.

REPORT TO:	Business Efficiency Board
DATE:	12 March 2014
REPORTING OFFICER:	Operational Director - Finance
SUBJECT:	Internal Audit Plan - 2014/15
PORTFOLIO:	Resources
WARDS:	Borough-wide

1.0 PURPOSE OF THE REPORT

This report provides details of the proposed Internal Audit Plan for 2014/15. The Audit Plan outlines the planned programme of internal audit work for the year.

2.0 RECOMMENDATION: That the Business Efficiency Board is recommended to consider and approve the proposed Internal Audit Plan for 2014/15.

3.0 SUPPORTING INFORMATION

- 3.1 The Public Sector Internal Audit Standards require the development of an annual risk-based plan to determine the priorities of internal audit activity. The plan must be consistent with the Council's goals and take into account the Council's risk management and overall assurance framework.
- 3.2 The Audit Plan is designed to provide sufficient coverage across the organisation to enable the Head of Internal Audit to deliver an overall opinion on the Council's risk management, control and governance arrangements.
- 3.3 The Audit Plan for 2014/15 is attached as an appendix to this report. The document provides detail of how the Council's internal audit resources are to be deployed during the year.
- 3.4 In total 1,138 days of audit work is planned. This is based on a forecast staffing resource of 6.5 FTE staff after making provisions for maternity leave, sickness, staff training and development, and management time.
- 3.5 The planned level of resources is considered sufficient to deliver a robust annual audit opinion.
- 3.6 The Audit Plan will be kept under review throughout the year and regular progress reports will be provided to the Business Efficiency Board.

4.0 POLICY IMPLICATIONS

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

5.0 OTHER IMPLICATIONS

5.1 Internal audit is a statutory function as detailed in:

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

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

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

5.4 There are no additional resource implications arising from this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

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

7.0 RISK ANALYSIS

7.1 The work of Internal Audit forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.

7.2 Changes to planned work may be necessary to reflect any changes to risks, priorities, and available resources. Minor amendments to planned work will be agreed with the Operational Director – Finance. Any significant matters that jeopardise completion of the plan or require substantial changes to it will be reported to the Board.

8.0 EQUALITY AND DIVERSITY ISSUES

None identified

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

Public Sector Internal Audit Standards

2014/15

Internal Audit Plan



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1. Introduction

- 1.1 This document summarises the results of Internal Audit's planning work. It sets out details of:
- The responsibilities and scope of internal audit
 - How the Council's internal audit service is resourced and delivered
 - How internal audit work is reported
 - The proposed programme of work for 2014/15 (the Audit Plan)
- 1.2 The Audit Plan for 2014/15 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards, which came into effect in April 2013.
- 1.3 The Council has adopted the Public Sector Internal Audit Standards definition of internal auditing:
- 'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
- 1.4 The work of internal audit is a key element in delivering the Council's strategic priority of corporate effectiveness and business efficiency, but also supports the Council in achieving all the aims and objectives set out in the Sustainable Community Strategy and the Corporate Plan.

2. Internal Audit – Responsibilities & Scope

2.1 The internal audit function is responsible for:

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

2.2 The scope of internal audit work includes:

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

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

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

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

3. Resourcing and delivering internal audit

- 3.1 The level of resource required to deliver an effective internal audit service to the Council has been assessed based on the need to provide adequate audit coverage of the Council's:
- Financial systems
 - Risk management and governance arrangements
 - Front line services and support services
 - Procurement and contract management activity
 - Information management arrangements
 - Anti-fraud and corruption arrangements
 - Schools
- 3.2 Account has also been taken of the need to be able to resource:
- Unplanned work which may arise during the year
 - Follow up work to provide assurance that agreed recommendations are implemented
 - Provision of advice and consultancy to internal customers
- 3.3 The level of internal audit resource available in 2014/15 is considered sufficient to deliver a robust annual internal audit opinion to the Board.
- 3.4 The 2014/15 Internal Audit Plan will be delivered predominantly by an experienced and suitably qualified in-house team of 6.5 FTE auditors. A small amount of external support to assist the audit of information management systems will be provided by Salford City Council. Where considered appropriate, the internal audit team will also collaborate with internal audit colleagues from other local authorities in regard to the approach and delivery of particular audit assignments.
- 3.5 The internal audit team is managed by the Divisional Manager – Audit & Operational Finance, who also has responsibility for the following functions:
- Purchase to Pay
 - Income control (collection and reconciliation of income)

