

Public Document Pack



Audit and Governance Board

Wednesday, 22 March 2023 at 6.30 p.m.
Civic Suite - Town Hall, Runcorn

S. Young

Chief Executive

BOARD MEMBERSHIP

Councillor Rob Polhill (Chair)	Labour
Councillor Alan Lowe (Vice-Chair)	Labour
Councillor John Bradshaw	Conservative
Councillor Ellen Cargill	Labour
Councillor Emma Garner	Labour
Councillor Phil Harris	Labour
Councillor Eddie Jones	Labour
Councillor Tony McDermott	Labour
Councillor Louise Nolan	Labour
Councillor Ged Philbin	Labour
Councillor Pamela Wallace	Labour

Please contact Gill Ferguson on 0151 511 8059 or e-mail gill.ferguson@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 5 July 2023

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

Part I

Item No.	Page No.
1. MINUTES	1 - 5
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. STANDARDS UPDATE	6 - 8
4. INTERNAL AUDIT PLAN 2023-2024	9 - 28
5. EXTERNAL AUDIT PROGRESS & SECTOR REPORT	29 - 42
6. 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.	
7. INTERNAL AUDIT PROGRESS REPORT	43 - 131

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.

AUDIT AND GOVERNANCE BOARD

At a meeting of the Audit and Governance Board held on Wednesday, 23 November 2022 at the Council Chamber - Town Hall, Runcorn

Present: Councillors Polhill (Chair), A. Lowe (Vice-Chair), J. Bradshaw, E. Cargill, Garner, Jones, McDermott, Nolan, Philbin and Wallace

Apologies for Absence: Councillor Harris

Absence declared on Council business: None

Officers present: E. Dawson, M. Guest, M. Murphy, S. Baker and G. Ferguson

Also in attendance: S. Nixon and M. Green – Grant Thornton

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

	<i>Action</i>
BEB15 MINUTES	
<p>The Minutes of the meeting held on 28 September 2022 were taken as read and signed as a correct record.</p>	
BEB16 CORPORATE RISK REGISTER BIENNIAL UPDATE 2022/23	
<p>The Board considered a report of the Operational Director, Policy, Planning and Transportation, on the bi-annual update of the Corporate Risk Register for 2022/23.</p> <p>The Board was advised that the Council recognised its responsibility to manage both internal and external risks as a key component of good corporate governance. At Directorate level, arrangements were in place for the high risk mitigation measures on the half year monitoring reports which were reviewed and updated at mid-year in line with Directorate Business Plans. Progress was then reported to Management Team and Policy and Performance Boards.</p> <p>It was reported that the Risk Control Measures had been reviewed and updated in line with current changes within the Authority and as proposed by managers and stakeholders. The risks had been re-prioritised so that people, (the community and staff), took priority. These were set out in the report.</p>	

RESOLVED: That

- 1) the progress of actions be noted; and
- 2) the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements be noted.

BEB17 2021/22 ANNUAL GOVERNANCE STATEMENT

The Board considered a report of the Operational Director - Finance, which sought approval of the final 2021/22 Annual Governance Statement (AGS).

The 2021/22 AGS was originally presented to the Board on 6 July 2022. It had however been updated to reflect developments in the Council's governance arrangements since that date. As in previous years the AGS also included an action plan to ensure that the Council continued to maintain and improve its existing governance arrangements. The action plan from 2020/21 had also been reviewed and updated to reflect current progress.

Once approved the AGS would be signed by the Council Leader and Chief Executive and published on the Council's website.

Arising from the discussion, a Member requested further information on the recent Senior Management restructure which was to become effective shortly. It was agreed that this would be provided to the Board.

RESOLVED: That the Annual Governance Statement 2021/22 be approved.

Operational
Director - Finance

BEB18 2021/22 STATEMENT OF ACCOUNTS, AUDIT FINDINGS REPORT AND LETTER OF REPRESENTATION

The Board considered a report of the Operational Director, Finance, which sought approval for the Council's 2021/22 Statement of Accounts (the latest version of which was enclosed with the Agenda), and the report of the Audit Findings of the External Auditor (Grant Thornton) on the 2021/22 financial statements. The report also sought approval of the Council's Letter of Representation.

