



**Business Efficiency Board**

**Wednesday, 10 March 2010 at 6.30 p.m.  
Civic Suite, Town Hall, Runcorn**

A handwritten signature in black ink that reads 'David W R'.

**Chief Executive**

**BOARD MEMBERSHIP**

<b>Councillor Dave Leadbetter (Chairman)</b>	<b>Labour</b>
<b>Councillor Martha Lloyd Jones (Vice-Chairman)</b>	<b>Labour</b>
<b>Councillor Diane Inch</b>	<b>Liberal Democrat</b>
<b>Councillor Eddie Jones</b>	<b>Labour</b>
<b>Councillor Alan Lowe</b>	<b>Labour</b>
<b>Councillor Peter Murray</b>	<b>Conservative</b>
<b>Councillor Ulfar Norddahl</b>	<b>Liberal Democrat</b>
<b>Councillor Shaun Osborne</b>	<b>Labour</b>
<b>Councillor Ged Philbin</b>	<b>Labour</b>
<b>Councillor Geoffrey Swift</b>	<b>Conservative</b>
<b>Councillor Philip Worrall</b>	<b>Liberal Democrat</b>

*Please contact Caroline Halpin on 0151 471 7394 or e-mail [caroline.halpin@halton.gov.uk](mailto:caroline.halpin@halton.gov.uk) for further information.*

*The next meeting of the Board is to be confirmed.*

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

**Part I**

<b>Item No.</b>	<b>Page No.</b>
<b>1. MINUTES</b>	
<b>2. DECLARATION OF INTEREST</b>	
Members are reminded of their responsibility to declare any personal or personal and prejudicial interest which they have in any item of business on the agenda, no later than when that item is reached and, with personal and prejudicial interests (subject to certain exceptions in the Code of Conduct for Members), to leave the meeting prior to discussion and voting on the item.	
<b>3. RISK MANAGEMENT POLICY DOCUMENT AND CORPORATE RISK REGISTER 2010-11</b>	<b>1 - 25</b>
<b>4. COUNTER FRAUD MEASURES UPDATE</b>	<b>26 - 30</b>
<b>5. ANNUAL GRANT CLAIMS - AUDIT 2008/9</b>	<b>31 - 42</b>
<b>6. AUDIT COMMISSION - AUDIT OPINION PLAN 2009/10</b>	<b>43 - 68</b>
<b>7. 2010/11 INTERNAL AUDIT PLAN</b>	<b>69 - 100</b>
<b>8. BEB WORK PROGRAMME</b>	<b>101 - 103</b>

*In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.*

**REPORT TO:** Business Efficiency Board

**DATE:** 10 March 2010

**REPORTING OFFICER:** Strategic Director Corporate and Policy

**SUBJECT:** Risk Management Policy Document and Corporate Risk Register 2010-11

**WARDS:** Boroughwide

### **1.0 PURPOSE OF THE REPORT**

1.1 To consider the Risk Management Policy Document and Corporate Risk Register

**2.0 RECOMMENDATION: That the Business Efficiency Board consider the risk management policy document and the corporate risk register 2010-11**

### **3.0 SUPPORTING INFORMATION**

3.1 The purpose of the Risk Management Policy Document and Corporate Risk Register is to ensure that the council maximises its opportunities whilst minimising and controlling the associated risks in delivering the council's vision and services for Halton. The Policy document outlines the framework in which the council operates Risk Management, linked to performance management.

3.2 The Council's Executive Board, Management Team and Corporate Risk Management Group have recently reviewed the current Corporate Risk Register. As a result of this review the structure of the register has been amended and also the corporate risks which have been identified under each heading. The risks have been grouped under the following headings:

3.3 Partnerships, Children Services integration, Stakeholders, Finance, Mersey Gateway, Major Projects, Building Schools for the future, Corporate Capacity, I.T., Human Resources, Waste, Government Intervention, Community Cohesion, Resilience Planning., Crime and Disorder and Safe Guarding Adults.

3.4 Risk Management training has been provided to ensure that there is understanding of officers and members role in the risk management process. In addition a similar risk management programme has also been developed for schools, which should commence early 2010. Management Team and the Business Efficiency Board will receive regular reports on the council's risk management performance.

#### **4.0 POLICY IMPLICATIONS**

4.1 There are a number of policy implications arising from the policy document, the register and the control measures. These are identified in the register within the control measures. E.g. Government Intervention – influence on Policy development. It is also important to ensure that the Corporate Risk Register and the Directorate Risk Registers are reviewed regularly by Directorates as part of the council's performance management strategy

#### **5.0 OTHER IMPLICATIONS**

5.1 Not applicable.

#### **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 There are implications for each of the council's priorities as they could be affected by failure to manage the existing risks and also the failure to consider emerging risks. E.g. Impact of General Election leading to a possible change in government.

#### **7.0 RISK ANALYSIS**

7.1 Failure to review and monitor the performance of the Corporate Risk Register could result in service development opportunities being lost and existing service delivery being compromised.

#### **8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 Within the risk register there are a number of implications for Equality and Diversity issues. E.g. Community Cohesion, Human Resources, and Resilience Planning.

#### **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1072**

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

# **CORPORATE AND STRATEGIC RISK REGISTER 2010-11**

**February 2010**

### Corporate and Strategic Risk Register – February 2010

Risk No	Risk Identified	Impact	Likelihood	Risk Score	Risk Control Measures	Assessment of Residual Risk with Control Measures Implemented			Responsible Person	Timescale for Review	Progress Comments	Date
						Impact	Likelihood	Risk Score				
1	<b>Partnerships – Public and Private</b> Ineffective and poorly controlled partnership working leads to a lack of accountability and ineffective use of resources resulting in failure to achieve outcomes/objectives	3	4	12	Review approach to identification and guidance to ensure follow up in directorate	3	3	9	Ian Leivesley	6 monthly	Register formed. Checklist available. Audits undertaken on a risk basis and training in place.	29.1.10
2	<b>Partnerships - NHS Bodies</b> Failure by NHS bodies to agree provision of resources for health prevention leads to failure of health prevention programmes resulting in the health of local people failing to improve to the levels of other areas.	4	4	16	<ul style="list-style-type: none"> <li>• Encourage NHS bodies to fully commit (both energy and resources) to priorities and health prevention agenda</li> <li>• Encourage NHS Bodies to allocate funding</li> <li>• The Council has been consulted and involved in the health service deliberations to reconfigure their services.</li> <li>• Influencing the development of the community strategy.</li> <li>• Development of draft</li> </ul>	4	3	12	Dwayne Johnson	6 monthly	An external consultant has been commissioned to review the Section 31 Partnership Agreement. An outline report and recommendations has been produced and Halton Borough Council with the PCT are currently working on the development of an action plan. HBC are currently working in partnership with the PCT on the production of the new Joint Strategic Needs	29.1.10

					<p>health outcome measures for inclusion in the future preparation of a health Local Area Agreement.</p> <ul style="list-style-type: none"> <li>Regular performance monitoring at both the Health Performance Board and Chief Officers Group.</li> </ul>						<p>Assessment (JSNA) – Health and Wellbeing. The JSNA pulls together information about the current and future health and well being needs of the local population. It provides an opportunity to look into the future so that we can plan now for likely changes in needs so it is therefore one of the major influences in directing commissioning priorities and planning service development.</p>	
3	<p><b>Children’s Services Integration</b> Failure to deliver improved (measurable) outcomes for Children &amp; Young People via the establishment of effective partnerships to deliver the Children Act requirements</p>	4	3	12	<ul style="list-style-type: none"> <li>Restructured CYP Directorate around commissioning and provision of services</li> <li>Children and Young People’s Plan in place</li> <li>Children’s Trust in place</li> <li>Full engagement of all statutory partners at a senior level (including schools) in place</li> <li>Plan formed with outcome based accountability</li> </ul>	3	2	6	Gerald Meehan	6 monthly	<p>Children’s Trust fully established in 2009. Gearing up to respond to the Apprenticeships Skills and Children’s Act 2009. Safeguarding Board fully operational. PMF in place. Looking to put in place virtual commissioning with the PCT.</p>	29.1.10

4	<b>Stakeholders – Community Engagement</b> Failure to communicate effectively and engage local community participation in service planning, design, and delivery leading to complaints and conflict on specific initiatives resulting in loss of reputations, alienation of people from local government reduced collectivism and more individualistic opting out	4	4	16	<ul style="list-style-type: none"> <li>• Effective LSP</li> <li>• Effective and inclusive Area Forums</li> <li>• Use of Halton 2000</li> <li>• Research and Intelligence Unit</li> <li>• Community Development Team</li> </ul>	4	3	12	Ian Leivesley	6 monthly	The Council continues to use the various tools it has available for customer involvement/public participation. Recent examples include: <ul style="list-style-type: none"> <li>• BSF</li> <li>• Mersey Gateway</li> <li>• Budget 2009/10</li> <li>• BVPI Satisfaction Survey</li> </ul>	29.1.10
5	<b>Finance</b> Failure to effectively align resources to corporate objectives leads to a lack of focus on priorities resulting in failure to deliver objectives	3	4	12	<ul style="list-style-type: none"> <li>• Link Budget Process to Service Planning</li> <li>• Service Planning</li> <li>• Review of Corporate Priorities/Community Plan</li> <li>• Communication of Priorities to Staff/Members/Managers to achieve buy-in</li> <li>• Medium Term Financial Strategy</li> <li>• Budget Risk register</li> </ul>	2	3	6	Ian Leivesley	6 monthly	The Council continues to spend within in its means and, with the help of the Efficiency programme, will set a balanced budget for next year. However financial settlements are expected to be very tough for the foreseeable future. Significant levels of savings will continue to be required from the Efficiency Programme Service Delivery	29/01/10