- Insurance
- Client Finances (Corporate Appointeeships and Deputyships)
- Direct Payments

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

4. Reporting arrangements

4.1 At the conclusion of each audit assignment, a draft report is issued to the appropriate manager within the Council. A final report containing management responses to any issues identified is subsequently distributed to:

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

4.2 In each audit report, an overall assurance opinion is provided on the area audited. The opinion is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the control environment in the area audited. The scale of opinions is set out in the following table:

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

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

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

5. Internal Audit Plan – 2014/15

- 5.1 The Public Sector Internal Audit Standards state that the ‘chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals’.
- 5.2 In preparing the Audit Plan, account has been taken of:
- The Council’s risk management processes
 - The views of senior management
 - The results of previous internal audit work
 - Other existing sources of assurance, including the work of external audit
 - New or emerging risks, including known changes to the Council’s business, operations, programs, systems, and controls
 - The requirement to ensure sufficient coverage in order to provide a robust an annual internal audit opinion
 - Planned work deferred from the 2013/14 Audit Plan
- 5.3 The 2014/15 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, but for presentational purposes they have been listed under the priority that is considered most closely linked to the review area.
- 5.4 The Audit Plan is stated in terms of the number of days input for each area of audit work. However, the resources available and the exact time required for each piece of work cannot be forecast precisely. The plan therefore represents the best estimate of the audit resources available and the ways in which those resources will be deployed.
- 5.5 The intention is to complete all planned reviews within the year. However, the timing and respective prioritisation of work will take account of:
- The need to finalise any work from 2013/14 that remains incomplete at year-end
 - The need to prioritise the reviews deferred from the 2013/14 Audit Plan
 - The requirement to provide assurance over the Council’s key financial systems
 - The views of management of the service areas in regard to the timing of work
 - Any other factors that may be relevant to the timing of a particular piece of work

- Any urgent unplanned work arising
 - Changes in the level of audit resources available
- 5.6 The Audit Plan will be kept under review during the year and it may be necessary to make revisions to planned work in order to respond to new or changed priorities. Minor changes will be agreed with the Operational Director – Finance. Any significant changes will be reported to the Business Efficiency Board.
- 5.7 The following appendix sets out the proposed Audit Plan for 2014/15 explaining the rationale for each piece of planned work.

SUMMARY INTERNAL AUDIT PLAN - 2014/15

Corporate Priority	Planned Days
Corporate Effectiveness & Business Efficiency:	
Financial Management	180
People Management	20
Information Management	80
Asset Management	40
Governance	147
	467
Children & Young People in Halton	253
Employment, Learning & Skills in Halton	40
A Healthy Halton	110
A Safer Halton	67
Halton's Urban Renewal	60
<u>Other work:</u>	
Contingency	93
Manchester Port Health Authority	3
Completion of outstanding 2013/14 audits	45
Total Planned Days	1138