It was reported that the Statement of Accounts set out the Council's financial performance for the year in terms of revenue and capital spending and also presented the year-end financial position as reflected in the balance sheet. The

key elements were detailed in the report.

The External Auditor presented the Audit Findings report which summarised the findings from 2021/22 external audit. Section 2 of the Audit Finding report presented the finding of the External Auditor in respect of matters and risks identified at the planning stage of the audit and additional and significant matters that arose during the course of their work.

It was explained that the audit work is substantially complete, except for work relating to a national infrastructure assets issue that was impacting all organisations with material balances in this area.

In addition the Council was required to provide the External Auditor with a Letter of Representation relating the financial statements, as shown in Appendix 1. The letter was required to be signed by the Chair of the Board on behalf of the Council.

It was noted that on 1 April 2020 the National Audit Office had introduced a new Code of Audit Practice. The Code introduced a revised approach to the audit of Value for Money (VFM). Work on VFM arrangements was ongoing and the External Auditor expected to complete the work by 31 December 2022. The results would be included with the Auditors Annual Report to be published at a later date.

RESOLVED: That

- 1) the draft Letter of Representation in Appendix 1 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Board;
- 2) the External Auditor's draft 2021/22 Audit Findings Report in Appendix 2 be received and any subsequent additions or amendments be approved by Operational Director - Finance, in liaison with the Chair of the Board; and
- 3) the Council's draft 2021/22 Statement of Accounts in Appendix 3 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Board.

Operational
Director - Finance

BEB19 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 items of business in accordance with Sub-Section 4 of Section 100A 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 the public interest 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 Sub-Section 4 of Section 100A 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.

BEB20 INTERNAL AUDIT PROGRESS REPORT

The Board received a report from the Divisional Manager – Audit, Procurement and Operational Finance, updating them on the internal audit activity since the last progress report to the Board on 28 September 2022. It also highlighted any matters that were relevant to the Board's responsibilities as the Council's Audit Committee.

Members were referred to appendix one, which listed all the planned work for the year and its current status. The schedule of audits had been updated to reflect the progress made in completing audits since the last update to the Board. By the end of October 2022, 399 days of audit work

had been completed, which represented 39.9% of the total planned days for the year. Planned work continued to progress but it was noted that as reported previously, planned work remained behind target due to staff turnover and delays in filling vacancies.

Appended to the report were the executive summaries of the reports issued numbering 2 to 9, as listed in the report.

RESOLVED: That the Internal Audit Progress Report and comments made be noted.

Meeting ended at 7.10 p.m.

REPORT TO:	Audit & Governance Board
DATE:	22 March 2023
REPORTING OFFICER:	Operational Director, Legal and Democratic Services/Monitoring Officer
PORTFOLIO:	Leader's
SUBJECT:	Standards Update
WARDS:	Borough-Wide

1.0 PURPOSE OF THE REPORT

- 1.1 To inform Members of Standards issues which have arisen recently.

2.0 RECOMMENDATION: That the report be noted.

3.0 SUPPORTING INFORMATION

- 3.1 Audit & Governance Board assumed responsibility for the work of the former Standards Committee in 2021.
- 3.2 In discussions with the Chair, it was agreed that reports on Standards issues would be brought as & when necessary, but that it would be helpful to bring an update to the last meeting of each municipal year in any event, with the intention of giving Members information on any national & local developments of interest, and providing the Monitoring Officer with the opportunity of informing Members verbally of any complaints received in Halton.
- 3.3 There are no proposed changes to the Code of Conduct for Members for the Board to consider this year.
- 3.4 At the Standards Committee each year, a report would be brought to draw to Members' attention a number of press articles concerning Standards issues in other parts of the UK.
- 3.5 The intention was to give Members a flavour of matters dealt with by other authorities, and how sanctions have been imposed. It was hoped that this would prompt discussion at the meeting. However, it has proven difficult to obtain articles this year, though efforts continue, and any which are found will be circulated to Members.
- 3.6 It is proposed that the Monitoring Officer will provide a verbal update on Halton cases in the usual way.