					<ul style="list-style-type: none"> <li>Efficiency Programme. risk register</li> </ul>						Reviews over the coming years.	
6	<b>Mersey Gateway</b> Lack of effective project management leads to uncontrolled costs, delays and lack of credibility resulting in cancellation/delay of the project. Potential abortive development cost.	4	3	12	<ul style="list-style-type: none"> <li>Recruitment of experienced Project Director and early involvement of professional advisors</li> <li>Project Structure based on PRINCE2 control procedure under the governance of the Procurement Group involving key members, officers, and professional advisors</li> <li>Project Plan and regular monitoring of plan and periodic independent gateway reviews</li> <li>Delivery within the Funding framework agreed with Government reviewed at regular intervals</li> <li>Mersey Gateway Risk Register</li> </ul>	4	2	8	Dick Tregoe	6 monthly	The Project Team is in place. The arrangements for the various professional advisers have been reviewed. The Governance arrangements of the project have been amended by the creation of a dedicated sub-committee of the Executive Board to oversee the project.	29.1.10
7	<b>Major Projects</b> – (e.g. 3MG, Widnes Waterfront, Castlefields, Canal Quarter) Ineffective	4	3	12	<ul style="list-style-type: none"> <li>Capital Development Group</li> <li>Individual Project Management Groups</li> <li>Project Teams</li> </ul>	3	2	6	Dick Tregoe	6 monthly	Significant progress continues to be made. The necessary CPOs at Castlefields have been secured.	29.1.10

8	<p>Project Management of major projects leads to delay increased costs resulting in failure to regenerate borough</p> <p><b>Joint Venture for Daresbury Science and Innovation Park</b></p>	4	2	8	<ul style="list-style-type: none"> <li>• Performance Management Reports</li> <li>• Partnering Arrangements</li> <li>• Project Management Training for officers</li>   <li>• Positive co-operation with public sector partners (STFC and NWDA)</li> <li>• Careful vetting of tenders and assessment of financial stability of potential partners</li> <li>• Establishment of contract management systems</li> </ul>	4	1	4	Dick Treggia	6 monthly	<p>In relation to the 3MG the structural arrangements for the project, particularly whether to establish a company with partners, need to be determined. The Village Green application needs to be progressed.</p> <p>Potential Partners will be assessed in Winter and Spring 09/10  Selection of preferred partner May 2010  Consultant Solicitors and property experts maintain advisory role</p>	29.1.10
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9	<p><b>Building Schools for the Future and Primary Capital Programme</b></p> <p>Failure to meet agreed building programme, and to keep to required budget, would pose significant logistical and financial difficulties for the Council.</p>	4	4	16	<ul style="list-style-type: none"> <li>• Gateway one review successfully undertaken with Government - minimal issues</li> <li>• Halton BSF Team recruited along with external advisors</li> <li>• Additional Council resources secured for the programme.</li> <li>• BSF Joint Board established with Warrington BC</li> <li>• Comprehensive BSF Risk Register reviewed at each Board Meeting</li> <li>• Halton and Warrington joint LEP agreed providing economies of scale (Warrington in Wave 7)</li> </ul>	3	4	12	Gerald Meehan	6 monthly	New Academy on track to open in September 2010 subject to DfS approval. First phase of competitive dialogue complete with two consortia. Council identified as exemplar for consultation, PE and sport	29.1.10
10	<p><b>Corporate Capacity</b></p> <p>Inability to support major projects due to:</p> <ul style="list-style-type: none"> <li>- capacity</li> <li>- capability</li> <li>- resources</li> <li>- finances</li> <li>- Inability to recruit key staff with appropriate skills</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>- Active Project Management (e.g. PRINCE)</li> <li>- Early identification &amp; Intervention</li> <li>- Training &amp; Development</li> <li>- Recruitment arrangements</li> <li>- Partnership working</li> <li>- People Strategy</li> </ul>	4	3	12	D. Parr	3 months	Leadership Programme underway. Draft People Strategy under review. Recruitment and retention policies kept under review.	29.1.10

	leading to the potential of delivery failure or delay.											
11	<b>I.T.</b> Lack of disaster recovery arrangements leads to an interruption of IT facilities in the event of a disaster resulting in the inability to deliver frontline services	4	3	12	<ul style="list-style-type: none"> <li>Disaster recovery plan</li> <li>Business Continuity Plan</li> <li>Review information governance and security strategies</li> </ul>	4	2	8	Ian Leivesley	6 monthly	<ul style="list-style-type: none"> <li>ICT being restructured to provide greater focus on Disaster Recovery (DR).</li> <li>Key Applications priority list – first draft of top 14 applications produced.</li> <li>Criteria required to prioritise key corporate applications agreed by ICT Services Management Team</li> <li>Provisional hardware infrastructure matrix produced to enable external organisations to provide indicative costs for the support arrangements for the 14 prioritised applications.</li> </ul>	<p>Completed and to be in place 1<sup>st</sup> April 2010</p> <p>Completed Jan 2010</p> <p>Completed Jan 2010</p> <p>Completed Jan 2010</p>

12	<b>Human Resources</b> – Failure to implement effective health, safety and wellbeing strategies leads to unsafe, unhealthy and poorly motivated workforce resulted in increased staff dissatisfaction, demotivation, and problems of low staff retention and productivity	4	3	12	<ul style="list-style-type: none"> <li>• Health and Safety Policy</li> <li>• Stress Risk Assessments</li> <li>• Absenteeism procedures</li> <li>• Occupational Health Service</li> <li>• “Preparing for Change” Training Courses</li> </ul>	3	2	6	Ian Leivesley/ Dwayne Johnson	3 monthly	The Flexible Working Group continues to meet on a quarterly basis with representation from each of the Directorates. The group’s strategy “Working Flexibly for You” and accompanying action plan is monitored by the group. The strategy is being reviewed and will be relaunched in 2010. Achievements include: The flexible working opportunities available to employees are being used as an example of good practice in the region in relation to working carers; core hours have been removed, allowing employees a greater degree of flexibility in their working day; funding has been obtained to pilot a scheme of health checks for staff; improvements in office accommodation have been carried out and more are planned to	29.1.10
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											improve the working environment for staff; and a prayer room has been designated for use by staff. Related work includes the establishment of staff support groups for female, BME, LGBT and disabled workers.	
13	<b>Waste</b> Failure to develop a cogent Waste Management Strategy leads to a failure to meet Government Targets resulting in increased cost of waste disposal (impacting on the Council's ability to deliver other services)	4	4	16	<ul style="list-style-type: none"> <li>• Development of a Joint Waste Strategy</li> <li>• Formal local authority and private sector partnership</li> <li>• Close engagement with MWDA</li> <li>• Effective Management of agreed Project Plan</li> <li>• Consultation with key stakeholders</li> <li>• Review at Regular Intervals.</li> </ul>	3	3	9	Dick Tregear	6 monthly	The Council is working with the Mersey Waste Disposal Authority to develop a pan-Merseyside solution to the issue of waste. A Memorandum of Understanding between the Council and MWDA has been completed and an Inter Authority Agreement is being developed.	29.1.10
14	<b>Government (etc.) Intervention</b>  Direction from 3 <sup>rd</sup> parties (Gov't, QUANGOS, EU) leading to the imposing of requirements on the	3	3	9	<ul style="list-style-type: none"> <li>- Influence policy development</li> <li>- Lobbying</li> <li>- Working relationships and networking</li> <li>- Political management</li> <li>- Prioritisation</li> <li>- HiR Group</li> <li>- Horizon scanning</li> </ul>	3	3	9	D. Parr	6 months	Good political and other networks seeking to influence policy development and legislation	29.1.10

	Council, e.g. additional activity, Funding interventions, Resulting in a potential Challenge of the council's capacity, delivery, local priorities. National election - policy shift											
15	<p><b>Community Cohesion</b> Failure to support cohesive communities leads to tension and polarised communities lacking in integration, engagement and civic pride.</p> <p>The Council needs to take a leadership role with local partners in addressing equality, diversity and cohesion for the Borough.</p>	4	2	8	<ul style="list-style-type: none"> <li>• Service Plans Equality Impact Assessments extended to cover community cohesion factors</li> <li>• Data set of performance indicators defined by Audit Commission as a result of cohesion baseline assessment established &amp; embedded in performance monitoring</li> <li>• Corporate Equalities Group supporting Strategic Partnership Sub-group providing a joined up approach for the Borough</li> </ul>	4	1	4	Dwayne Johnson / Ian Leivesley	6 monthly	Community Cohesion is referenced and related indicators included in the new Corporate Equality Scheme and Equality Impact Assessment guidance forms. A multi-agency Tactical/Cohesion Officers Group has been established which provides live intelligence on community tension indicators, enabling proactive and practical solutions. The group formally reports on cohesion indicators to GONW on a quarterly basis and informal reporting takes place on a monthly basis.; the group has developed a Community Cohesion	29.1.10