Corporate Effectiveness & Business Efficiency:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Financial Management				
Discretionary Housing Payment Fund	10	Discretionary Housing Payments (DHP) provide claimants with further financial assistance where the Council considers that help with housing costs is required. In 2013/14 there has been an increase of over 600% in the number of DHP applications received.	Full system review	Audit report
Adult Social Care charges	15	Significant changes to processes following implementation of Care Financials.	Financial assessment and invoicing procedures	Audit report
Council Tax - Discounts & Exemptions	15	Audit Commission research indicates that 4-6% of Single Person Discount claims are fraudulent and represent one of the biggest areas of financial loss to local government.	Discounts and exemptions	Audit report
NNDR - Reliefs and Exemptions	15	Business rate fraud is increasing nationally and local authorities are seeing an increase in applications for reliefs and exemptions.	Reliefs and exemptions	Audit report
Legal debt recovery procedures	15	The current economic climate has seen an increase in the number of debts being passed for legal recovery.	Full system review	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Insurance	15	The Council started to handle its own claims in April 2013 and new management information system was implemented.	Full system review	Audit report
<u>Financial key control reviews:</u>		These systems provide material disclosures for the financial statements	High level reviews evaluating and testing the effectiveness of the key controls within each financial system	Audit report for each system
Payroll	10			
Loans & Investments	10			
Income Control and Reconciliation	10			
NNDR	10			
Council Tax	10			
Housing Benefit	10			
Accounting journals	5			
Accounts receivable	10			
Accounts payable	10			
Fixed assets	10			
Total	180			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
People Management				
Sickness Management	20	Sickness absence is a significant cost to the Council. In September 2013 the Council's external auditor reported that Management Team needs to continue to adopt a robust approach to managing and monitoring sickness absence (deferred from 2013/14 Plan).	Full system review	Audit report
Total	20			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Information Management				
Document Management	20	<p>As the Council has adopted electronic storage for the management of data there remains a legacy of paper records. Physical storage has a cost implication for the Council and needs to be kept to a minimum.</p> <p>There is also an increasing number of cases where the Information Commissioner's Office has taken action against public bodies for data breaches (deferred from 2013/14 Plan).</p>	Review current practice against the Council's own document retention policies and relevant legislation. Assess cost implication and VFM of existing arrangements.	Audit report
IT Resilience, Backup and Recovery	20	Effective delivery of Council services is highly dependent on the availability of IT systems.	Review the adequacy and effectiveness of controls in place to prevent / minimise system downtime and to ensure that systems are appropriately backed up.	Audit report
Social Media	20	<p>The Council's use of social media is increasing and is therefore becoming more important from a risk management standpoint. Uncontrolled use of social media presents risks in terms of reputational damage, data security, viruses and malware.</p>	Review how the Council monitors compliance with the guidance produced on the use of social media.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
CareFirst Financials	20	<p>CareFirst Financials provides a complete set of financial management tools that are fully integrated with the CareFirst care management system.</p> <p>The module is due for implementation in the first quarter on 2014/15 and will have a significant impact on a range of areas, including budget management, provider payments and charging.</p>	Post implementation review	Audit report
Total	80			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Asset Management				
Unoccupied Council buildings	20	Unoccupied buildings present a cost and an insurance risk to the Council. They also provide an opportunity to be put to an alternative use or to be sold to generate capital receipts.	Review to focus on compliance with conditions of insurance in regard to unoccupied buildings. Will also examine the Council's plans or strategies for future use or disposal.	Audit report
Land & Property disposals	20	Part of the Council's strategy to address the funding reductions is to rationalise its land and property portfolio.	Review to examine processes followed to ensure that the Council obtains the best consideration for any land and property disposals.	Audit report
Total	40			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Governance				
Performance Reporting	20	The recent LGA Peer Review suggested that there may be an opportunity to review the level of detail currently included in performance reports (deferred from 2013/14 Plan).	Review of the process and controls governing the selection, collection, processing and analysis of performance data and how results are reported and utilised to improve performance.	Audit report
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.	Publication of Annual Governance Statement
Reporting to the Business Efficiency Board	20	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	25	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
National Fraud Initiative (NFI)	20	NFI matches data across organisations and systems to help public bodies identify anomalies which may signify fraudulent claims and transactions. The Council is required by law to participate in NFI.	Co-ordination and investigation of the data matches identified from the exercise.	An update will be provided for the Business Efficiency Board in the Annual Fraud & Corruption report.

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Review of Counter Fraud arrangements	15	The Audit Commission publication 'Protecting The Public Purse 2013' recommends that all local government bodies should review their counter fraud arrangements against best practice.	Self-assessment of the Council's counter fraud arrangements	Audit report
Fraud awareness & Whistle-blowing initiatives	15	To raise the awareness of Council staff in regard to the incidence of fraud and the arrangements established by the Council to mitigate the risk of fraud.	To be determined in year	Increased fraud awareness amongst employees and Members
Information Governance	2	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.	Contribution to the work of the Information Governance Group	Further development of the Council's information governance arrangements
Area Forums	20	The Council's Corporate Risk Register identifies the Area Forums as one of the key risk control measures to help manage community expectations. Collectively the Area Forums have an annual Council budget of £600k that generates an additional £500k of external funding.	Review of Area Forum governance and financial management arrangements	Audit report
Total	147			