- 3.7 Should Members consider it helpful, they could resolve that this report be forwarded to Council for information along with the minutes in place of the previous Standards Committee annual report.
- 3.8 Standards Committee had a co-opted member, Mr. Tony Luxton, who accepted an invitation to attend the Board meeting last year, but has now expressed a wish to stand down having given considerable assistance to the Council on standards issues over a large number of years. The Chair has agreed to invite the two Independent Persons appointed by the Council to assist with Code of Conduct complaints to this meeting.

4.0 POLICY IMPLICATIONS

- 4.1 It is vital that the highest standards of conduct are maintained.

5.0 OTHER IMPLICATIONS

- 5.1 None.

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

- 7.1 No risks have been identified which require control measures.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 The report itself does not contain any specific equality and diversity issues.

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 None arising from this report.

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

9.1 None under the meaning of the Act.

REPORT TO:	Audit and Governance Board
DATE:	22 March 2023
REPORTING OFFICER:	Divisional Manager – Audit, Procurement and Operational Finance
PORTFOLIO:	Leader's
SUBJECT:	Internal Audit Plan – 2023/24
WARD(S)	Borough-wide

1.0 **PURPOSE OF THE REPORT**

1.1 This report seeks the Board's approval for the planned programme of internal audit work for 2023/24.

2.0 **RECOMMENDATION: That the Board considers and approves the proposed programme of internal audit work for 2023/24.**

3.0 **SUPPORTING INFORMATION**

3.1 A risk-based internal 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 2023/24.

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.

3.3 The annual Internal Audit Plan must ultimately be agreed with the Operational Director - Finance as the s151 Officer to the Council, who needs to be assured that the planned audit coverage is sufficient to discharge the s151 officer's statutory role. However, it is also important that the Board is consulted and provided with the opportunity to comment on the proposed coverage.

3.4 As in previous years, development of the Audit Plan has taken account of:

- Planned audit work from 2022/23 that was deferred due to the in-year recruitment difficulties;
- The results of consultation with senior management across the Council to identify areas of risk, new developments and other matters that should be considered for inclusion;
- Consideration of risks and issues affecting local government and the wider public sector identified through guidance and publications issued by bodies such as the Chartered Institute of Internal Auditors and CIPFA;

- The internal audit team's cumulative knowledge and experience of the Council and the results of previous audit work;
- The Council's organisational objectives and priorities;
- The need to provide assurance over the Council's critical business systems;
- Issues reported in key documents such as:
 - The Corporate Risk Register
 - The Annual Governance Statement
 - Medium Term Financial Strategy
 - External inspections

In developing the Audit Plan, and the scope for individual audit assignments, consideration is given to the Council's existing assurance framework. This helps to ensure that internal audit can direct its resources on areas of highest risk or where there are gaps or weaknesses in other assurance arrangements.

- 3.5 The draft Audit Plan for 2023/24 is attached as a separate appendix. It provides for planned audit work totalling 1,225 days. This is based on a forecast staffing establishment of approximately 6.8 FTE staff.
- 3.6 Inevitably the risks that the Council faces will continue to evolve over time. In this regard it is important that the Audit Plan remains flexible, so it can respond to changes in the Council's risk landscape. It is therefore likely that some changes to the planned work will be needed as the year progresses.
- 3.7 Performance against the Audit Plan will be kept under review throughout the year and regular progress reports will be provided to the Audit and Governance Board. Any significant matters that jeopardise the delivery of the plan, or require changes to the plan will also be identified, addressed and reported to the Board.
- 3.8 Internal Audit will also continue to liaise 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**

- 4.1 Delivery of the Audit Plan will provide assurance that the policies and procedures established by the Council are implemented and remain appropriate.
- 4.2 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.

