

# AUDIT AND STANDARDS COMMITTEE

Wednesday, 6th March, 2019  
6.30 pm





# AUDIT AND STANDARDS COMMITTEE

## BURNLEY TOWN HALL

Wednesday, 6th March, 2019 at 6.30 pm

Members are reminded that if they have detailed questions on individual reports, they are advised to contact the report authors in advance of the meeting.

Members of the public may ask a question, make a statement, or present a petition relating to any agenda item or any matter falling within the remit of the committee.

Notice in writing of the subject matter must be given to the Head of Legal and Democratic Services by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website [www.burnley.gov.uk/meetings](http://www.burnley.gov.uk/meetings).

### AGENDA

**1) Apologies**

To receive any apologies for absence.

**2) Minutes**

5 - 10

To approve as a correct record the minutes of the previous meeting.

**3) Additional Items of Business**

To determine whether there are any additional items of business which, by reason of special circumstances, the Chair decides should be considered as a matter of urgency.

**4) Declarations of Interest**

To receive any declarations of interest from Members relating to any item on the agenda, in accordance with the provisions of the Code of Conduct.

**5) Exclusion of the Public**

To determine during which items, if any, the public are to be excluded from the meeting.

**6) Public Question Time**

To consider questions, statements or petitions from Members of the Public.

### PUBLIC ITEMS

- |  |         |
|--|---------|
| <b>7) External Audit Report</b>  | 11 - 24 |
| To receive an update from the External Auditor.  |         |
| <b>8) Internal Audit Quarter 3 Progress Report</b>   | 25 - 30 |
| To inform members of the work undertaken by Internal Audit for the period 1 <sup>st</sup> October 20 31 <sup>st</sup> December 2018. |         |
| <b>9) Work Programme</b>   | 31 - 32 |
| To consider the Work Programme for the current year.   |         |

PRIVATE ITEMS

**MEMBERSHIP OF COMMITTEE**

**Councillors**

Councillor Paul Campbell (Chair)  
 Councillor Joanne Greenwood (Vice-Chair)  
 Councillor Bill Brindle  
 Councillor Dale Ferrier  
 Councillor Anne Kelly

Councillor Neil Mottershead  
 Councillor Ann Royle  
 Councillor Andrew Tatchell  
 Councillor Sue Graham

**Co-opted Members**

Louise Gaskell, East Lancashire Chamber of Commerce  
 Paul Prior, Burnley College  
 Councillor Kathryn Haworth, Habergham Eaves Parish Council  
 Councillor Gill Smith, Cliviger Parish Council

**External Auditor**

Marianne Dixon, Grant Thornton - External Auditor  
 Mark Heap, Grant Thornton

Published: Tuesday, 26 February 2019

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## AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Wednesday, 16th January, 2019 at 6.30 pm

### PRESENT

### MEMBERS

Councillor Paul Campbell, In the Chair.

Councillors J Greenwood (Vice-Chair), S Graham, A Kelly, A Royle and A Tatchell

### OFFICERS

Catherine Waudby	– Head of Legal and Democratic Services
Ian Evenett	– Internal Audit Manager
Imelda Grady	– Democracy Officer

### CO-OPTED MEMBERS

Louise Gaskell  
Paul Prior  
Councillor Kathryn  
Haworth  
Councillor Gill Smith

### EXTERNAL AUDITORS

Marianne Dixon	– Grant Thornton - External Auditors
Mark Heap	– Grant Thornton – External Auditors

## 20. Minutes

The Minutes of the meeting held on 19<sup>th</sup> September 2018 were approved as a correct record and signed by the Chair.

## 21. Complaint against a Member under the Council's Code of Conduct.

Members received the decision of the Audit and Standards Sub Committee in relation to the conduct of Councillor Alan Hosker and the sanctions that had been imposed by the Hearing

Panel. The Committee noted that Councillor Hosker had failed to comply with the sanctions imposed by the Hearing Panel.

Members expressed their concerns at Councillor Hosker's blatant disregard of the Hearing Panel's recommendations and the Council's Code of Conduct which he had signed up to.