Children & Young People in Halton:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Key Stage 3 & 4 Provision for excluded pupils	15	The service delivery models for excluded pupils comprise a mixture of in-house provision and provision commissioned from external providers. Previous audit work has identified weaknesses in the procurement and contract management of external provision (deferred from 2013/14).	Review to examine procurement and contract management arrangements to provide assurance that the Council's Procurement Standing Orders have been complied with and the arrangements offer value for money.	Audit report
CRMZ - Youth Hub Facility	20	Facility opened in 2010/11 following a £3m refurbishment. Not previously audited.	Review to cover financial management arrangements, contracted services and utilisation.	Audit report
Sustainable School Travel	20	The Council has a duty to provide 'home to school' assisted travel arrangements for children of statutory school age under the Education and Inspections Act 2006. The Act also requires the Council to produce a Sustainable School Travel Policy. This document incorporates the Council's policy for the provision of education transport. Expenditure on school transport exceeds £1.3m per year.	Full review of the systems in place that ensure that the Council meets its legal obligations in regard to school travel.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Specialist Services	20	A range of specialist services are commissioned from voluntary sector providers. 2014/15 expenditure on commissioned services is budgeted at approximately £2.8m.	Review to focus on commissioning, contract management and financial control arrangements.	Audit report
Support to Care Leavers	20	The Council currently has 67 young people who are care leavers and has statutory duties to support these individuals under the Leaving Care Act (2000). This includes financial support in moving into independent living and support with employment, education or training. Failure to improve education and employment opportunities for Care Leavers is identified as a key risk in the Children & Enterprise Directorate Risk Register.	Review to examine the effectiveness of the measures taken to improve education and employment opportunities, performance management and provision of financial support.	Audit report
Children's Centres	20	The Children & Enterprise Directorate is to review the number and locations of the current designated Children Centres to ensure they are sustainable and meet the needs of the community they serve.	Review to cover financial management arrangements, commissioned services and utilisation.	Audit report
Expansion of nursery provision	10	The Council received capital funding of £356k to expand nursery provision in the borough for two years olds. Funding is to be awarded to private, voluntary and maintained sectors providers based on an application process.	The audit will review the processes in place to ensure that the grant funding awarded is utilised for its intended purpose.	Audit report

Employment, Learning & Skills in Halton:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Employment Services (Halton People Into Jobs)	20	<p>The Council has been delivering two Department for Work & Pensions (DWP) mandatory Work Programme contracts on behalf of Prime Contractors A4e and Ingeus Deloitte since June 2011.</p> <p>Advisors support long term unemployed residents back into employment opportunities through effective action planning and signposting.</p> <p>Under the contracts the Council receives income dependent upon the achievement of pre-agreed targets (deferred from 2013/14).</p>	Audit work to focus on performance data and income.	Audit report
Liverpool City Region Business Growth Grant	20	<p>The Council will be the application appraiser and key decision maker on the award of £15m grant to businesses within Halton. This will involve the Council formally contracting with and making payments to companies that qualify for grant assistance.</p> <p>The Council will submit evidence and claim the full amount of grant paid from the Liverpool City Region Local Enterprise Partnership.</p>	Audit work to focus on the application and project appraisal procedures, monitoring systems and financial management arrangements.	Audit report
Total	40			