											Contingency Plan which is in its final stages of development and is due to be approved by GONW during 2010. Community Cohesion results from the Place survey will be used to carry out "hotspot mapping", a technique which enables identification of trends and patterns at a neighbourhood level.	
16	<b>Resilience Planning</b> – Failure to identify risk, plan exercise leads to the Council, being unable to sustain a resilient community and services	4	3	12	Risk Register in Place Review Plans Exercise regime/schedule Incident Management Procedures in place BCM Plans in place. Active role taken in Local and Regional Resilience Forums	4	2	8	Ian Leivesley	6 months	Risk Register reviewed Plans reviewed against government criteria Training/exercising schedule in place Incident Management Procedures tested in recent incidents	29.1.10
17	<b>Crime &amp; Disorder and Safeguarding Adults</b> Failure to align Partnership resources to CDRP priorities could adversely affect performance and lead to poor outcomes	3	3	9	<ul style="list-style-type: none"> <li>Ensure regular outcome and performance reports are submitted to the CDRP Board.</li> <li>Regularly review finance commitments and identify opportunities to be</li> </ul>	2	3	6	Dwayne Johnson	6months	Review of financial commitments and performance underway as well as a review of the JSNA. Review of Domestic Violence Strategy to commence in 2010 and renewed in 2011.	29.01.10

					more efficient and attract new funding opportunities.							Submitted a proposal for funding, a needs analysis of domestic violence. Reviewing sub structures and effectiveness of a range of safeguarding adult issues in the first 3 months of 2010	
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**HALTON BOROUGH COUNCIL**

**RISK MANAGEMENT POLICY**

**Revised December 2009**

## **HALTON BOROUGH COUNCIL RISK MANAGEMENT POLICY**

### ***Introduction***

Everything that we do as an organisation involves a degree of risk whether it is managing a project, determining priorities, purchasing new systems and equipment, taking decisions about the future or deciding not to take any action at all. It is therefore an essential part of good governance that we manage these risks effectively.

This policy provides a framework within which risks, both Strategic and Operational, will be managed within the Council. By adopting a formal approach to risk management we will achieve better outcomes as a result of systematically identifying and analysing the wide range of issues that affect decision-making. This involves:

- Identifying Strategic and Operational Risks – i.e. those events which could have a negative (or positive) impact on the achievement of our strategic and operational objectives
- Evaluating those risks – i.e. by looking at both their likelihood and severity of impact on our objectives to decide how significant each risk is
- Controlling those risks – i.e. by deciding on and putting in place measures which will avoid, reduce or transfer the risks that are considered significant
- Monitoring those risks – i.e. the significant risks and the control measures put in place to mitigate them need to be monitored on an ongoing basis to ensure that they remain appropriate and effective.

### ***Purpose, Aims and Objectives***

The Purpose of this Risk Management Policy is to effectively manage the potential opportunities and threats affecting the achievement of the Council's objectives.

This Risk Management Policy has the following aims and objectives:

- Integration of Risk Management into the culture of the Council
- Raising awareness of the need for Risk Management by all those connected with the delivery of services (including Local Strategic Partnership, other Partners, Delivery Agents etc)
- Enabling the Council to anticipate and respond to changing social, environmental, financial and legislative conditions.
- Minimisation of injury, damage, loss and inconvenience to residents, staff, service users, assets etc arising from or connected with the delivery of Council services.
- Introduction of robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.
- Supporting innovation and informed risk taking.
- Minimisation of the cost of risk.

To achieve these aims and objectives, the following policy is proposed;

- Establish clear accountabilities, roles and reporting lines across all services and departments.
- Acquire and develop the necessary skills and expertise for members and managers
- Provide for risk assessment in all decision-making processes of the Council.

- Develop a resource allocation framework to allocate (target) resources for risk management.
- Ensure appropriate consideration of risk within all reviews of service performance and subsequent improvement plans.
- Develop toolkits, procedures and guidelines for use across the Council
- Develop arrangements to measure performance of Risk Management activities against the aims and objectives via Management Team, Executive Board, Business Efficiency Board, and other PPBs
- To make all partners, providers and delivery agents aware of the Council's expectations on risk, both generally as set out in its Risk Management Policy, and where necessary in particular areas of service delivery.
- To publish, review and monitor Corporate and Directorate Risk Registers

**Accountabilities, Roles and Reporting Lines**

A framework will be implemented that will address the following issues:

- The different types of risk - strategic and operational
- Where they should be managed
- Corporate, Directorate and Divisional roles and accountabilities
- The need for a "driving force" within the Council
- Prompt reporting of accidents, losses etc

In many cases, Risk Management would follow existing service management arrangements - certainly operational risk is best managed in this way i.e. by the very people who manage service delivery.

Strategic risk is best managed at Management Team/Executive Board level. However, to enhance the linkages between operational and strategic risk, the Council will also establish a Corporate Risk Management Group that will be accountable to the Management Team and be the "driving force" behind developing and implementing the Risk Management Policy. A Senior Manager Resources Directorate will lead this.

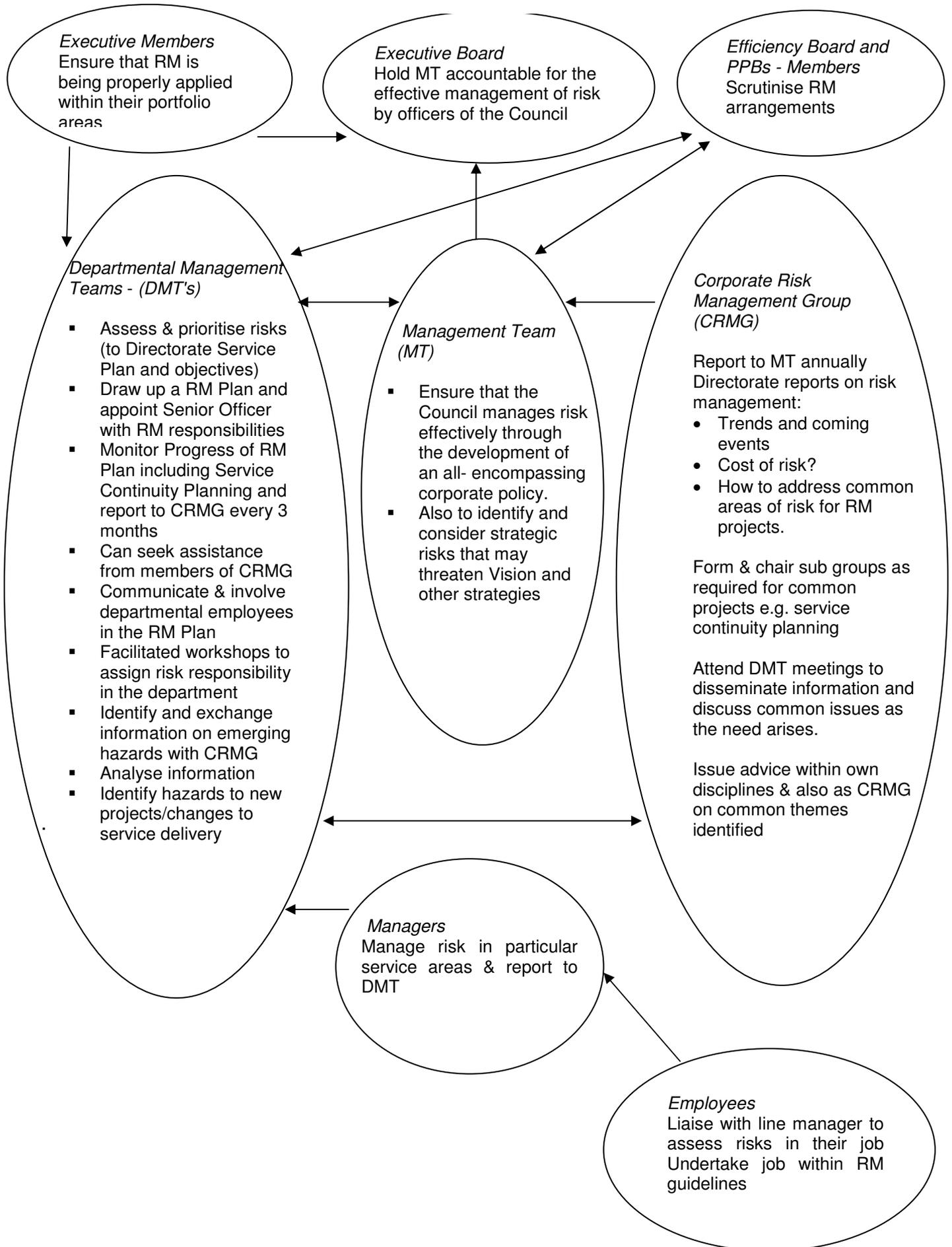
The Head of Risk and Emergency Planning will service the Corporate Group. However, each Executive Director will nominate an appropriate senior member of staff to undertake a Risk Management Liaison role, acting as a link between individual service managers, Directorate Management Teams and the Corporate Risk Management Group.