5.0 FINANCIAL IMPLICATIONS

5.1 The work of Internal Audit assists the Council in maintaining and developing its financial control arrangements and promotes the efficient, effective and economic use of resources.

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

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children & Young People in Halton

Internal audit work supports the delivery of all the Council's priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds.

The design of the Audit Plan has also taken account of the need to provide assurance over the adequacy of the arrangements established to mitigate risks that may threaten the delivery of the Council's priorities.

6.2 Employment, Learning & Skills in Halton

See 6.1

6.3 A Healthy Halton

See 6.1

6.4 A Safer Halton

See 6.1

6.5 Halton's Urban Renewal

See 6.1

7.0 RISK ANALYSIS

7.1 Internal audit work 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**

8.1 None

9.0 **CLIMATE CHANGE IMPLICATIONS**

9.1 None

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

Public Sector Internal Audit Standards

Internal Audit Plan 2023/24



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
- Resourcing and delivery of the Council’s internal audit service
- Arrangements for reporting internal audit work
- Proposed programme of work for 2023/24 (the audit plan)

1.2 The audit plan for 2023/24 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 Internal audit work 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.

2 INTERNAL AUDIT – RESPONSIBILITIES & 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 Audit and Governance 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 Audit and Governance Board

In regard to internal audit, the Audit and Governance Board is responsible for:

- Approving, but not directing, internal audit's strategy and plan
- Monitoring the performance of internal audit
- 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.

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.

2 INTERNAL AUDIT – RESPONSIBILITIES & SCOPE (Continued)

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 audit plan and the results of this work are reported separately to the Audit and Governance 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 Audit and Governance Board.

3 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:

- Business critical 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

3.2 Delivery of the internal audit service

The 2023/24 audit plan will be delivered predominantly by an experienced and suitably qualified in-house team of approximately 6.8 FTE auditors. This level of 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.

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

3 INTERNAL AUDIT – RESOURCING & DELIVERY (Continued)

- Income control (collection and reconciliation of income)
- Insurance
- Corporate appointeeships and deputyships
- Direct Payments
- Income & Assessment (Adult social care)
- Income Recovery

The arrangements to mitigate any potential impairment to independence and objectivity regarding the audit of these areas that were previously approved by the Board continue to 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

A small amount of assurance work is to be undertaken for Manchester Port Health Authority (MPHA), which is the governing body for the Manchester Ship Canal and River Weaver. This is a longstanding arrangement governed by a service level agreement. Halton Borough Council is one of the funding authorities of MPHA.

Assurance work will also be undertaken in regard to the Cheshire concessionary travel scheme. This annual work is undertaken on a rotational basis between the four Cheshire local authorities.

4 INTERNAL AUDIT – REPORTING

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 Operational Director – Finance (s151 officer)
- The Executive 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 rating is provided on the area audited. This 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 assurance ratings in internal audit reports is set out in the following table:

 Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
 Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
 Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

4 INTERNAL AUDIT – REPORTING (Continued)

4.3 Grading of Recommendations

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

High	The audit finding is essential to the management of risk within the area under review.
Medium	The audit finding is important to the management of risk within the area under review.
Low	The audit finding relates to an issue of good practice that the auditor considers would deliver better outcomes.

4.4 Reporting to elected members

Throughout the year regular internal audit progress reports are presented to the Audit and Governance 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 Audit and Governance 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.

5 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:

- Planned work deferred from the 2022/23 audit plan that is still considered important
- 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
- Work being undertaken as part of the reimagine Halton Transformation Programme
- Known changes to the Council’s business, operations, systems, and controls
- Issues identified in the Corporate Risk Register, Annual Governance Statement and Medium Term Financial Strategy
- The requirement to ensure sufficient and wide ranging coverage in order to provide a robust annual audit opinion

5.3 Links to the Council’s Corporate Priorities

The audit plan supports the delivery of all the Council’s priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds. The achievement of corporate priorities is dependent on the Council making efficient and effective use of its resources and in operating robust and transparent governance arrangements.