Members agreed that the sanctions available for breaches of the Code of Conduct were inadequate and requested that the Chair of the Hearing Panel, Councillor Anne Kelly, write to the Minister of Housing, Communities and Local Government on this matter.

The Head of Legal and Democracy said that it was her intention to review the Code of Conduct and would report back on any amendments that might be required.

The Chair thanked Councillor Kelly for taking the chair at Hearing Panel.

## **RESOLVED**

- (1) That the decision of the Hearing Panel and the subsequent refusal and failure of Councillor Hosker to comply with the sanctions imposed at the Hearing Panel be noted;
- (2) That the limited sanctions available to the Hearing Panel when dealing with Code of Conduct matters, and the inability to impose any additional restrictions to deal with non-compliance, be noted; and
- (3) That the Chair of the Hearing Panel Councillor Anne Kelly, be instructed to write to the Minister of Housing, Communities and Local Government to advise him that the sanctions available for Councillors who fail to comply with the Code of Conduct are inadequate.

## **22. External Audit Progress Report**

Mark Heap from the external auditors Grant Thornton presented the audit progress report for the year ending 31<sup>st</sup> March 2019.

The report detailed the progress of the audit as at 9<sup>th</sup> January 2019 including the planning phase of the audit, the value for money conclusion and other areas of work and key milestones in order for the Council to meet the audit deadline of July 2019.

Members also noted the links to a digest of publications and topical issues relating to audit matters.

## **IT WAS AGREED**

That the report be noted.

## **23. The External Auditors Certification Letter**

Marianne Dixon from the external auditors Grant Thornton presented the certification letter for the Council's Housing Benefit subsidy claim for the year ending 31<sup>st</sup> March 2019.

The letter highlighted a number of errors that the external auditors were obliged to report to Council by the end of January 2019.

Marianne advised that the external auditors' initial testing had identified one error and under the Housing Benefit COUNT approach they had been required to carry out additional testing on this and on errors that had been identified in the previous year. She said this was a complex area and further explained the classification of overpayments, some of which were local authority errors and some claimant errors. She said that the financial impact of these errors was relatively insignificant to the total subsidy received and the claim had therefore been qualified and submitted to the Department of Work and Pensions.

The Internal Audit Manager said that the Head of Finance and Property was liaising with the Council's partner Liberata to strengthen benefit assessments processes and reduce errors.

#### **IT WAS AGREED**

That the letter be received.

### **24. The Draft Audit Plan 2018/19**

Mark Heap from the external auditors presented the draft Audit Plan for 2018/19 which provided an overview of the planned scope and timing of the statutory audit for Burnley Council for those charged with governance.

Mark explained that the approach to audit was always risk based and the significant risks were largely around those areas with the highest figures, such as pensions and valuations of land and buildings. The materiality concept was £1.2 million, any errors above this would affect the qualification. The value for money element was also risk based around financial sustainability and making sure the arrangements for major capital schemes were appropriate.

The external auditors were satisfied that if the plans identified in the report were implemented, the audit completion deadline of July 2019 would be met.

#### **IT WAS AGREED**

That the report be noted.

### **25. Final Accounts 2018/19 Arrangements**

Members received an update on the arrangements made to date and the implications of the changes required ahead of the closure of accounts and the production of the Statement of Accounts.

The 2018/19 accounts would be produced under the Code of Practice on Local Authority Accounting in the UK. The report detailed the changes affecting the Council and the preparations that the Council was making for the closure of the 2018/19 accounts.

Members were asked to approved the policies to the followed in producing the Statement of Accounts and to agree a date for a final accounts workshop which would be made available to all members.

#### **IT WAS AGREED**

- (1) That the arrangements the Council is making in advance of the closure of accounts be noted;
- (2) That the accounting policies to be followed in producing the Statement of Accounts as shown in Appendix 1 to the report be approved; and
- (3) The date of the final accounts workshop be agreed as 15<sup>th</sup> July 2019.