**Framework for Risk Management Reporting Lines**

Group	Role
Executive Board (Reporting <i>Annually</i> )	<ul style="list-style-type: none"> <li>• To formally approve the Council's Risk Management Policy</li> <li>• To oversee arrangements for risk management including seeking assurance from Executive Directors with regard to the application of risk management practices and procedures in their areas</li> <li>• To approve and review the Authority's Strategic and Corporate Risk Register</li> <li>• To participate in the identification of strategic risks through the corporate planning process</li> <li>• To be aware of and question the risk management implications of decisions made by the council</li> </ul>

Executive Board Members	<ul style="list-style-type: none"> <li>• Seek reassurance to satisfy themselves of the effective management of risk by officers of the Council for areas within their portfolio</li> <li>• Monitor performance of area within their portfolio in identifying and managing operational risks</li> <li>• To participate in the identification of departmental risks through the service planning process</li> <li>• To be aware of and question the risk management implications of decisions in their portfolio</li> </ul>
<p>Policy and Performance Boards</p> <p>Business Efficiency Board</p>	<ul style="list-style-type: none"> <li>• Challenge and review risk management arrangements and activities within their areas of responsibility</li> <li>• Receive risk management performance reports to ensure robust risk registers</li> </ul>
Corporate Management Team (Reporting <i>Annually</i> )	<ul style="list-style-type: none"> <li>• To ensure the Council manages risk effectively through the Risk Management Policy</li> <li>• To identify and manage the strategic risks affecting the Council</li> <li>• To provide the necessary leadership to implement the arrangements for managing risk</li> <li>• To gain an understanding of risk management and its benefits</li> <li>• Approving the Corporate Risk Management Policy</li> <li>• Promoting and monitoring the effectiveness of risk management activities</li> <li>• Agreeing any resources required to support the work corporately</li> <li>• Ensuring that the corporate risk management policy is co-ordinated with other corporate policies</li> <li>• Executive Directors to give personal declarations on Risk Management Assurance to the Executive Board regarding risk management compliance</li> </ul>
Corporate Risk Management Group (Reporting <i>Bi-annually</i> )	<p>To develop the Risk Management Policy and supporting framework,</p> <p>To report to Corporate Management Team (annually) and to Members (as required)</p> <p>To support the Council in the effective development, implementation and review of the risk management policy and share experiences on risk across the Council</p> <p>To monitor and review risk registers</p> <p>To identify area of overlapping risk</p> <p>To develop the annual risk management action plan</p> <p>To receive performance management information</p>
Departmental Management Teams	To ensure risk is managed effectively in each service area within the agreed policy and to report to the

(Reporting <i>Quarterly</i> )	Corporate Risk Management Group quarterly
Managers	To manage risk effectively in their particular service areas and report on how hazards, risks and opportunities have been managed to the Departmental Management Team.
Employees	To manage risk effectively in their job and report hazards/risks to their Service Managers. To undertake their job within Risk Management guidelines



### ***Skills and Expertise***

Having established roles and accountabilities for risk management, the Council must ensure that it has the skills and expertise necessary. It will achieve this by a **programme of risk management training** and learning opportunities that addresses the individual needs of staff - this programme will not be "one size fits all".

The programme (which has been integrated with the Council's Management Development Programme currently in development) will include relatively high-level risk appreciation seminars aimed at Members, Managers (including Strategic and Operational Directors), as well as more detailed courses focusing on best practice in risk management and on risks in specific areas, which might include:

- Inter agency (partnership) working (LSP)
- Making better decisions
- Improving the services that the public receive.

### ***Risks and the Decision Making Processes***

Risk needs to be addressed at the point at which decisions are being taken. Where Members and Officers are asked to make decisions they should be advised of the risks associated with recommendations being made. The training programme described in the preceding section will enable this to happen.

However, the Council needs to be able to demonstrate that it took reasonable steps to consider the risks involved in a decision. Decisions will be requested through reports to Management Team/Executive Board (depending on the nature of the decision and on the prevailing delegation scheme arrangements). Risks must be addressed within these reports either in the text of the report or by a note to the effect that a risk assessment has been carried out (e.g. the risk assessment could be listed as a background paper).

A balance needs to be struck between the efficiency of the decision making process and the need to address risk. Risk assessment is seen to be particularly valuable in options appraisal. Current reports for decisions are expected to address any appropriate options that have been considered. This would be an appropriate place at which to address the risks involved with those options. This doesn't guarantee that decisions will always be right but the important point is to demonstrate that the risks have been considered and to have evidence that will support this.

All matters in relation to which a Key Decision is requested should have been the subject of a risk assessment, which should be listed as a background paper to the report requesting the decision.

### ***Supporting Improvement***

Risk Management will be incorporated into the service planning process for all Departments with a risk assessment of all business aims and plans for achieving the Departments' key milestones and targets being undertaken as part of drawing up Service Plans. Risk control measures need to be included in Service Plans. Responsibility for monitoring risks should be clearly defined in Service Plans.

### ***Risk Management Assisting Project Management***

A consistent approach to identifying, assessing and controlling risk will be adopted and included in the Council's project management systems. This will be used in all major Council projects, including the development of Council Strategies. Risk assessments for major corporate projects will be presented to Corporate Management Team and the Corporate Management Group and included in the Strategic Risk Register. Other projects, which are significant from a departmental point of view, will also need risk assessments and will need to be included in the relevant Departmental Risk Register.

### ***Integrating Risk Management with Performance Management***

Risk Management will be integrated into the existing performance management system.

### ***Involvement of Elected Members***

Elected Members have a key contribution to make to the assessment of risks to the objectives of corporate strategies and should be included in assessment exercises. Reports to Executive Board should include a demonstration that risks have been addressed. An annual report to Executive Board will be made that will review existing risk management arrangements; identify key strategic risks and the way in which they will be managed.

### ***The Role of Internal Audit***

The strategic and directorate risk registers, and the significant risks indemnified therein, will be used by Internal audit to inform their audit programme. Internal Audit, in carrying out their audit programme, will provide an independent assessment of the robustness and effectiveness of the Council's Risk Management arrangements. However, managers will remain responsible for monitoring and managing specific risks and reliance should not be placed on Internal Audit to fulfil this role.

### ***The Role of the Risk Management Division***

The Risk Management Division will maintain the central risk register, and will provide specialist advice and support to the Council's Corporate Risk Management Group and to the Council's managers. As part of this role they will be a source of information on good practice and will assist in identifying and meeting training needs. They will continue to offer advice on how best operational risks can be minimised, and will continue to play a key role in the Council's Emergency Planning function.

### ***Toolkits, Procedures and Guidelines***

**A Risk Management Guide** has been issued and is available to all Departments as well as being placed on the Council's intranet. This will provide guidance on all aspects of risk management and will be a practical "toolkit" that will introduce a consistent methodology to be followed throughout the Council.

The Guide has been produced by the Divisional Manager Risk and Emergency Planning and issued through the Corporate Risk Management Group. It will be reviewed annually.

## ***Performance Management***

**A Performance management framework will be developed** to monitor the impact of risk management activities and the success of the Risk Management Policy itself. Individual indicators will be developed to measure achievement of the aims and objectives.

<b>Aim/Objective</b>	<b>Indicator</b>	<b>Comment</b>
Integration of RM into Culture of the Council and Raising Awareness of RM	<ul style="list-style-type: none"> <li>• Staff recognising their role and responsibility for RM in their area</li> <li>• Number of reports for decision that demonstrate risk assessment.</li> <li>• Responses to Audit and Inspection reports</li> </ul>	<ul style="list-style-type: none"> <li>• By surveys of staff (extension of existing surveys)</li> <li>• By audit of reports and documentary evidence of decisions</li> <li>• By audit of responses</li> </ul>
Enabling Change	<ul style="list-style-type: none"> <li>• Post event assessment of how we managed individual major changes</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
Minimisation of losses, injury and inconvenience	<ul style="list-style-type: none"> <li>• Number and length of disruptions to services</li> <li>• Levels of Fraud</li> <li>• Level of complaints, claims etc</li> <li>• Levels of Write-Offs</li> </ul>	<ul style="list-style-type: none"> <li>• Measure response and recovery performance as well as frequency</li> <li>• Informed by existing strategies and processes.</li> </ul>
Introduce Risk Management Framework (ALARM)	<ul style="list-style-type: none"> <li>• Feedback from staff</li> <li>• Compliance with standards contained in National Performance Model for R.M. in Public Services</li> </ul>	<ul style="list-style-type: none"> <li>• Did we do it?</li> <li>• Is it any good?</li> </ul>
Minimising Cost of Risk	<ul style="list-style-type: none"> <li>• Annual Insurance Premiums</li> <li>• Level of Reserves</li> <li>• Uninsured Losses</li> <li>• Management and Project Costs</li> </ul>	<ul style="list-style-type: none"> <li>• Will incorporate budget and capital project overspends, fraud, write offs, claims, premiums etc. plus any loss in external resources.</li> </ul>

### ***Making Others Aware of Risk Management***

The Council has long since seen the potential benefits and rewards from partnership working E.g LSP. It also recognises the risks involved. Whilst this risk can be managed by the Council through formal contracts and partnership agreements that clearly allocate risks to the appropriate parties e.g. a PFI arrangement, failure by either or anyone of those parties to manage their risks can have serious consequences for the other(s).

Before entering into partnership, joint working or business contract arrangements, the prospective partners and contractors should be asked to state their approach to Risk Management and to provide certain minimum evidence to support their response to integrate into existing procurement arrangements.

### ***Halton's Risk Management Arrangements***

The process for the identification, analysis and evaluation of strategic and operational risk is outlined in the Council's "Guide to the Management of Risk".