The audit plan sets out a series of risk-based assignments that will provide assurance over the adequacy of the arrangements established to mitigate risks that may threaten the delivery of the Council’s priorities.

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, as the time required will be influenced by the scope of the audit agreed with management.

The plan therefore represents the best estimate of the way 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 INTERNAL AUDIT – PLANNING METHODOLOGY (Continued)

In total, the 2023/24 Audit Plan comprises 1,225 days of audit work.

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 2022/23 that remains incomplete at year-end
- The need to prioritise the reviews deferred from the 2022/23 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 Audit and Governance Board.

6 DETAILED INTERNAL AUDIT PLAN – 2022/23

Area of Audit Work	Background information	Planned coverage	Days
Grant claims	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 to be audited in accordance with the specific grant instructions	150
Appointeeship and Deputyship Scheme	The Council provides an appointeeship and deputyship scheme to over 300 clients and manages client funds that total in excess of £4.5m. The Council is currently in the process of changing the banking arrangements for the clients supported and setting up individual bank accounts for each client.	The audit will examine the transfer from 'virtual accounts' to individual bank accounts for each client and seek to provide assurance that appropriate controls are embedded into the new banking arrangements.	30
Lower value procurement	In May 2022, Procurement Standing Orders were amended to remove the requirement for spending departments to advertise opportunities under £25k in value on The Chest procurement portal. The intention of this change was to streamline lower value procurement activity and to release capacity within the Procurement team to focus on higher value procurements.	The audit will undertake sample testing on procurement activity falling under £25k and seek assurance that spending departments have made appropriate arrangements to ensure that value for money is being obtained.	30
Concessionary Travel	The Council is part of the Cheshire concessionary travel scheme and the Cheshire authorities rotate responsibility for auditing the scheme on an annual basis.	The audit will provide assurance that there is an approved scheme in place agreed by all parties that is in accordance with statutory legislation. It will also seek to ensure that the scheme is appropriately administered and that there are appropriate anti-fraud measures in place.	20
Microsoft 365 deployment	The Council is in the process of migrating to Microsoft Office 365, which is a cloud based application. It is therefore necessary for the Council to plan and execute the migration effectively to ensure effective system performance and security.	The audit will review the project management arrangements for the Microsoft 365 deployment.	25

6 DETAILED INTERNAL AUDIT PLAN – 2022/23

Area of Audit Work	Background information	Planned coverage	Days
Runcorn Town Investment Plan	<p>In July 2021, it was announced that £23.6m had been allocated from the Town's Fund to deliver the Runcorn Town Investment Plan – Reconnecting Runcorn.</p> <p>Reconnecting Runcorn is a set of seven projects that are intended to improve the lives and livelihoods of local people and boost the local economy.</p>	The audit will examine the arrangements that the Council has established to manage the overall programme focusing on the procurement, contract management and programme governance arrangements.	30
Leisure Centres	The Council's leisure facilities are budgeted to achieve approximately £1.7m in income in 2023/24.	Coverage to focus on income collection and reconciliation procedures across the Council's leisure facilities.	30
Development Control	Development Control is responsible for the determination and monitoring of planning applications, and other associated applications submitted to the Council under the Planning Acts.	In 2020, Transparency International published a good practice guide for local authorities in regard to how risks in planning decision are managed. This will be used to inform the audit and to assess the Council's policies and procedures against the good practice standards.	30
Cemeteries & Crematoria	The provision of the Council's cemeteries and crematorium is an important public service and involves the management of a number of potential risks. Specifically there are risks relating to the maintenance and operation of equipment, maintenance of the grounds and management of potential risks from failed headstones and memorials.	The audit will focus on the financial 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.	30
New Leisure Centre development	Work is underway on the construction of the Council's new leisure centre with the cost forecast to be in the region of £29m.	A current contract audit approach will be adopted to the audit which will examine the arrangements relating to contract funding, contract management, risk management and interim payments.	30
St Luke's and St Patrick's Care Homes	During 2019/20 the Council acquired two further care homes as a result of the previous operators facing financial difficulties.	The audit will focus on the financial management, accounting, client billing, staffing and risk management arrangements established at the two homes.	40