### **26. Annual Governance Statement Arrangements 2018/19**

Members gave consideration to the proposed arrangements to provide assurance for the Annual Governance Statement for the financial year 2018/19.

The Statement would be in the same format as previous years and would be in line with CIPFA (Chartered Institute for Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives) guidelines.

The Internal Audit Manager explained that all Heads of Service were consulted on their controls and to declare any signs of variance of weaknesses to the governance and control systems. The Executive and Chair of Committees were also asked to verify that they had no concerns regarding the governance arrangements throughout the year. Liberata had also been requested to provide an assurance statement for those services that had been transferred out.

#### **IT WAS AGREED**

That the report be noted.

### **27. Internal Audit 2018/19 Quarter 2 Progress Report**

Members received for information details of the work undertaken by Internal Audit for the period 1<sup>st</sup> July to 30<sup>th</sup> September 2018 and received the Internal Audit Plan for 2018/19.

Members discussed the staffing resource in the Audit Team and recognised that this and the work associated with embedding the General Data Protection Regulations had impacted on the timing of the Audit Plan.

#### **IT WAS AGREED**



That the report be noted and the Internal Audit Plan 2018/19 be approved.

## **28. Fraud Risk Assessment**

Members considered a report on the current trends that affected the public sector and the Council's arrangements to deal with them.

The Council's Audit and Standards Committee is charged with monitoring the arrangements for the fight against fraud and corruption and the Committee was satisfied with management's reaction.

Members discussed the level of recovery for housing benefit and council tax fraud and were informed that the Council had a range of powers to recover money and all efforts were made to do so, but there was a degree of write off in some instances.

### **IT WAS AGREED**

That the report be noted.

## **29. Strategic Risk Register 2018/19 Report**

The Internal Audit Manager updated members on the current Strategic Risk Register which had been approved by the Council's Executive in August 2018.

The register recorded twelve main risks and detailed the actions that the Council had in place to control those risks.

Members asked about the increase in risk from 2 to 3 in relation to workforce skills and capacity. The Internal Audit Manager explained that his was due to a loss of experienced staff over time and the need to make savings. Councillor Graham said that the risk in this area had grown significantly because the organisation had been pared down and there was now more dependency on key staff. Louise Gaskell asked what was being done to mitigate this. The Internal Audit Manager said that the Council had Investors in People (IIP) status and the Council's approach coaching and training staff was reflected in this. Councillor Graham confirmed that the Council had a strategic commitment set out in the Organisation Development Strategy.

### **IT WAS AGREED**

That the report be noted.

## **30. Work Programme**

The Work Programme was noted.

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# Audit Progress Report and Sector Update

Burnley Borough Council  
Year ending 31 March 2019  
Page 14  
16 March 2019



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# Introduction



**Mark Heap**

**Engagement Lead**

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This paper provides the Audit and Standards 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; 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)

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**Marianne Dixon**

**Engagement Manager**

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Members of the Audit and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk) ..

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

# Progress at 25 February 2019

## Financial Statements Audit

We have completed our planning for the 2018/19 financial statements audit and are currently carrying out interim audit (scheduled February and March).

Our interim fieldwork visit will include:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We are pleased to report we have not identified any issues to bring to your attention to date, however our work is continuing throughout March.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2018 and we have already started to discuss our timetable with officers.

The final accounts audit is due to begin on the 3 June 2019 with findings reported to you in the Audit Findings Report at your meeting on 17 July 2019. We will give our formal opinion by the deadline of 31 July 2019.

## Value for Money

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

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

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

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

Details of our initial risk assessment to determine our approach is included in our Audit Plan and sets out the significant risks as:

- Financial sustainability
- Governance arrangements over major capital schemes

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## Other areas

### Certification of claims and returns

We have been appointed to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions.

We plan to carry the 2018/19 certification work in advance of the required deadline of 29 November 2019.

The results of the certification work are reported to you in our certification letter and presented to the Audit and Standards Committee agenda in January 2020.