### ***Strategic Risks***

It is the joint-role of the Corporate Management Team and the Corporate Risk Management Group to identify, analyse, control and review strategic risks. These are the risks that need to be taken into account in judgements about the medium and long-term goals of the Council and its departments. They fall into the following categories:

- Infrastructure
- Politics and Law
- Social Factors
- Technology
- Competitive
- Customer/Citizen related factors
- Environmental

### ***Operational Risks***

It is part of the role of Departmental Management Teams to identify, analyse, control and review operational risks. These are risks that need to be taken into account in judgements about service delivery. They fall into the following categories:

- Finance
- Human Resources
- Contracts and Partnerships
- Tangible Assets
- Environmental
- Processes
- Professional Judgement and Activities

### ***Risk Management Action Plans***

An action plan has been prepared to ensure that this Policy is effectively implemented within the authority. This provides for the following actions to be taken:

- The presentation of the Risk Management Policy to Management Team and Executive Board for approval
- The continuance of a Corporate Risk Management Group
- Corporate Management Team to identify the Strategic Risks facing the authority and decide which of these are significant risks
- Corporate Risk Management Group to carry out full risk assessments for each of the significant strategic risks and to develop these into a Strategic Risk Register for each year for approval by the Corporate Management Team and Executive Board
- An training programme for the Council's Members and managers and the integration of risk management training into the Council's Management Training Programme
- The continued integration of Risk Management within the performance management framework and the Service Plan process
- The creation of Directorate Risk Registers
- A Toolkit to be provided for all Managers on the Council's intranet to complement the training programme.

**REPORT TO:** Business Efficiency Board

**DATE:** 10 March 2010

**REPORTING OFFICER:** Strategic Director – Corporate & Policy

**SUBJECT:** Counter Fraud Measures - 2009/10 update

**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to provide an update to the Board on the measures the Council has established to counter the risk of fraud.
- 1.2 Halton Borough Council has traditionally encountered low levels of fraud and corruption. However, it is important that the Council remains vigilant and maintains a robust anti-fraud and corruption culture. Consequently, this report sets out details of further proposed developments in this area.

**2.0 RECOMMENDATION: That the Business Efficiency Board is asked to note the update on the Council's counter fraud measures and endorse the further developments proposed.**

## **3.0 THE COUNCIL'S COUNTER FRAUD FRAMEWORK**

- 3.1 The Council has a well-established framework of policies, procedures and functions that collectively help to manage the risk of fraud and corruption. Key elements of this framework include:
- The Anti-Fraud and Anti-Corruption Strategy;
  - The Fraud Response Plan;
  - The Confidential Reporting Code (Whistleblowing Policy)
  - Standing Orders relating to Finance and Procurement;
  - The Scheme of Delegation;
  - The work of Internal Audit;
  - The work of the Benefits Investigation Unit;
  - Communication systems to raise awareness of the risk of fraud.
- 3.2 During 2009/10, a number of measures have been undertaken to further develop the Council's counter fraud measures. These include:
- The Council has completed a self-assessment of its counter fraud measures against CIPFA best practice as outlined in the publication 'Managing the Risk of Fraud'. An action plan has been

developed identifying any further actions that are considered appropriate.

- All internal audit reviews now assess the extent to which service managers have considered the risk of fraud in their area of activity and examine the measures established to minimise the risk of fraud;
- Internal audit has undertaken a specific counter fraud review examining pre-appointment vetting, the findings of which were reported to the Board at its last meeting;
- Fraud awareness training has been made available via an on-line training facility, to all employees and Members. To date 925 employees / Members have registered on the course, with 750 already completing the online training.

#### **4.0 BENEFITS INVESTIGATION UNIT**

4.1 Nationally, the biggest risk of fraud facing local authorities is considered to be in respect of claims for Housing Benefit and Council Tax Benefit. The Council's Benefits Investigation Unit (BIU) therefore has an important role to play in the Council's overall counter fraud arrangements.

4.2 During the year the BIU has continued to raise awareness of benefit fraud through a range of initiatives, which include:

- A poster campaign to advertise the Council's Fraud Hotline;
- Publicising prosecution outcomes to the local press;
- Delivering fraud awareness training to Registered Social Landlords and housing trusts, e.g. Halton Housing Trust, Liverpool Housing Trust and William Sutton Housing Trust;
- Engaging in joint working with the RSL to identify non residency and subletting fraud.

4.3 The BIU has also continued to work closely with the Department of Work and Pensions (DWP) Fraud Investigation Service and has successfully prosecuted 15 joint working cases together since April 2009.

4.4 During the period April to December 2009, the BIU received 559 referrals, of which 317 cases have been investigated and closed. These investigations have led to:

- 52 formal cautions being issued;
- 18 administrative penalties being issued;
- 42 cases referred to court / court summonses issued;
- 34 successful prosecutions;

- Fraudulent overpayments (including DWP overpayments) totaling over £500,000 being identified.

## 5.0 NATIONAL FRAUD INITIATIVE

5.1 The Council has recently participated in the Audit Commission's National Fraud Initiative (NFI), which takes place every two years. The exercise is designed to assist participating bodies to detect potential cases of fraud and erroneous payments and to correct any resulting under or overpayments from the public purse.

5.2 The datasets that are examined as part of NFI are:

- Payroll
- Pensions (provided by Pensions Authority)
- Trade creditors' payment history and standing data
- Housing Benefits (provided by DWP)
- Council Tax
- Electoral Register
- Students eligible for a loan (provided by Student Loan Company)
- Private supported care home residents
- Blue Badges/Concessionary Travel
- Insurance claimants
- Licences – market traders/operator, taxi driver and personal licences to supply alcohol

5.3 This is the first year that the Council has been required to submit Council tax and electoral roll data. The inclusion of these datasets is intended to help identify instances where individuals are fraudulently claiming the 25 per cent Single Person Discount (SPD) on their council tax bill. The output from NFI identified 586 cases where there was potential for SPD to have been claimed dishonestly. Investigations have resulted in action being taken on 122 cases, resulting in £27K awarded in SPD being reclaimed.

5.4 The full results of the Council's NFI investigations will be reported to the Board at a later date.

## 6.0 PLANNED FUTURE DEVELOPMENTS – 2010/11

6.1 Planned future developments to maintain and strengthen the Council's counter fraud arrangements include:

- The introduction of an annual report on Counter Fraud Measures to the Business Efficiency Board;

- Specific counter fraud reviews to be included in the Internal Audit Plan - 2010/11;
- Further awareness training to be delivered to employees that do not have access to intranet via workshop based training. The e-learning software will also be released to school-based staff and third parties/partners who work with Council;
- Continued adoption of best practice, e.g. CIPFA is bringing out a Fraud Risk Evaluation Diagnostic (FRED), which will form one of the sources of assurance for the Annual Governance Statement;
- The introduction of a Fraud Bulletin to be issued to employees to raise awareness of recent scams that organisations have fallen victim to;
- The risk of fraud and corruption to be considered for inclusion on the Council's Corporate Risk Register;
- In May 2010, the Audit Commission will publish its biennial report summarising the results of the National Fraud Initiative 2008-09. The report sets out how local authorities can learn from the last exercise. It is anticipated that this publication will help inform additional internal audit counter fraud work during 2010/11;
- The Anti-Fraud & Corruption Strategy will be reviewed in light of new Fraud legislation, the current economic climate and advances in technologies both for the perpetration of fraud and the detection of fraud. Any revisions to the Strategy will be presented to the Business Efficiency Board for approval.

## **7.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

- 7.1 There are no specific policy implications arising from this report. However, the Council Anti-Fraud and Corruption Strategy and Fraud Response Plan form part of the Council's Constitution.
- 7.2 There are no direct financial implications arising from this report. Further development of the Council's counter fraud arrangements will be met from within existing resources.

## **8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 8.1 The maintenance of an effective framework to minimise the risk of fraud and corruption contributes to the achievement of all the Council's priorities.

## **9.0 RISK ANALYSIS**

- 9.1 The Audit Commission has noted in its publication 'Auditing the Accounts 2008-09 (Local Authorities)' issued in December 2009 that challenges for 2009-10 include that 'The recession may also result in

increasing levels of fraud against local authorities. Economic distress can increase the incentive to commit fraud ...'

- 9.2 This report highlights specific actions that the Council has already taken to minimise the risk of fraud. However, failure to continue adopting effective counter fraud measures may result in the Council being susceptible to fraudulent activity.
- 9.3 Therefore to protect public funds and maximise available resources it is essential that the Council continues to maintain effective systems and processes to prevent and detect fraud and adopt a zero tolerance attitude.

#### **10.0 EQUALITY AND DIVERSITY ISSUES**

None identified.

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

None.

**REPORT TO:** Business Efficiency Board

**DATE:** 10 March 2010

**REPORTING OFFICER:** Strategic Director – Corporate & Policy

**SUBJECT:** Annual Grant Claims – Audit 2008/9

**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

1.1 The Council receives a significant amount of income from government grants and subsidies, some of which are subject to certification by the Audit Commission. This report sets out the findings from the Audit Commission's assessment of the control environment established by the Council to ensure that grant claims are properly supported by the required documentation.

**2.0 RECOMMENDATION: That the Business Efficiency Board is asked to note the report and endorse the actions agreed in the Action Plan at Appendix 2 of the attached report.**

## **3.0 SUPPORTING INFORMATION**

3.1 The Annual Grant Claims report (2008/9) is attached to this covering report.

## **4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

4.1 Audit testing of grant claims is carried out on a risk based approach. Any grant claims less than £100K are not certified by the Audit Commission. Claims between £100K and £500K are subject to a reduced level of testing. For claims above £500K, the control environment is assessed to establish the level of reliance that can be placed upon it and to determine an appropriate level of testing to be applied.