6 DETAILED INTERNAL AUDIT PLAN – 2022/23

Area of Audit Work	Background information	Planned coverage	Days
	As the care homes are relatively new entities, the financial management and risk management arrangements in operation in these two homes have not previously been audited.		
Domiciliary care	<p>The domiciliary care contract was retendered in 2017 and runs to 2025. It was 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.	40
Transport of service users	Transport costs are increasing for the Council. Home to school transport was audited in 2021/22 but the arrangements relating to the transport of Adult service users has not previously been audited.	The audit will examine eligibility, commissioning, financial management and charging arrangements.	30
Telecare service	<p>The Council's telecare service is a chargeable service that provides support and assistance to vulnerable persons in their own homes by using information and communication technology.</p> <p>The service has not been audited since 2010/11.</p>	The audit will focus on assessment, charging and billing for the service.	30
Adult Social care – Commissioned services	The Council commissions a range of adult social care services from external providers.	The audit will review the arrangements in place to monitor and performance manage the quality and delivery of a range of services commissioned from external providers.	30

6 DETAILED INTERNAL AUDIT PLAN – 2022/23

Area of Audit Work	Background information	Planned coverage	Days
Top Up Fees	<p>If a person entering residential care chooses a setting that is more expensive than the amount identified for the provision of accommodation in their personal budget then an arrangement has to be made to meet the additional cost (known as a Top-Up).</p> <p>In such cases the local authority must arrange for the person to be placed there, provided a 'third party' (or in certain circumstances, the person in need of 'care and support') is willing and able to meet the additional cost.</p> <p>The Council's arrangements for administering Top Up fees have not previously been audited.</p>	The audit will examine the application of the Council's policy relating to Top Up fees and the associated billing and collection arrangements.	30
Children in Care – External Placements	The Council continues to face significant budget pressures resulting from the number and cost of external placements relating to children in care.	The audit will examine the approval, commissioning, procurement and monitoring arrangements for children in residential placements in order to provide assurance that the arrangements balance suitable provision with cost.	40
Education, Health and Care Plans	<p>All Halton children and young people who have significant special educational needs and meet specific criteria may undergo an Education Health and Care (EHC) Assessment, which could lead to an EHC Plan and an offer of a personal budget.</p> <p>The Council must comply with statutory timescales for the completion of EHC assessments.</p>	The audit will review the processes relating to the completion of EHC assessments and compliance with statutory timescales. It will also review processes and data quality within the Synergy management information system.	35
Foster Care / Special Guardianship Orders	Foster Care and Special Guardianship payments are a significant area of spend for the Council. The process for making the payments is to change in 2023/24 with payments due to be processed through the Eclipse social care management system before being transferred to Agresso via an interface.	The audit will examine the new payment process and provide assurance over the adequacy of the related control environment.	35

6 DETAILED INTERNAL AUDIT PLAN – 2022/23

Area of Audit Work	Background information	Planned coverage	Days
School audits	The Council operates an annual programme of school audits. A risk-based approach is adopted to selecting the schools to be audited.	A revised audit programme has been developed for school audits, which will be tailored to each school as required.	180
Public Health	Public Health's role is to help people living and working in Halton to live long lives in good health. The team places a particular emphasis on preventative measures and the promotion of wellbeing initiatives. In fulfilling their role, the team commissions a wide range of services from various different providers.	The audit will select a sample of commissioned services and review the adequacy and effectiveness of the contract management arrangements in place.	30
Council Constitution	The Council Constitution is reviewed annually to ensure that it is updated to reflect changes to the Council's governance arrangements, legislative requirements, policies and procedures.	Internal Audit will contribute to a working party that meets each year to review and propose changes to the Council's Constitution.	5
Annual Governance Statement	There is a statutory requirement for the Council to produce an Annual Governance Statement.	Internal Audit will have input to the work of the Corporate Governance Group which develops the Annual Governance Statement.	5
Audit & Governance Board	The Council Constitution requires Internal Audit to report to the Audit & Governance Board.	Attendance at, and preparation of reports for, the Audit & Governance Board on internal audit and governance related matters.	20
Advice / Consultancy	Throughout the year the Internal Audit function receives regular requests from client departments for advice and support	Reactive advisory and consultancy work, and input to working groups as required	25
Follow up of internal audit recommendations	Follow up work is completed to provide assurance that previously agreed internal audit recommendations are implemented.	Follow up of previous audits that receive an 'adequate' or 'limited' assurance opinion.	25