### Events

We provide a range of workshops and publications to support the Council. Our most recent event was our Financial Reporting Workshop held on 12 February.

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

# Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2018/19.	April 2018	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Underway
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit and Standards Committee.	July 2019	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	September 2019	Not yet due

# Sector Update

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

Public Sector

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

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

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

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

Public Sector

Local  
government



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

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

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

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

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

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

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

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

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

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

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

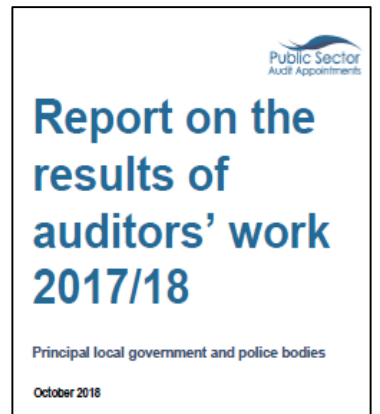
The report is available on the PSAA website:

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

## PSAA Report

### Challenge question:

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



# National Audit Office – Local auditor reporting in England 2018

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

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

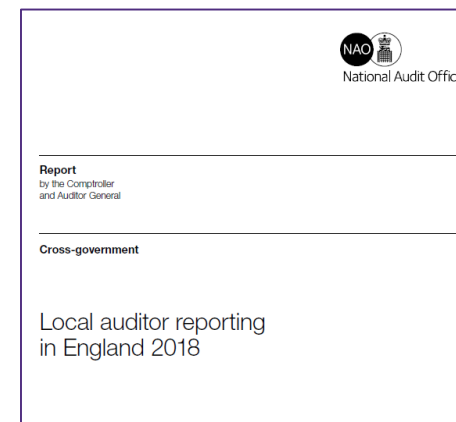
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at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

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

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

The report is available on the NAO website:

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



## NAO Report

### Challenge question:

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



# National Audit Office – Local authority governance

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

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

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

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

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

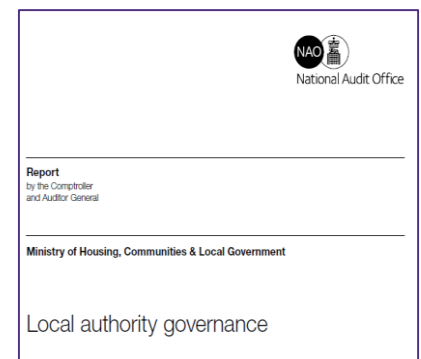
The report is available on the NAO website:

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

## NAO Report

### Challenge question:

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



# CIPFA – Financial Resilience Index plans revised

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

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

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

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

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

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

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

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

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

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

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

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

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

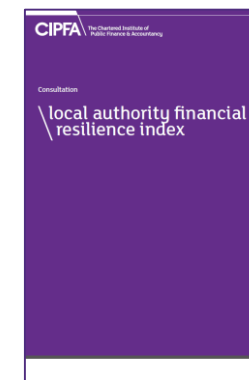
“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

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

## CIPFA Consultation

### Challenge question:

Are members aware of the Council’s response to the Financial Resilience Index consultation?



# Financial Foresight: Our sustainable solution for cash-strapped councils

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

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

Page 21 In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

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

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

## What's causing the problem?

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

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

## How can we help?

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

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

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

For more information, follow the links below:

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

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

# Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies.

Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

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

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

## Organisations

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

## Services and suppliers

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

## Place

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

## Our approach

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

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

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

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

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

For more information, follow the link below:

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

## Brexit

### Challenge question:

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



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# Links

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## Grant Thornton website links

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

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

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

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

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

## National Audit Office link

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

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

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

## Ministry of Housing, Communities and Local Government links

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

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/728722/BRR\\_Pilots\\_19-20\\_Prospectus.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf)