4.2 The Council's largest grant claim is the Housing Benefit and Council Tax Benefit Grant Claim. In 2008/9, this claim was in excess of £51.3M.

## **5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

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

## **6.0 RISK ANALYSIS**

6.1 Ineffective controls over the preparation of grant claims may result in payments due from government departments being suspended and also lead to increased audit fees.

**7.0 EQUALITY AND DIVERSITY ISSUES**

7.1 None identified.

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

None.

# Annual Grant Claims

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Halton Borough Council

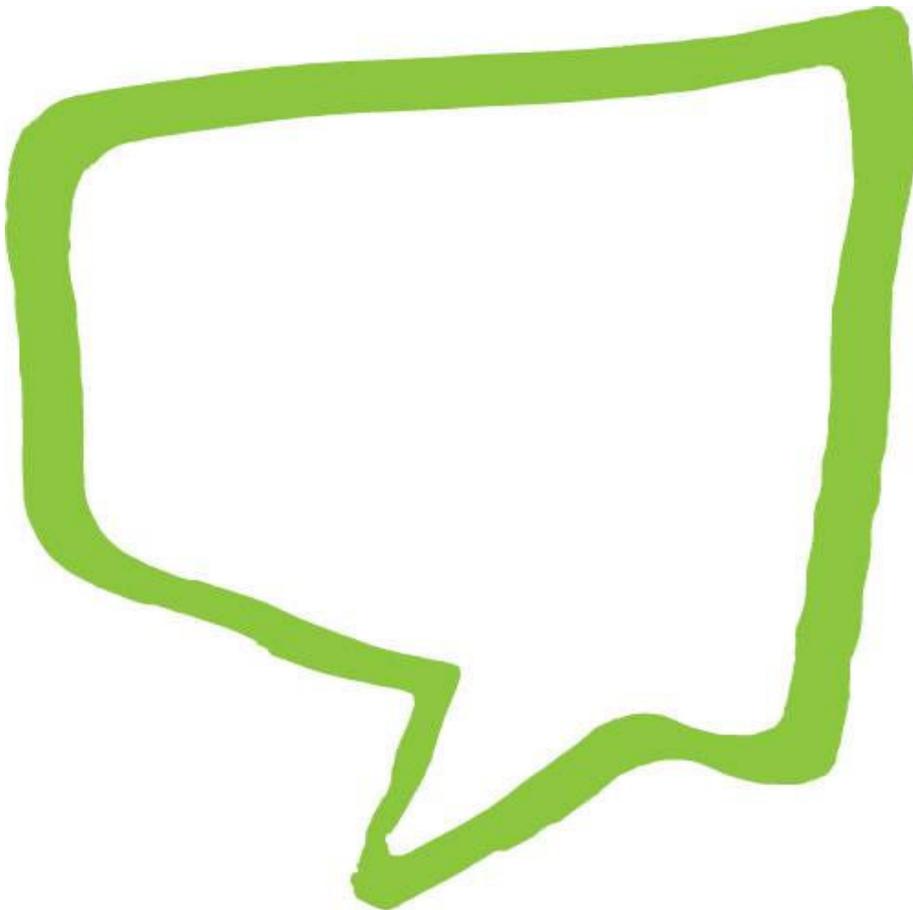
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Audit 2008/09

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January 2010

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## **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Summary report

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## Introduction

- 1 Halton Borough Council receives a significant amount of income from government grants and subsidies, some of which are subject to certification by the Audit Commission.
- 2 The introduction of the Local Area Agreement has meant that the number of claims requiring certification has continued to reduce. However, the certification of the remaining grant claims still requires a considerable amount of resources from the Audit Commission.
- 3 Efficient preparation of grant claims by the Council should ensure that:
  - claims are properly supported by the required documentation;
  - the potential suspension of payments from government departments is avoided;
  - problems are highlighted and resolved for future audits; and
  - reduction in audit fees is maximised under the Commission's certification arrangements

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## Background

- 4 The work that we are required to undertake in respect of each claim is specified in a Certification Instruction (CI), issued by the Audit Commission for each scheme.
- 5 We are required to carry out audit tests using a risk based approach, as specified in General Certification Instruction CI A01 (R3-09) . This means that any grant claim of below the de-minimis amount of £100k is not certified by the Commission and any claims received by us for less than £100k will be returned to the Council. Claims between the de-minimis amount and the current threshold amount of £500k are subjected to a reduced level of testing. For claims above £500k the control environment is assessed to establish the level of reliance we can take from it and an appropriate level of testing is then applied.
- 6 The assessment of the control environment includes the consideration of a number of factors before the level of testing is decided, for example:
  - the size and complexity of the claim and the relevance of each test to transactions at the Council;
  - the history of the claim at the Council and whether there have been any significant issues or concerns in the past;

- the quality of working papers produced by the Council to support entries on the claim; and
- the extent to which Internal Audit has been used to verify entries in the claim and the extent to which we can rely on that work.

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### Main conclusions

- 7** The standard of working paper files provided has improved for 2008/09 but there were some instances where a complete set of working papers were not provided at the time the claim was submitted for certification. There is a risk to the Council that grant-paying bodies will withhold funding if claims are not certified in accordance with the required deadlines. Incomplete and/or inadequate working papers supporting grant claims can lead to increased audit time being spent on certification
- 8** In total 13 claims (including Housing Benefit) were submitted for certification. From these three claims required amendment, six were qualified, and two were amended and qualified. Many of the amendments related to arithmetic errors and issues with the initial completion of the claim such as omitted figures. This situation could be improved by an effective independent review of the completed claims and supporting working papers prior to submission for certification.
- 9** Qualifications have arisen due to the failure of one or more of the CI tests and the Council should ensure that individual grant holders are aware of the requirements of the grant-paying bodies and that these are being met.
- 10** Five of the qualified grant claims related to ERDF projects and, due to the Council submitting further information to GONW which created a discrepancy with the certified claim, a re-audit was subsequently required by GONW. It is important that individual grant holders are aware that all claims submitted for certification should be the final version and should also reconcile to information submitted to the grant-paying bodies by the Council.
- 11** The audit of the Housing Benefit claim, the Council's most significant grant claim, was straightforward with only one very minor error identified.

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# Detailed report

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## Qualifications and amendments

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**Table 1 Summary of 2008/2009 Qualifications and amendments**

	2008/09
Number of individual claims certified	13
Number of amended claims	3
Percentage amended	23 per cent
Number of qualified claims	6
Percentage qualified	46 per cent
Number of amended and qualified claims	2
Percentage amended and qualified	15 per cent

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### Recommendations

- R1** Carry out an effective independent review of the completed claims and supporting working papers prior to submission for certification.
- R2** Ensure that individual grant holders are aware of the requirements of the grant-paying bodies and that these are being met.
- R3** Individual grant holders should only submit the final version of claims for certification and should also ensure the claim is consistent with other information submitted to the grant-paying bodies by the Council.
- 

### Claim Submission

- 12** Any delay in the submission of grant claims for certification, with supporting working papers, has the potential to delay the submission of the certified claim to the grant-paying body. In some cases this may carry a risk of payments being suspended and subsequent financial loss to the Council.

**Recommendation**

**R4** Ensure that all claims requiring certification are submitted with a complete and appropriate set of supporting working papers.

**Table 2 Submission record**

	2008/09
Number of claims submitted for certification	13
Number of claims submitted within the deadline	9
Per cent within deadline	69 per cent

**Working Papers**

**13** The Council has some arrangements in place to assist in the timely and accurate submission of grant claims and the number of claims submitted for certification on time has improved. However, there still remains a small proportion that are either submitted late or submitted without adequate and complete working papers..

**Housing benefits**

- 14** The Council receives a significant level of Housing Benefit Grant, in excess of £51.3m in 2008/09 and the certification of this claim is the most significant in terms of the resources required.
- 15** The audit of the claim was completed to the required timescale and was certified on 26 October 2009 well within the required 30 November deadline. We identified an error relating to uncashed cheques that required an amendment to the claim, this resulted in an additional £3,552 of subsidy due to the Council.
- 16** In our initial testing sample of 10 new claim cases and 10 change of circumstance cases for each benefit type we found one low value error relating to a change in circumstance case where the Council had not correctly applied the claimant's single person discount. In line with the CI requirements we selected for testing a further sub-population of 40 cases where there had been a change in circumstances relating to an increase to council tax benefit.. Within this additional sample there were only three cases of single person discount and our testing confirmed that single persons discount had been correctly applied in all three cases. Given the low value of the identified error and the low potential impact on the other cells in the claim the Council did not make an amendment to the claim for this.
- 17** Responses to audit queries and requests for additional information were both prompt and effective and the samples selected for testing contained minimal errors. Both of these factors helped ensure a straightforward and efficient audit of the 2008/09 HB claim.

# Appendix 1 - Summary of 2008/09 Amendments and Qualifications

CI Ref	Title of Claim	Reason for (A) amendment and/or (Q) qualification
BEN01	Housing and Council Tax Benefits	(A) Amendment to cell 007 (uncashed cheques) and various cells due to Council error. (Q) Qualification letter issued as the identified low value error on single person discount was not amended by the Council.
EUR02	ERDF50 - Halton and Vale Royal Priority 1 FEA ERDF50 - Halton and Vale Royal Priority 1 TRANS	(Q) Qualification letter issued. These claims were submitted for re-audit and the amended ERDF50s were not supported by amended ERDF60s or ERDF80s. The Council have informed GONW of this issue.
EUR02	ERDF50 - Halton and Vale Royal Priority 2 FEA ERDF50 - Halton and Vale Royal Priority 2 TRANS	(Q) Qualification letter issued. These claims were submitted for re-audit and the amended ERDF50s were not supported by amended ERDF60s or ERDF80s. The Council have informed GONW of this issue.
EUR02	ERDF50 - Halton and Vale Royal Priority 3 FEA	(Q) Qualification letter issued. This claim was submitted for re-audit and the amended ERDF50 was not supported by amended ERDF60 or ERDF80. The Council have informed GONW of this issue.
EYC02	Surestart - Early Years and Childcare	(Q) Qualification letter issued due to uncertainties over the existence and quality of asset registers relating to capital expenditure.
PEN05	Teacher Pensions Return	(A) Amendment due to arithmetic error. (Q) Qualification letter issued due to incorrect pension deductions relating to absence.

<b>CI Ref</b>	<b>Title of Claim</b>	<b>Reason for (A) amendment and/or (Q) qualification</b>
RG34	NWDA - Sustainable Travel	(A) Amendment to fully complete claim and correct arithmetic error.
RG34	NWDA - EDZ Widnes Waterfront	(A) Amendment due to various arithmetic errors and claim not being signed by Chief Financial Officer.
RG34	NWDA - 3MG	(A) Amendment due to claim not being signed by Chief Financial Officer

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## Appendix 2 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 Carry out an effective independent review of the completed claims and supporting working papers prior to submission for certification.	3	Chief Accountant	Yes	Procedures will be introduced as part of the new 'unified' finance function, for independent review by colleagues within each team	31 March 2010
5	R2 Ensure that individual grant holders are aware of the requirements of the grant-paying bodies and that these are being met.	3	Chief Accountant	Yes	Grant holders will be reminded of the need to ensure grant eligibility criteria are always met	31 January 2010
5	R3 Individual grant holders should only submit the final version of claims for certification and should also ensure the claim is consistent with other information submitted to the grant paying bodies by the Council.	3	Chief Accountant	Yes	As part of the new 'unified' finance function, procedures will be introduced to ensure only final versions are submitted and that the information is the same as submitted to the grant paying body	31 March 2010
6	R4 Ensure that all claims requiring certification are submitted with a complete and appropriate set of supporting working papers.	3	Chief Accountant	Yes	Procedures will be introduced as part of the new 'unified' finance structure to ensure that appropriate working papers are submitted for certification along with the claim.	31 March 2010

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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**REPORT TO:** Business Efficiency Board

**DATE:** 10 March 2010

**REPORTING OFFICER:** Strategic Director – Corporate & Policy

**SUBJECT:** Audit Commission – Audit Opinion Plan 2009/10

**WARD(S):** Borough-wide

### **1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to provide the Board with details of the work the Council's external auditors propose to carry out in relation to the audit of the Council's financial statements for 2009/10.

**2.0 RECOMMENDATION: That the Business Efficiency Board is asked to note the Audit Opinion Plan 2009/10.**

### **3.0 SUPPORTING INFORMATION**

3.1 The Audit Opinion Plan for 2009/10 is attached to this covering report.

### **4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

4.1 The Council's 2009/10 Statement of Accounts is prepared in accordance with the CIPFA Statement of Recommended Practice (SORP). The SORP sets out the proper accounting practices required for Statement of Accounts, by section 21(2) of the Local Government Act 2003 prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2003.

### **5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

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

### **6.0 RISK ANALYSIS**

6.1 The risks that have been considered as part of the opinion planning process are detailed in the attached report.

6.2 The report also highlights specific actions that the Council can take to reduce its audit fees. Failure to take these actions may require additional audit work to be undertaken which would be likely to increase the audit fee.

### **7.0 EQUALITY AND DIVERSITY ISSUES**

7.1 None identified.

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

None.

# Audit Opinion Plan

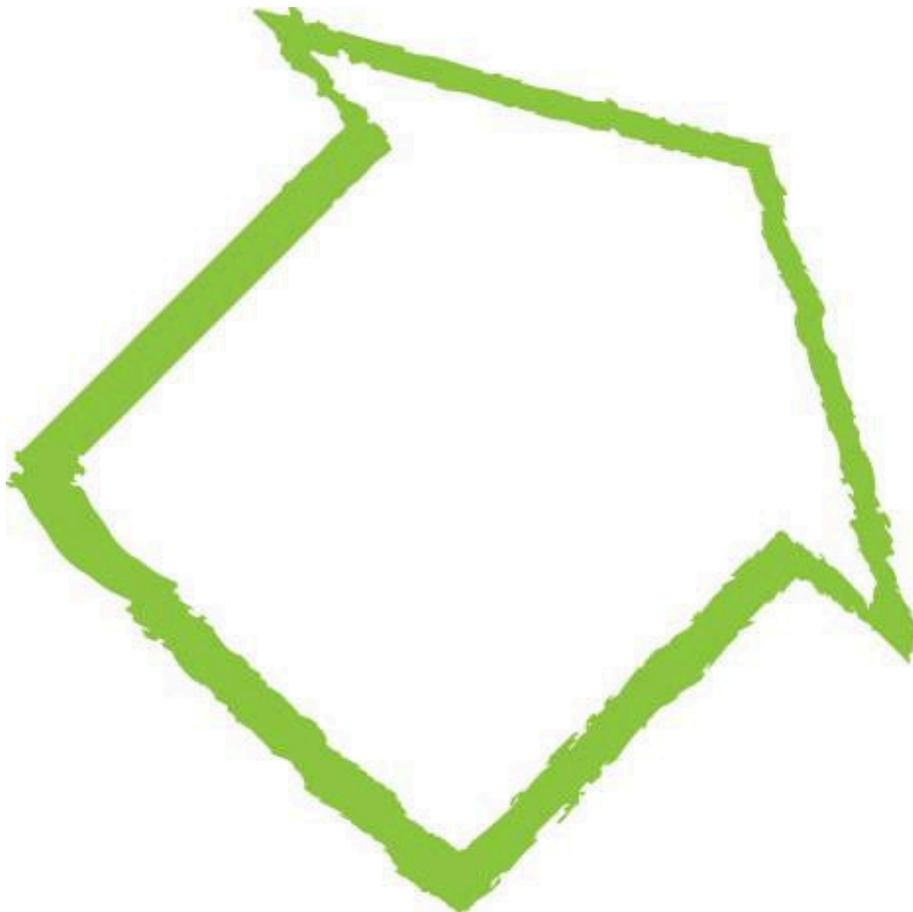
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Halton Borough Council

Audit 2009/10

February 2010



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Introduction

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- 1 This plan sets out the audit work we propose to carry out in relation to the audit of the 2009/10 financial statements for Halton Borough Council, and includes the audit of the Whole of Government Accounts submission.
- 2 We issued our initial audit fees letter for 2009/10 on 27 April 2009 and presented it to the Business Efficiency Board on 3 June 2009. The letter set out the work that we proposed to undertake in order to satisfy our responsibilities under the Audit Commission's Code of Audit Practice, a copy is included as Appendix 1.
- 3 We are required by professional auditing standards to specify the detailed risks that we need to consider as part of our opinion planning work. As the initial audit plan was produced at the start of the financial year for fee purposes, it was not possible to specify these risks. We are now in a position to do this as the opinion work is about to commence. We are required to:
  - identify the risk of material misstatements in your accounts;
  - plan audit procedures to address these risks; and
  - ensure that the audit complies with all relevant auditing standards.
- 4 We have therefore set out below our approach to identifying opinion audit risks and have considered the specific risks that are appropriate to the current opinion audit.
- 5 The audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and the information and fees in this plan will be kept under review and updated as necessary.

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# Responsibilities

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- 6 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 7 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end, and our audit work is undertaken in the context of these responsibilities.
- 8 We comply with the statutory requirements governing our audit work, in particular:
  - the Audit Commission Act 1998; and
  - the Code of Audit Practice.
- 9 The Council's 2009/10 Statement of Accounts (the Abstract) is prepared in accordance with the CIPFA Statement of Recommended Practice (SORP) 2009. The SORP sets out the proper accounting practices required for Statement of Accounts, by section 21(2) of the Local Government Act 2003 prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2003.

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# Fee for the audit of financial statements

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- 10** The indicative fee for the audit of the 2009/10 financial statements and the value for money conclusion is £239,408. The Audit Commission scale fee for a Council of your size is £256,860. The fee proposed for 2009/10 is 6.8 per cent below the scale fee and is within the normal level of variation specified by the Commission. The scale fee represents the Audit Commission's estimate of the fee required to complete an audit where:
- there are no significant audit risks;
  - the audited body has in place a sound control environment; and
  - the auditor is provided with complete and materially accurate financial statements;
    - with supporting working papers; and
    - within agreed timeframes.
- 11** A copy of our 2009/10 fees letter is attached at Appendix 1. The basis for the fee is explained in more detail in Appendix 2.
- 12** In setting the fee, we have assumed that the level of risk in relation to the audit of the accounts is slightly higher than for 2008/09.
- 13** If that level of risk increases further as we progress the 2009/10 audit I will be required to undertake additional work and this is likely to result in an increased audit fee. Where this is the case, we will discuss this in the first instance with the Operational Director - Financial Services and we will issue supplements to the plan to record any revisions to the risk and the impact on the fee.
- 14** In our original audit plan, the fee for the opinion on the statement of accounts was based on our best estimate at the time and agreed at £174,767 and £2,394 for the audit opinion on the Council's Whole of Government Accounts submission. Having considered the risks we remain satisfied that the original estimate was entirely appropriate and no adjustment is therefore required to the fee at this stage.