6 DETAILED INTERNAL AUDIT PLAN – 2022/23

Area of Audit Work	Background information	Planned coverage	Days
Corporate complaints	The Council has a formal corporate complaints procedure to enable individuals to express their dissatisfaction about Council services that they have received and for identified failings to be remedied. Internal Audit is responsible for undertaking Stage Two investigations of complaints that have not been resolved by the service manager at Stage One of the complaint procedure.	Stage Two complaint investigations will be undertaken as required. Internal Audit will undertake an independent internal review of unresolved Stage One complaint issues and of complaints that are of a more serious or complex nature.	50
Contingency	A general contingency is provided to allow Internal Audit to respond to requests for audit work that arise during the year.	Not known at this stage	100
Completion of 2022/23 work	Inevitably some 2022/23 audits will still be in progress at year-end. This provision is made to allow completion of those audits in 2023/24.	Completion of work in progress at year-end.	65
External Work			
Manchester Port Health Authority	The Council undertakes annual fee earning assurance work as part of an SLA with Manchester Port Health Authority.	To be agreed with Manchester Port Health Authority.	5

REPORT TO: Audit and Governance Board
DATE: 22 March 2023
REPORTING OFFICER: Operational Director, Finance
PORTFOLIO: Leader's
SUBJECT: External Audit Progress & Sector Report
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the External Audit Progress and Sector Report, which will be presented by the Council's external auditor, Grant Thornton UK LLP.

2.0 RECOMMENDATION: That the contents of the External Audit Progress and Sector Report, be noted.

3.0 SUPPORTING INFORMATION

3.1 The External Audit Progress and Sector Report is attached to this report and will be presented at the Board by Grant Thornton UK LLP.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

6.2 Employment, Learning and Skills in Halton

6.3 A Healthy Halton

6.4 A Safer Halton

6.5 Halton's Urban Renewal

There are no implications for any of the Council's priorities listed above.

7.0 RISK ANALYSIS

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

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 None

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

10.1 None under the meaning of the Act.

Halton Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2023

22 March 2023



Contents

Section	Page
Introduction	3
Progress at March 2023	4
Audit Deliverables	6
Sector Update	7

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction

Your key Grant Thornton team members are:

Michael Green

Director

T 0161 953 6382

E michel.green@uk.gt.com

Stephen Nixon

Senior Audit Manager

T 0161 234 6362

E stephen.r.nixon@uk.gt.com

Andrew McNeil

Assistant Manager

T 0161 234 6366

E andrew.mcneil@uk.gt.com

This paper provides the Audit and Governance 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 Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Governance 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 <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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 2023

Financial Statements Audit 2020/21 and 2021/22

Since the last Audit & Governance Board on 23 November 2022 we are pleased to report that we have completed the overdue financial statements audits for 2020/21 and 2021/22. The audits were delayed due to awaiting a resolution to infrastructure asset reporting and audit. This was resolved by way of Statutory Direction in December 2022, enabling the following opinion to be issued:

- 2020/21 unqualified audit opinion, Value for Money and NAO Assurance Statement issued on 8 February 2023 enabling audit closure to be certified
- 2021/22 unqualified audit opinion and NAO Assurance Statement issued on 1 March 2023. We expect to complete our Value for Money assessment by 31 March 2023 after which we will issue the audit closure certificate

We would like to thank the Finance Team for their support and cooperation in enabling the overdue audits to be completed.