## Institute for Fiscal Studies

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

## Public Sector Audit Appointments

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







## Internal Audit Progress Report

### REPORT TO AUDIT AND STANDARDS COMMITTEE



<b>DATE</b>	<b>06/03/2019</b>
<b>PORTFOLIO</b>	<b>Resources and Performance Management</b>
<b>REPORT AUTHOR</b>	<b>Ian Evenett</b>
<b>TEL NO</b>	<b>01282 425011 Ext 7175</b>
<b>EMAIL</b>	<b>ievenett@burnley.gov.uk</b>

#### PURPOSE

1. To inform members of the work undertaken by Internal Audit for the period 1st October to 31st December 2018.

#### RECOMMENDATION

2. The Committee considers the progress report and comments on its contents.

#### REASONS FOR RECOMMENDATION

3. Members can monitor the performance of the Internal Audit Section.

#### SUMMARY OF KEY POINTS

**Audit Reports**

4. From 1st October to 31st December 2018 there have been 3 audit reports produced. Details of Burnley Council audits are given in **Appendix 1**.

**Performance Statistics**

5. The comparison between actual and planned audits can be seen in **Appendix 2**. A number of audits have started, and to date have been completed but due to timing will form part of later quarter statistics to be reported.
6. Performance indicators for Internal Audit are reported in the Finance balanced scorecard. The service currently reports the number of audit reports produced – 10 against an annual target of 22 and the percentage of high-priority actions from audit action plans implemented which was 100% and has a target of 100%.

**Internal Audit Plan 2019/20**

7. Audit is required to have a risk-based audit plan for a period of no longer than one year. We have been consulting management to establish the auditable activities for 2019/20, and to assess the risk of these activities. We had hoped to have this prepared for this committee, but the process of preparing the plan is still continuing.

**Other Activity**

8. The National Fraud Initiative (NFI) has been progressed. In October we collected, verified and uploaded the required data sets from several different services – Finance, Benefits, Revenues, Legal and Democracy, Housing and Development Control, Licencing. At the beginning of February, we received the matches, and these are in the process of being checked by ourselves and other services.
  
9. In December the data from Elections and Revenues for the annual Single Person Discount exercise was verified and uploaded. These matches are provided immediately and are being worked on in Revenues.
  
10. The Annual Governance Statement process is underway and assurance is being gathered from various parts of the organisation and partners.

**FINANCIAL IMPLICATIONS AND BUDGET PROVISION**

11. None

**POLICY IMPLICATIONS**

12. None

**DETAILS OF CONSULTATION**

13. None

**BACKGROUND PAPERS**

14. None

<b>FURTHER INFORMATION</b>	
<b>PLEASE CONTACT:</b>	<b>Ian Evenett (Internal Audit Manager) Ext 7175</b>
<b>ALSO:</b>	

**Summary of Audit reports Issued Quarter 3 2018/19**

Audit	Service	Audit Purpose	Audit Opinion	Key Actions Agreed	Implementation Detail	Score
Petty Cash	Finance & Property	To review the petty cash at the Contact Centre and ensure that it is being used as per the Council's Financial Procedure Rules.	The controls in managing and administering the petty cash account are effective. Improvements have been identified to demonstrate and strengthen compliance with the Council's Financial Procedure Rule	<p>Petty Cash procedure notes will be produced and be made available to relevant staff.</p> <p>To assist in identifying the authorising officer, the name will be printed on the Petty Cash voucher.</p> <p>To ensure separation of duties during cash reconciliation process, another officer will count the monies and reconcile to the spreadsheet.</p>	November 2018	2
Fraud Risk Assessment	Corporate	To inform Members of the current fraud trends that affect the public sector.	No significant issues identified.	None	None	N/A (Satisfactory)
Write-Offs Quarter 2 – 2018/19	Finance & Property	To review the write-offs of debts from Debtors and Revenues System	No significant issues identified	None	None	N/A (Satisfactory)

**Audit Score Defined**

Score	Opinion	Definition of Opinion
1	Comprehensive Assurance	There is a sound system of controls designed to meet objectives and controls are consistently applied in all the areas reviewed.
2	Reasonable Assurance	There is a good system of controls. However, there are minor weaknesses in the design or consistency of application that may put the achievement of some objectives at risk in the areas reviewed.
3	Limited Assurance	Key controls exist to help achieve system objectives and manage principle risks. However, weaknesses in design or inconsistent application of controls are such that put the achievement of system objectives at risk in the areas reviewed.
4	No Assurance	The absence of basic key controls or the inconsistent application of key controls is so severe that the audit area is open to abuse or error.
N/A	Not Applicable	The audit review undertaken did not have as its primary objective an assessment of system, its controls and their effectiveness.

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Audit	Started	Report Issued	Audit Score
<b>Corporate</b>			
Annual Governance Statement	✓	✓	NA (Satisfactory)
National Fraud Initiative	✓		
<b>Charities</b>			
J W Shaw	✓	✓	1
Mayor's Charity	✓	✓	1
Burnley Acorn Fund	✓	✓	1
Stocks Massey	✓	✓	1
Debts Write-Off	✓	✓	NA (Satisfactory)
Fraud Risk Review	✓	✓	NA (Satisfactory)
<b>Strategic Partner Performance Indicators</b>			
Revenues and Benefits	✓	✓	1
Information Services	✓		
Regulation	✓		
Property	✓		
<b>Finance</b>			
Benefits Calculation Check	✓		
Bank Reconciliation			
Final Accounts	✓	✓	NA (Satisfactory)
Payroll	✓	✓	1
Budget Monitoring			
General Ledger	✓		
Creditors	✓		
Cash Imprest	✓	✓	2

Audit	Started	Report Issued	Audit Score
<b>Information Governance</b>			
Data Protection	✓		
<b>Legal and Democratic Services</b>			
<b>Elections</b>			
Council	✓	✓	1
<b>External Clients</b>			
Burnley Leisure – Service Level Agreement	✓	✓	*

\*This is reported to the external client

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## AUDIT & STANDARDS COMMITTEE

### Work Programme 2018/19

<u>DATE OF MEETING</u>	<u>AREAS TO BE CONSIDERED</u>
19 <sup>th</sup> July 2018	<ul style="list-style-type: none"> <li>• <i>Annual Governance Statement 2017/18</i></li> <li>• <i>Grant Thornton – Audit Findings Report 2017/18</i></li> <li>• <i>Statement of Accounts 2017/18</i></li> <li>• <i>Internal Audit Opinion 2017/18</i></li> <li>• <i>Governance of Liberata Partnership</i></li> <li>• <i>Code of Conduct Review</i></li> <li>• <i>Padiham Town Council</i></li> <li>• <i>Work Programme 2018/19</i></li> </ul>
19 <sup>th</sup> September 2018	<ul style="list-style-type: none"> <li>• <i>Standards Complaints Update</i></li> <li>• <i>Internal Audit Progress Report Q1</i></li> <li>• <i>External Auditor Appointment Arrangements Update</i></li> <li>• <i>Annual Audit Letter</i></li> <li>• <i>Internal Audit Plan 2018/19</i></li> <li>• <i>Regulation of Investigatory Powers Act – OSC Inspection and Annual Return</i></li> <li>• <i>Work Programme 2018/19</i></li> </ul>
16 <sup>th</sup> January 2019	<ul style="list-style-type: none"> <li>• <i>External Audit Progress Report</i></li> <li>• <i>Certification Report</i></li> <li>• <i>Draft Audit Plan 2018/19</i></li> <li>• <i>Final Accounts 2018/19 arrangements</i></li> <li>• <i>Annual Governance Statement 2018/19 Arrangements</i></li> <li>• <i>Internal Audit Progress Report Q2</i></li> <li>• <i>Fraud Risk Assessment 2018/19</i></li> <li>• <i>Strategic Risk Register 2018/19</i></li> <li>• <i>Standards Complaints Update</i></li> <li>• <i>Work Programme 2018/19</i></li> </ul>
6 <sup>th</sup> March 2019	<ul style="list-style-type: none"> <li>• <i>Internal Audit Progress Report Q3</i></li> <li>• <i>External Audit Plan 2018/19</i></li> </ul>

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