A Healthy Halton:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Public Health	20	The Council assumed new responsibilities for the public health function in April 2013. (deferred from 2013/14 Plan).	The review will examine the governance arrangements for public health and how these have been incorporated into the Council's structure. It will also examine the contract management arrangements relating to the services commissioned by the Public Health team.	Audit report
Domiciliary and Personal Care Services	20	The Council has recently undergone a tendering exercise and awarded new contracts for Domiciliary and Personal Care contracts. The annual total cost of the contracts is estimated to be over £4.5m. Changes to the arrangements for paying providers are also being introduced as a result of the implementation of CareFirst Financials.	The audit will focus on contract management and payment procedures.	Audit report
Complex Care Pooled Budget	30	The Council has a pooled budget with the Clinical Commissioning Group (CCG) of approximately £38m for which the Council is the accountable body.	The audit will examine the governance arrangements relating to the partnership between the Council and the CCG. It will also review the financial management and reporting arrangements relating to the pooled budget.	Audit report
Mental Health and Wellbeing	20	The Council has recently adopted a Mental Health and Wellbeing Strategy. Effective commissioning of services is a key element in improving outcomes for service users.	The audit will cover commissioning, contract management and financial management arrangements.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
School Meals Service	20	<p>Free school meals are to be made available for all infant school children from September 2014. Schools are to receive funding of £2.30 per meal based on actual take-up by newly eligible infant pupils.</p> <p>Capital funding of £366k is also being provided to increase capacity in school kitchens.</p> <p>The School Meals Service is also currently piloting a cashless pay solution in a number of schools.</p>	To review controls relating to the cashless pay pilot and examine its impact on school meal take up. The accounting arrangements and use of capital funding relating to the provision of free school meals for infant school children will also be examined.	Audit report
Total	110			

A Safer Halton:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Tree inspection and management	15	There are approximately 900,000 trees for which the Council is responsible. If not properly managed trees can potentially cause damage to people and property. To mitigate this risk the Council has recently introduced a tree inspection regime.	Review how the Council plans tree inspections and responds to issues identified.	Audit report
Highways inspections and repairs	20	Public liability claims for slips and trips on Council maintained highways are a significant cost to the Council. The Council's defence of those claims is dependent on a robust highways inspection and repair regime.	Review compliance with highways inspection policy and quality of documentation held in support of inspections.	Audit report
Bus Service Operators Grant	2	Bus Service Operators Grant (BSOG) is a grant paid to operators of eligible local bus services and community transport organisations to help them recover some of their fuel costs. The amount each bus company receives is based on their annual fuel consumption. It is a requirement that the Head of Internal Audit signs a declaration to confirm that the conditions of funding have been complied with.	Grant claim audit	Certification of grant claim

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Appointeeships & Deputyships	15	The Council provides an appointeeship and deputyship service to over 200 vulnerable clients. The balance on the Clients Money account is in excess of £2m.	The audit will review the procedures in place to manage and safeguard funds held on behalf of vulnerable clients.	Audit report
Licensing	15	There have been a number of formal challenges and objections to councils' financial statements, focused on their approach to setting taxi licence fees. External Auditors have largely concluded that this is a complex area and that councils have not always correctly interpreted legislation and guidance. This presents a risk to councils that they may have charged fees unlawfully and that they may end up having to repay elements of fees previously charged.	To review the methodology adopted by the Council in setting taxi licence fees. The audit will also cover the collection and reconciliation of income from the licensing function.	Audit report
Total	67			

Halton's Urban Renewal:

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Planning applications	20	Councils will face special measures designation where planning authorities exhibit a poor track record over speed of decision taking or in terms of the proportion of applications overturned on appeal.	Audit to cover a review of policies, procedures, income processes and performance management arrangements.	Audit report
Section 106 Agreements	15	<p>The Financial Management Division has reported some difficulties in the processing of Section 106 charges, covering land charges on developments to contribute towards services, infrastructure and amenities.</p> <p>If these charges are not properly identified or conditions are not followed there is a risk of the Council having to repay the charge or it not being spent on the purpose for which it was specifically intended.</p>	Audit to review the adequacy and effectiveness of controls over the recording / monitoring of Section 106 Agreements.	Audit report
Widnes Recreation Site Development	15	The Council has approved proposals for a £2.68m development of a sports facility at the former Widnes Recreation Site. It is anticipated that the new facility will be operational by late Autumn.	A current contract audit approach will be adopted and audit work will be undertaken throughout the lifecycle of the project.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance)	5	For 2014/15 the Council has received an allocation of £2.836m for the integrated transport and highways maintenance block grant. It is a requirement that the Head of Internal Audit signs a declaration to confirm that the conditions of funding have been complied with.	Grant claim audit	Certification of grant claim
Local Pinch Point Fund	5	The Council has received £1.675m funding to fund access improvements to the A558. It is a requirement that the Head of Internal Audit signs a declaration to confirm that the conditions of funding have been complied with.	Grant claim audit	Certification of grant claim
Total	60			

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