Financial Statements Audit 2022/23

We are due to commence audit planning in April 2023 and anticipate issuing the 2022/23 Audit Plan to the next Audit & Governance Board (date to be confirmed). We aim to update our knowledge of the Council's business processes and control environment together with early testing of balances during April so as to smooth the pressure once draft accounts are provided.

Value for Money 2022/23

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

We anticipate issuing our 2022/23 Auditor's Annual Report in September 2023.

Progress at March 2023 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DwP). The certification work for the 2021/22 claim began in February 2023 and is currently underway. DwP has extended the deadline for reporting the findings of this work to 31 March 2023.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2021/22 was completed by the deadline of 30 November 2022.

Meetings

We have continued to meet with the Finance Team and senior management since the last Audit & Governance Board to keep updated on current events and to inform our Value for Money work.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

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

Audit Deliverables

2022/23 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit & Governance Board setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report</p>	May 2023	Not yet due
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit within our Audit Plan and Progress Reports.</p>	Ongoing	Not yet due
<p>Audit Findings Report</p> <p>Year end audit fieldwork is scheduled for July and August 2023 and the Audit Findings Report will be reported to the September Audit & Governance Board.</p>	September 2023	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	September 2023	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	September 2023	Not yet due
2022/23 Audit-related Deliverables	Planned Date	Status
<p>Teachers Pensions Scheme – certification</p> <p>This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	TBC	Not yet due
<p>Housing Benefit Subsidy – certification</p> <p>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</p>	TBC	Not yet due

Sector Update

Authorities continue to try 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 local government sector 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:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)



Audit Market Developments

Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a ‘major’ local audit and the FRC’s report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either ‘good’ or ‘generally acceptable’, but one file ‘required improvement’.

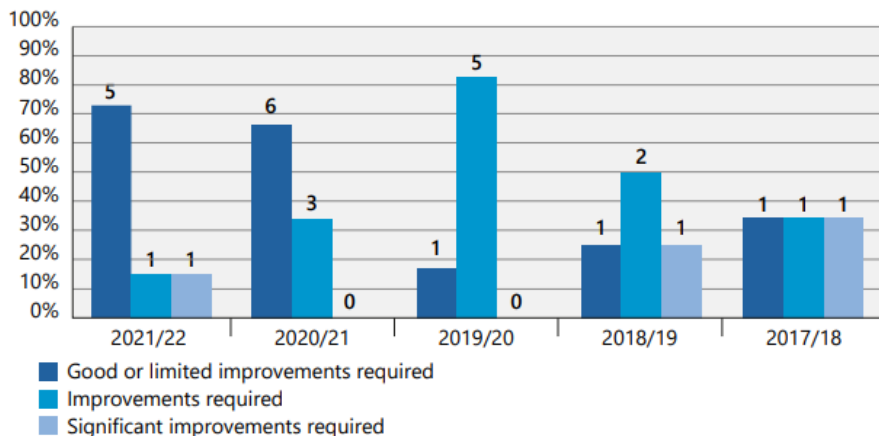
The ICAEW identified one of our files as requiring ‘Improvement’ – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years’ review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams’ work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).

Our assessment of the quality of financial statement audits reviewed



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

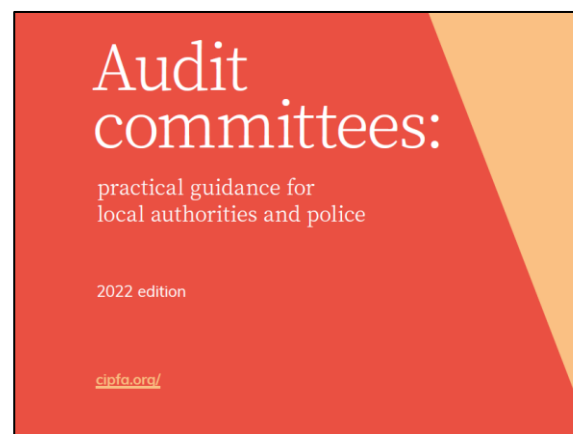
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)





© 2023 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted