

# Audit Committee Agenda

**Thursday, 16 March 2023 at 6.00 pm**

Council Chamber, Muriel Matters House, Breeds Place, Hastings, TN34 3UY.  
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# Agenda Item 3c Document Pack

## AUDIT COMMITTEE

12 JANUARY 2023

Present: Councillors Rankin (Chair), Collins (Vice-Chair), Barnett, Marlow-Eastwood and Webb

In attendance: Tom Davies, Chief Auditor; Kit Wheeler, Chief Finance Officer

(remotely) Simon Jones, Deputy Chief Finance Officer; Stephen Dodson, Transformation and Programmes Manager; Darren Wells, Engagement Lead, Grant Thornton; Andy Conlan, Engagement Manager, Grant Thornton

### 162. APOLOGIES FOR ABSENCE

None received

### 163. DECLARATIONS OF INTEREST

Councillor	Item	Interest
Cllr Webb	<i>All items</i>	Personal – Is an East Sussex County Councillor

### 164. MINUTES OF THE LAST MEETING 13.10.22

**RESOLVED** – that the minutes of the meeting held on 13<sup>th</sup> October 2022 be approved as a true record.

### 165. INTERIM AUDITOR'S ANNUAL REPORT ON HASTINGS BOROUGH COUNCIL

Darren Wells from Grant Thornton addressed the committee and highlighted the key points of the report. The report summarises the principal matters arising from the audit carried out by Grant Thornton along with other areas that they are required to give an opinion on. Auditing standards require the external auditors to report to those charged with governance, certain matters before giving an opinion on the accounts. Significant weaknesses in two themes. There are significant weaknesses in two of the themes that were asked to consider the arrangements to ensure financial sustainability and governance arrangements. There is one key recommendation for financial sustainability and governance. There has been set out a number of improvements and recommendations and we've made five improvement recommendations on financial sustainability, four on Governance and eight around the arrangements for three economy, efficiency and effectiveness. The report also sets out the reasons and the evidence to justify those recommendations that were made and includes management response to those recommendations.

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The chair asked for Darren Wells to explain the recommendations. Darren Wells explained that around financial sustainability the use of reserves is unsustainable. On Governance the prime concern was the depth of the internal audit plan and this being light compared to other local Councils. Also highlighted as part of the weakness in the arrangements that best practice is that internal audit staff don't have any other responsibilities for service provision

Councillors asked questions regarding the light internal audit and how many should be completed. The Chief Auditor explained that COVID had a large impact on the capacity of the audit department. In hindsight some other staff should have been bought in. Darren Wells explained that neighbouring Councils have completed more internal audits than were planned.

Darren Wells was asked regarding the risk assessment of Governance. Darren Wells explained the risk assessment was created in the planning phase. The significant weakness was found once further auditing was completed.

The Chair asked regarding the action plan. The Chief Accountant explained that a lot of the recommendations in this report have already been actioned. A report can be brought to the next meeting showing what has been actioned and what is still to be actioned.

It was asked which recommendations are of most concern. The Chief Accountant explained that the biggest issue for the Council is the ongoing financial security.

### **RESOLVED (unanimously)**

That the report and action plan be accepted.

### **Reasons**

Compliance with statutory requirements and good practice. The Council is accountable for the use of public money and continuously seeks to improve Value for Money. The Council's external auditors are required to submit a report to the Council's Audit Committee on any matters that are identified during their audit.

### **166. HASTINGS BOROUGH COUNCIL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

Andy Conlan from Grant Thornton addressed the committee and highlighted the key points of the report which presents progress on the 2021 audit going into also the 21/22 planning processes.

The 20/21 audit has move on and some finalisation on field work should be completed by the end of January. The March Audit committee is the target for the final audit findings report for the 2021 audit. Once those main field work sections are completed at the end of January, Grant Thornton are to go into planning for the 2021/22 audits consecutively with a view to taking a plan to that same March committee.

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Councillors highlighted the financial challenges all councils are having.

### **RESOLVED (unanimously)**

**To note the report**

#### **Reasons**

To provide the Audit Committee with a report on progress in delivering their responsibilities as our external auditors.

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### **167. TREASURY MANAGEMENT MID YEAR REPORT 2022-23**

The Deputy Chief Finance Officer explained this is the Mid-Year treasury management report. This report advises the Audit Committee of the Treasury Management activities and performance during the current year. It provides the opportunity to review the Treasury Management Strategy and make appropriate recommendations to Council to take account of any issues or concerns that have arisen since approving the strategy in February 2022.

The Council is managing its cash position well and it's not facing any cash flow difficulties. The Treasury management strategy was well tested by the COVID-19 outbreak and again was found to work well. Total PWLB debt was 65.7 million at the 30th of September 2022. That's down from 66.1 million at the start of the year (1<sup>st</sup> April 2022). The average interest rate being paid is 2.75%, and no additional borrowing has taken place this financial year. The minimum revenue provision amount or the MRP to be paid for 22/23 is showing as £1.7 million. This is equivalent to 2.37% of the 22/23 opening capital financing requirement that was £71.9 million. The value of our investments in the CCLA property fund have continued to gain after being affected by COVID-19, and the value is now above the initial £2m invested, while all the time it's continued to pay dividends. The CCLA Diversified Income Fund has also continued to regain the value it lost in the Covid crisis and now sits 9.4% below the initial investment amount of £3m, while all the time it has continued to pay its dividend.

Councillors asked regarding deposits with Barclays Corporate. The Chief Finance Officer explained that it is very controlled by compliance with the CIPFA Treasury Management Code as to where we can and can't hold funds and Barclays Corporate is a safe company to invest in at this time.

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### **RESOLVED (unanimously)**

**Audit Committee is asked to recommend the following to the full Council:**

**1) To note the Mid-Year report.**

#### **Reasons**

As The Code of Practice on Treasury Management requires, as a minimum, a mid-year review of the Treasury Management Strategy and performance. This is intended

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to highlight any areas of concern that have arisen since the original strategy was approved (February 2022). It is a requirement of the Code of Practice that the Mid-year review is considered by Cabinet, Audit Committee and full Council.

### **168. TREASURY MANAGEMENT STRATEGY & CAPITAL STRATEGY 2023/24**

The Deputy Chief Finance Officer explained the purpose of the report is to consider the draft Treasury Management Strategy, Annual Investment Strategy, Minimum Revenue Provision (MRP) Policy and Capital Strategy and make recommendations to full Council as appropriate. This is to ensure that there is an effective framework for the management of the Council's investments, cash flows and borrowing activities prior to the start of the new financial year. The Treasury Management Strategy covers 2 main areas and the first be in capital issues, which include the capital plans in a summarised form and the potential indicators and also the minimum revenue provision policy. The second area is the Treasury management issues, which include items such as the current treasury position, the treasury indicators which limit the treasury risk and activities of the Council, the prospects for interest rates, the borrowing strategy. The liability benchmark is new this year and is effectively the net borrowing requirement of the Council plus a liquidity allowance. This is shown in a graphical format over time, and it's designed to be a tool to help the Council manage its treasury activities.

The Council is required to make annual Minimum Revenue Provision (MRP) payments to ensure that capital expenditure financed by borrowing is charged to revenue over time. A review has been undertaken and has identified that changes in our calculation methodology could result in significant MRP savings over the next five years. It would also make the calculating of the charge more prudent, more in line with recommended best practice, and would be fair to taxpayers. The change is likely to reduce the charge for the current year by around £867,000. A separate paper has been drafted on this and is due to go to cabinet on the 30th of January and then on to full Council for approval.

Councillors asked regarding the predicted level of debt by 2024/25. The Deputy Chief Finance Officer explained the expenditure over the next few years. The Chief Finance Officer explained that our advisors have said we are risk adverse and the numbers could change further on.

Councillors discussed MRP and the saving on the charge with thanks given to the finance team. Councillors asked if the council will be able to meet its borrowing requirements with the reduced MRP. The Deputy Chief Finance Officer explained that it better reflects the time value of money and matches the consumption of the asset to the actual pattern of consumption where it's slower at the start but greater towards the end. This will be debated further at Cabinet.

Councillors asked regarding the Capital expenditure on the conversion of 12-13 York Buildings. The Deputy Chief Finance officer explained this are just the final retainer payments.

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### **RESOLVED (unanimously)**

Audit Committee recommends to Cabinet and full Council that:

- A. The Council approve the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy, Annual investment Strategy and the Capital Strategy.
- B. The strategies listed are updated as necessary during 2023/24 in the light of changing and emerging risks and the Council's evolving future expenditure plans.

### **Reasons**

1. The Council seeks to minimise the costs of borrowing and maximise investment income whilst ensuring the security of its investments. The Council continues to make substantial investments in property, housing and energy generation initiatives, and this will continue to involve the Council in taking on additional borrowing.
2. The sums involved are significant and the assumptions made play an important part in determining the annual budget. The CIPFA Treasury Management Code of Practice, previously adopted by the Council, has been revised to take account of the more commercialised approach being adopted by councils and the enhanced levels of transparency required. The Code has represented best practice and helps ensure compliance with statutory requirements.
3. The Council has the ability to diversify its investments and must consider carefully the level of risk against reward against a background of historically very low interest rates. Investments can help to close the gap in the budget in the years ahead and thus help to preserve services, assist in the regeneration of the town, provide additional housing and enhance the long-term sustainability of the town. However, over reliance on such income streams would involve taking unnecessary risks with the future of the Council and its ability to deliver statutory services.

### **169. STRATEGIC RISK REGISTER**

The Chief Auditor reported to the committee and was pleased to point out that the Strategic Risk Register has now been mapped to corporate objectives as recommended by external audit. Every month there are meetings regarding risks and any changing risks. Through this mechanism, any significant changes are promptly highlighted to the corporate management group. Areas of note are the continuing reduction in government funding, impact of the loss of key staff and extreme weather.

Councillors asked regarding the CHART program. The Chief Auditor explained its highlighted as a possible risk now. Further information will be requested from officers. The Leader of the council explained that CHART is always flagged as a risk due to the funding being repaid in arrears.

The chair highlighted the need for more concise reporting with easy-to-read documents. The Chief Finance Officer explained going forward that he would like to

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instigate more regular audit committee meetings. The Transformation and Programmes Manager explained more frequent meetings are planned to make sure that you get smaller bite sized chunks of information at more frequent times rather than having so much information at once.

### **RESOLVED (unanimously)**

1. To review the Strategic Risks and comment as appropriate.

### **Reasons**

As part of the Corporate Risk Management Strategy agreed by Cabinet, the Risk Registers are to be reviewed by the Audit Committee each year.

### **170. CONTINUOUS QUALIFICATION: INVESTMENT PARTNER QUALIFICATION, AFFORDABLE HOMES PROGRAMME 2021-26**

The Chief Auditor informed the Audit Committee that Homes England recently conducted an assessment and found Hastings Borough Council to be of Good Standing.

### **RESOLVED (unanimously)**

**That the Audit Committee:**

- Notes the report

### **Reasons**

For monitoring independent third party assurance over the organisation

### **171. CONSULTANTS / IR35 (VERBAL REPORT)**

The Chief Auditor informed the Audit Committee regarding consultancy. A complete report will be produced for the March meeting.

### **172. CHIEF AUDITOR'S SUMMARY AUDIT AND RISK UPDATE REPORT**

To be discussed at the next meeting



**AUDIT COMMITTEE**

**12 JANUARY 2023**

(The Chair declared the meeting closed at. 7.56 pm)

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# Agenda Item 4



**Report To:** Audit Committee  
**Date of Meeting:** 16 March 2023  
**Report Title:** External Auditor's Update Report  
**Report By:** Kit Wheeler, Chief Finance Officer  
**Key Decision:** N  
**Classification:** Open

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## Purpose of Report

To consider the matters raised by the Council's external auditors (Grant Thornton) in respect of their update Report.

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## Recommendation(s)

1. That the report be noted.

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## Reasons for Recommendations

To provide the Audit Committee with a report on progress in delivering their responsibilities as our external auditors.

## Background

1. The report that can be found at Appendix A contains information on emerging national issues and developments as well as work progress and the status of key external audit deliverables.
2. This includes the status of the audit of the Financial Statements for 2020/21 and 2021/22.
3. It is expected that a senior manager from Grant Thornton will attend the meeting and present the report in more detail.

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## Wards Affected

None

## Policy Implications

**Please identify if this report contains any implications for the following:**

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues & Climate Change	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No
Legal	No
Climate Change	No

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## Additional Information

Appendix A – External Auditor's Report on Hastings Borough Council

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## Officer to Contact

Officer: Kit Wheeler, Chief Finance Officer

[Kit.Wheeler@hastings.gov.uk](mailto:Kit.Wheeler@hastings.gov.uk)

# Hastings Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2022

16 March 2023

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

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# Introduction

## Your key Grant Thornton team members are:

### Darren Wells

Engagement Lead

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E [Darren.J.Wells@uk.gt.com](mailto:Darren.J.Wells@uk.gt.com)

### Andy Conlan

Engagement Manager

T 02077 282492

E [Andy.N.Conlan@uk.gt.com](mailto:Andy.N.Conlan@uk.gt.com)

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; 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 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 <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 year

Our aim as at the last update in January 2023 was that we would be able to substantially complete the fieldwork testing on the audit and be in a position to present an Audit Findings Report to this Audit Committee meeting.

We have not been able to achieve this for various reasons:

1. Ongoing variability in the speed of responses to audit queries and in whether these sufficiently address the query to allow the audit team to close the issue;
2. The 2020/21 audit has been in progress over long period which means there is difficulty in continuing to resource a long running audit where other audits are also being completed alongside. This is leading to handover of work between audit team members, leading to the work taking longer to complete.

The remaining work is limited to a small number of accounts areas, but includes completing testing of creditors, closing down final audit queries on land and building valuation, closing down some queries on valuation of properties in the subsidiary and then clearance of senior management review notes on the audit work completed. We continue to work closely with your finance team in completing the audit work.

### 2021/22 year

Progress on the 2020/21 audit is not yet sufficient to allow us to begin planning the 2021/22 audit. We are liaising with officers to discuss a plan to catch up on the financial statements audits for these years.

## Accounting for infrastructure

Many authorities do not possess the records to be able to fully comply with the requirements. Following extensive consultation and discussions with interested parties, government has issued a Statutory Instrument to simplify accounting for infrastructure assets until the 2024/25 financial year. We will ensure that the 2020/21 statement of accounts reflects this.

## Value for Money

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.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue the Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay. As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. The extended deadline for the issue of the Auditor’s Annual Report is now no more than three months after the date of the opinion on the financial statements.

We presented an Interim Auditor’s Annual Report for 2020/21 to the Audit Committee to its meeting of 12 January 2023.

We intend to undertake the VFM work in June-July 2023 and prepare a joint VFM report for both years in July 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 began in November 2022, and is currently still in progress.

### Meetings

We continue to meet with Finance Officers regularly as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments to promote the efficient delivery of the audit.

### Sector Updates and workshops

We provide a range of workshops, along with network events for members and publications to support the Authority. Accounts Workshop were provided in January and February 2023 which your officers will be invited to, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

We also provide

the opportunity to access support from experienced technical colleagues who attend the ICAEW Public Sector Financial Reporting Panel, and ICAEW Public Sector Audit Panel. This means you will be at the forefront of accounting developments. Through this relationship we also ensure that communication works both ways and feed issues up from our LG clients

- insight from our regular meetings with CIPFA and NAO where we discuss emerging developments. We will also raise any areas of concern that you have over policy, procedure, or regulation with your regulators.
- technical and sector updates for the Audit Committee.

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 Fees

We have submitted a proposed fee variance for the 2019/20 audit to your Chief Finance Officer, which was included in the progress report communicated to you in October 2022. This is still under discussion with your Chief Finance Officer and consideration by Public Sector Audit Appointments (PSAA).

We will submit a fee variance for the 2020/21 audit when we have completed our fieldwork.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and to report on the Authority's value for money arrangements in the Auditor's Annual Report</p>	Nov 2021	Completed
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit Committee. Date to be confirmed, but having proposed a date to restart the audit in October 2022, we would anticipate having an Audit Findings Report for the end of November 2022.</p>	TBC	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements. Date to be confirmed- this is subject to the speed of turnaround of audit queries/samples, the clarity of explanations and quality of documentation/evidence provided.</p>	TBC	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	Completed	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:

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Public Sector

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

Local  
government

# Infrastructure Assets Update

## Background

Most local government (LG) entities, excluding police bodies, will own infrastructure assets. The balances for highways authorities will be particularly significant and are likely to be material. For LG entities with material infrastructure assets there is therefore a potential risk of material misstatement related to this balance.

The inherent risks which we identified this year in relation to infrastructure assets were:

- An elevated risk of the overstatement of gross book value and accumulated depreciation figures, due to lack of derecognition of replaced components
- A normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairments of infrastructure assets, and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UEls) in calculating depreciation charges.

## How these issues have been addressed?

Since these issues were first identified we have been working with CIPFA and the English and Scottish Governments to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions have been put in place in the interim. These short-term solutions include the issue of Statutory Instruments (SIs) by government and an update to the CIPFA Code.

The CIPFA Code update was issued on 29 November 2022. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022 – see [The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) Regulations 2022 \(legislation.gov.uk\)](#). CIPFA issued [CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution](#) on 11 January 2023, which includes further guidance and illustrative examples on the depreciation of infrastructure assets and the associated useful economic lives (UEls).



# Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts.

Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

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Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

**Table 1 Audited accounts published by target date over the last six years**

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

## About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023





# 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

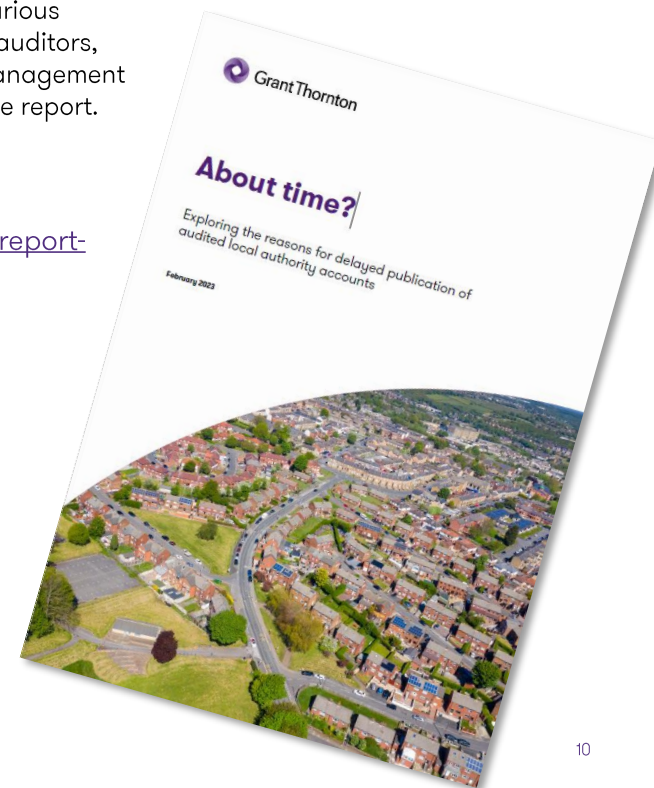
- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

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:

<https://www.grantthornton.co.uk/insights/report-key-challenges-in-local-audit-accounting/>



# Local government procurement and contract management

## Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector<sup>1</sup>. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

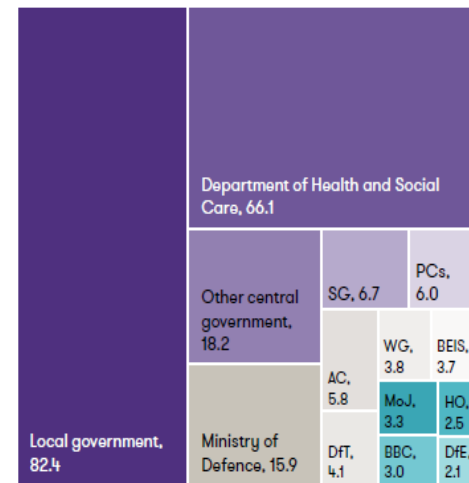
Read the full report here:

<https://www.grantthornton.co.uk/insights/local-government-procurement-and-contract-management-lessons-learned/>

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

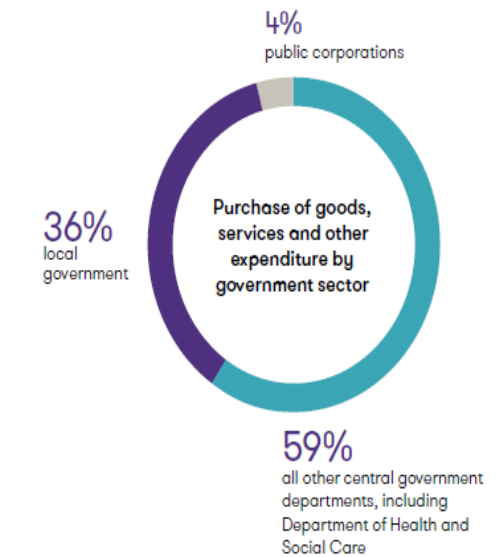
## UK public spending

Public spending on goods and services, £ billions - analysis by segment and department<sup>2</sup>



- PCs Other Public Corporations
- DfT Department for Transport
- WG Welsh Government
- HO Home Office
- DfE Department of Education
- SG Scottish Government
- AC Academies
- MoJ Ministry of Justice
- BBC British Broadcasting Corporation
- BEIS Department of Business, Industry Strategy

Goods, services and other expenditure by segment<sup>4</sup>



<sup>1</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022  
<sup>2</sup> Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021  
<sup>3</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022  
<sup>4</sup> HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

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# Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

## Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.



# Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

## “Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

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## Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared.

This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is set to be broken. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole.

CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Read the full report here:](https://www.cipfa.org/cipfa-thinks/articles/sustainability-finance-at-the-heart-of-decision-making)

<https://www.cipfa.org/cipfa-thinks/articles/sustainability-finance-at-the-heart-of-decision-making>



# Agenda Item 5



**Report to:**           **Audit Committee**

**Date of Meeting:**   **16 March 2023**

**Report Title:**       **Chief Auditor's Summary Audit and Risk Report**

**Report By:**          **Tom Davies**  
                              **Chief Auditor**

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## **Purpose of Report**

To inform the Audit Committee of the key findings from the recent audit of Creditors.

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## **Recommendation(s)**

**1. That the Audit Committee accepts the report..**

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## **Reasons for Recommendations**

To monitor levels of control within the organisation.

# Summary Report to Audit Committee

## Creditors

### Background Information

This review was undertaken as part of the 2022/2023 agreed audit plan.

During the year 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022, the Creditors service processed more than 11,000 payments with a cumulative value amounting to £32.5 million.

It is therefore imperative that the service is carried out effectively and efficiently in order to ensure creditor payments are made accurately and promptly.

This aspect of the Council's activities was last audited in 2018. The Service was then graded as **A: Good** and a number of minor improvement recommendations were made.

### Overall Audit Assessment: B – Satisfactory

Most controls are in place and working effectively, although some improvements are recommended to reduce the potential for fraud and error and also ensure best practice and efficiency.

### Key Findings

- For the year 1 April 2021 to 31 March 2022, 11,262 creditor payments were made with a cumulative value amounting to £32.5 million. At the time of the previous audit report 14,957 creditor payments were made, totalling £26.8 million for the financial year 2017/18.
- The Medium-Term Financial Position update (presented to Cabinet in September 2022) reported an adverse outturn for the purchase of supplies and services, with actual spending (£20.1 million) exceeding the original budget by £7.2 million during the period 2021-22. However, it should be noted that some of the costs for supplies and services are often met by grants and other income. Nevertheless, the adverse variance is indicative of increased spending on supplies and services when compared to the original budgeted expenditure.
- In order to ensure that the Creditors payment process remains robust, this audit has made recommendations that will further strengthen the controls for requisitioning and approving the purchase of goods / services.

- Audit have also conducted testing, on all supplier payments over £500 for the period 01/04/22 to 30/09/22, in order to highlight any potential duplicates. In total, six duplicate payments were identified.
- The cumulative value of all duplicate payments amounted to £7,901 but this figure contained four duplicate payments amounting to £6,490, which were sent to the same supplier. To date, the four duplicate payments made to the same supplier have already been recovered and the Creditors team have contacted the remaining suppliers to request a refund.
- Audit have therefore made a recommendation to reissue a briefing to all staff, regarding the importance of ensuring purchase orders are raised correctly and that invoices are checked thoroughly prior to referral for payment.
- Additionally, a “Potential Duplicate Payment” report was developed during the course of this audit. The report can be generated to highlight instances where an identical payment value is recorded for the same supplier. The report also displays the invoice date and reference number, so that the Creditors team can check for any potential duplicate payments to the same supplier prior to each payment run.
- Overall, Audit are satisfied that the Creditors system is administered effectively and efficiently. Whilst further recommendations have been made to ensure that duplicate payments are minimised as much as possible, Audit are encouraged by the introduction of an additional reporting tool to highlight potential errors.

## Management Response

We accept the report and will be implementing its recommendations.

~~~~~end~~~~~

## Timetable of Next Steps

1. Please include a list of key actions and the scheduled dates for these:

| Action | Key milestone | Due date<br>(provisional) | Responsible |
|--------|---------------|---------------------------|-------------|
| -      | -             | -                         | -           |

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### Wards Affected

None.

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### Implications

Please identify if this report contains any implications for the following:

|                                       |     |
|---------------------------------------|-----|
| Equalities and Community Cohesiveness | No  |
| Crime and Fear of Crime (Section 17)  | No  |
| Risk Management                       | Yes |
| Environmental Issues                  | No  |
| Economic/Financial Implications       | Yes |
| Human Rights Act                      | No  |
| Organisational Consequences           | No  |
| Local People's Views                  | No  |
| Anti-Poverty                          | No  |
| Climate Change                        | No  |

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### Additional Information

-

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### Officer to Contact

Tom Davies

Email: [tdavies@hastings.gov.uk](mailto:tdavies@hastings.gov.uk)

Telephone: 01424 451524

# Agenda Item 6



**Report to:** Audit Committee

**Date of Meeting:** 16 March 2023

**Report Title:** Status on recommendations made in the Interim Auditor's Report on Hastings Borough Council presented on 12 January 2023

**Report By:** Tom Davies  
Chief Auditor

**Key Decision:** N

**Classification:** Open

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## Purpose of Report

To monitor progress made completing the recommendations made by External Audit on governance.

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## Recommendation(s)

1. That the Audit Committee notes the report.

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## Reasons for Recommendations

External Audit made recommendations made on governance in their Interim Auditor's Report on Hastings Borough Council received by the Audit Committee on 12 January 2023.

## Background Information

External Audit made recommendations on governance in their Interim Auditor's Report on Hastings Borough Council presented to Audit Committee on 12 January 2023.

The recommendations were accepted and it was agreed that regular updates would be provided to the Audit Committee on the degree of their implementation.

The current status on those recommendations made (on governance only) is shown at appendix A.

## Timetable of Next Steps

1. Please include a list of key actions and the scheduled dates for these:

| Action                                              | Key milestone | Due date (provisional) | Responsible           |
|-----------------------------------------------------|---------------|------------------------|-----------------------|
| Regular updates will be provided to Audit Committee | -             | 28 July 2023           | Chief Finance Officer |

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## Wards Affected

None.

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## Implications

Please identify if this report contains any implications for the following:

|                                       |     |
|---------------------------------------|-----|
| Equalities and Community Cohesiveness | No  |
| Crime and Fear of Crime (Section 17)  | No  |
| Risk Management                       | Yes |
| Environmental Issues                  | No  |
| Economic/Financial Implications       | Yes |
| Human Rights Act                      | No  |
| Organisational Consequences           | Yes |
| Local People's Views                  | No  |
| Anti-Poverty                          | No  |
| Climate Change                        | No  |

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## Additional Information

Appendix A – Status on External Audit Recommendations (Governance)

## Officer to Contact

Tom Davies  
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Telephone: 01424 451524



| Recommendation per External Audit Report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Management Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | R-A-G Status                         | Comment                                                                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Recommendation 2</p> <p>The Council should reconsider the depth of its annual internal audit coverage to provide an appropriate level of assurance to members over the systems of internal control.</p> <p>In accordance with best practice, members of the internal audit team should not have any other service responsibilities.</p> <p>The Council should commission an independent assessment of its Internal Audit arrangements against the Public Sector Internal Audit Standards (PSIAS) requirements and implement any necessary changes arising from that review.</p> | <p>Accepted. We match the plan to resource and the depth of the coverage was more shallow during the Covid period because of our involvement in providing pre and post assurance checking to the Department for Business, Energy &amp; Industrial Strategy (BEIS) of all Business Grant claims. Our latest plan for 2022 / 2023 has re-focused on financial controls.</p> <p>Accepted. The run-off of Procurement to the East Sussex Procurement Hub is now almost complete. A review of the Internal Audit team structure was already scheduled for March 2023.</p> <p>Accepted. The East Sussex Borough and District Councils have agreed to assess each other on a reciprocal basis and this programme has already started. It has already been agreed that the review for Hastings BC will be carried out during 2023 / 2024. We will then implement any recommendations to come out of it in the Quality Assurance Improvement Programme (QAIP) to ensure conformance with the Public Sector Internal Audit Standards (PSIAS).</p> | <p>Amber</p> <p>Green</p> <p>Red</p> | <p>An external review of Audit is being commissioned. Procurement has been handed over to the Head of Strategic Programmes from 03/03/23 and the relationship with ESPH strengthened.</p> <p>Due to its importance, this will take Longer to discharge – probably 6 to 9 months from now.</p> |

## Status of implementation on External Audit recommendations (Governance)

## Appendix A

|                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |              |                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Recommendation 8</p> <p>The Council's overall Risk Management Strategy and Risk Appetite should be reviewed.</p>                                                                                                      | <p>Accepted. The Audit Committee identified a need for more recent Risk Management Training and this was successfully delivered in 2021 to coincide with the roll-out of the new Risk management system. This system is online, facilitates 'drill down' and is equipped with 'dash board' reporting' so whilst our Risk Management processes are robust, the Council's overall Risk Management Strategy and Risk Appetite should be reviewed.</p>                                                                                                                                                                                                                                      | <p>Amber</p> | <p>Risk Management has been handed over to the Head of Strategic Programmes and regular risk monitoring process being put in place with the new Senior Leadership Team.</p>                                                           |
| <p>Recommendation 9</p> <p>Risks within the Council's Corporate risk register should be mapped to corporate priorities and the methodology for assessing and scoring risks included in the Risk Management Strategy.</p> | <p>Accepted – virtually already completely discharged. The Audit Committee has received risk management reports in accordance with the Council's Risk Management Policy and the highest risks always brought to their attention in the covering report both for the Strategic Risk Register and Operational Risk Register. Dash Board reporting was demonstrated to Councillors at a training session on 2 June 2021 and the whole purpose of this was show the high level risks, open risks, risks by service area etc. The new Risk Management system covers all of the above criteria and more except mapping risks to Corporate priorities. This will be immediately addressed.</p> | <p>Amber</p> | <p>It should be noted that the Strategic Risk Register presented at the January meeting was fully mapped.</p> <p>Work remains to embed this across the operational risk register too and is in hand for completion by the summer.</p> |
| <p>Recommendation 11</p> <p>The Council's Fraud Risk Management Strategy should be reviewed.</p>                                                                                                                         | <p>Accepted. The Council's Fraud Risk Management Strategy will be formally reviewed and updated</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>Amber</p> | <p>We are aware that cyber fraud needs to be included and a</p>                                                                                                                                                                       |

|                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |              |                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------|
| <p>Recommendation 13</p> <p>The Council should undertake an Internal Audit of its Key Performance Indicators and Data Quality and consider the need to create a Data Quality Policy.</p> | <p>and communicated to all councillors and staff. However, whilst the main document has not been reviewed for several years, we do review our arrangements each year and report those in the Annual Governance Statement. The Internal Audit team comprises of 2 professionally qualified Investigators and 1 experienced Investigator.</p> <p>Agreed. An Internal Audit of Key Performance Indicators will be carried out during quarter 1, 2023/2024 before publication of the full year's performance data.</p> | <p>Amber</p> | <p>screening process for all government grants received.</p> <p>Planned for quarter 2 2023.</p> |
| <p>Footnote:</p> <p>Red means not started<br/>Amber means in progress<br/>Green means completed</p>                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |              |                                                                                                 |

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