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## Specific actions the Council could take to reduce its audit fees

- 15** The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, we will work with staff to identify any specific actions that the Council could take and to provide ongoing audit support.

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# Auditors report on the financial statements

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- 16 I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 17 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2010.

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## Identifying opinion audit risks

- 18 As part of our audit risk identification process, we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:
- identifying the business risks facing the Council, including assessing your own risk management arrangements;
  - considering the financial performance of the Council;
  - assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
  - assessing the risk of material misstatement arising from the activities and controls within the Council's information systems (information system risks).

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## Information system risks

- 19 To comply with ISA (UK&I) 315 we need to assess the risk of material misstatement arising from the activities and controls within the Council's information systems. To be able to assess these risks we need to identify and understand the material systems and document that understanding. Material systems are those which produce material figures in the annual financial statements. We have identified that the Council has ten material systems. For these systems we need to demonstrate our understanding by documenting the following.
- How transactions are initiated, recorded, processed and reported in the financial statements.
  - The accounting records relevant to the transactions.
  - How the Council identifies and captures events and conditions which are material to the financial statements eg depreciation.
  - The financial reporting process used to prepare the financial statements.

## Assertions

- 20** When considering the risk of material misstatement we consider what the Operational Director - Financial Services is stating when he signs the financial statements. An audited body's management is responsible for the preparation and presentation of financial statements which give a true and fair view of the nature and activity of the Council for the period. In doing so, management is making statements regarding the recognition, measurement, presentation and disclosures of various elements of the financial statements and related disclosures.
- 21** These representations from management are referred to as assertions about financial statements in ISA (UK&I) 500. The ISA states that we have to ascertain that the financial statements are free from material misstatement at the assertion level. The ISA splits out the assertions and considers their applicability in respect of:
- Income and expenditure account items;
  - Balance Sheet items; and
  - Disclosures and presentational elements of the financial statements.
- 22** Table 1 below details the relevant assertions for these three categorisations, showing which assertions we need to consider by area of the financial statements.

**Table 1      Assertions**

We are required to test whether the financial statements are free from material misstatement at the assertion level

Assertion	What does it mean?	Income and expenditure	Balance sheet	Disclosure
Accuracy	Is it recorded at the right amount and are the details right? Has it been coded correctly?	√		√
Classification	Is it in the right place, under the right heading in the accounts?	√		√
Completeness	Is everything that should be in the statements all there?	√	√	√
Cut-off	Is it in the right year?	√		
Existence	Does the asset or liability exist and is it still owing at the end of the year?		√	
Occurrence	Has it happened and does it relate to the Council?	√		√

Assertion	What does it mean?	Income and expenditure	Balance sheet	Disclosure
Rights and obligations	Does it belong to the Council? Is the Council entitled to use it?		√	√
Valuation and allocation	Is it included at an appropriate amount and properly recorded in the right place?		√	√

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- 23** In considering the risk of material misstatement we are required to report all errors that are not clearly trivial. Our threshold for reporting to you is £70k. We are also required to consider the cumulative effect of errors.

# Identification of specific risks

24 We have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

**Table 2 Specific risks**  
Specific opinion risks identified

Risk area	Assertions	Audit response
<b>Risks relevant to all councils</b>		
SORP 2009 requires changes in how the Council will account for local taxation. Risk that the new requirements are incorrectly applied resulting in a material error in the accounts.	Valuation and allocation	Ongoing discussions with chief officers to assess the impact of the change. Accounting treatment followed will be reviewed to ensure that it meets the requirements of SORP 2009.
General market conditions are a trigger event for an impairment review. Impairment could be significant compared to previous years. Risk that the carrying value of assets are materially misstated at the year end.	Valuation and allocation	Movement of Council asset values recognised in the accounts to be compared against general market information provided by independent chartered surveyors.
Current economic conditions suggest that an increase in the Bad Debt Provision (BDP) may be required. Risk that provision may be understated.	Valuation and allocation	Aged debtor and debt recovery analysis reviewed to support reasonableness of bad debt provision calculation.
Increased risk of fraudulent financial reporting due to current economic environment and increased financial pressures.	All	Discussions with senior Council officers regarding controls that mitigate the risk of fraud. Letters of assurance to be obtained from management and those charged with governance (TCWG). Monitoring of the Council's reported financial performance.

Risk area	Assertions	Audit response
		<p>Completion of a fraud risk assessment.</p> <p>Review of the Letter of Representation.</p>
<p>The Council is reviewing a number of accounting areas as part of the transition to IFRS work. There is a risk that detailed review of accounting entries may identify errors under UKGAAP.</p>	All	Ongoing discussions with finance officers regarding progress in the transition to IFRS.
<p>Housing benefits expenditure and grant income are material entries in the accounts. Our deadline to complete the certification of the housing benefits subsidy claim is after our opinion deadline on the accounts.</p>	All	<p>We will agree amounts in the housing benefits system to the general ledger at the year end.</p> <p>We will complete sufficient work on the housing benefit subsidy claim to demonstrate that the claim is not materially misstated.</p>
<b>Risks specific to Halton BC</b>		
<p>Impact of the organisational restructure and the loss of corporate knowledge increases the risk of error and/or delay in producing the 2009/10 accounts.</p>	All	<p>Ongoing discussions with finance officers on the 2009/10 accounts closedown process, including early discussion of technical issues and working paper requirements.</p>
<p>A number of staff will leave the Council through redundancy or early retirement before the end of March 2010. Risk that these costs may be accounted for incorrectly.</p>	All	Review a sample of payments to ensure correctly recorded within the 2009/10 accounts.
<p>The Council has a number of equal pay claims and job evaluation claims in progress. Risk that these may be incorrectly recorded in the accounts.</p>	All	Review a sample of claims to ensure correctly treated as either creditor payments, provisions or contingent liabilities.

## Identification of specific risks

Risk area	Assertions	Audit response
Previous years audits have identified revenue expenditure incorrectly classified as capital expenditure. Risk continues into 2009/10.	Accuracy and classification	Test a sample of capital expenditure to ensure correctly classified - relying where we can on testing carried out by Internal Audit.
Mersey Gateway development costs continue to be significant. Risk that the 2009/19 accounting treatment may not be in line with the required financial reporting standards.	Accuracy and classification	Test a sample of Mersey Gateway costs to ensure they have been correctly reflected in the accounts.
Last year's audit identified a material error in the Council's accounts relating to the existence of building assets, this was subsequently corrected via a prior period adjustment. This risk continues into 2009/10.	Completeness, existence and valuation and allocation	Verify a sample of assets to deeds/rights of ownership.
The financial instruments note last year required significant amendment. Risk of incorrect disclosure in 2009/10.	All	Review financial instruments disclosure note and test entries to supporting working papers/underlying evidence.
The 2008/09 audit identified errors in the related party transactions note. Risk of non-disclosure of politically sensitive items in the accounts approved by members in June 2010.	Completeness	Review related party transactions note against previous year, known changes in year and general ledger.  Other audit procedures will be made to ensure that all disclosures have been made, for example Companies House searches and following up NFI matches.

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# Testing strategy

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- 25 On the basis of risks identified above we will produce a testing strategy which will consist of testing key controls and substantive tests of transaction streams and material account balances at year end.
- 26 Our testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).
- 27 Wherever possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit. We have identified the following areas where substantive testing could be carried out early.
- Review of accounting policies.
  - Bank reconciliation.
  - Year end feeder system reconciliations.
  - Investments.
  - Loans.
  - Fixed assets - confirmation of ownership and existence.
  - Annual Governance Statement.

Where other early testing is identified as being possible, this will be discussed with officers.

- 28 Wherever possible, we seek to rely on the work of Internal Audit to help meet our responsibilities. For 2009/10, we expect to be able to use the results of the following pieces of work.
- Debtors.
  - Housing Benefits.
  - Creditors.
  - Payroll.
  - Fixed Assets.
  - Testing of journals within the main accounting system.

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# Key milestones and deadlines

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- 29** The Council is required to prepare the financial statements by 30 June 2010. We are required to complete our audit and issue our opinion by 30 September 2010. The key stages in the process of producing and auditing the financial statements are shown in Table 3.
- 30** We will agree with you a schedule of working papers required to support the entries in the financial statements.
- 31** Every week during the audit of the financial statements (July to September), we will meet with the key contact and review the status of all queries. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

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**Table 3 Proposed timetable**

<b>Task</b>	<b>Deadline</b>
Control and early substantive testing	February/March 2010
Receipt of accounts	30 June 2010
Forwarding audit working papers to the auditor	1 July 2010
Start of detailed testing	1 July 2010
Progress meetings	Weekly
Present report to those charged with governance at the Audit committee	By 30 September 2010
Issue opinion	By 30 September 2010

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# The audit team

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32 The key members of the audit team for the 2009/10 audit are shown in the table below.

**Table 4      Audit team**

Name	Contact details	Responsibilities
Mike Thomas District Auditor	<a href="mailto:m-thomas@audit-commission.gov.uk">m-thomas@audit-commission.gov.uk</a> 0844 798 7043	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Colette Williams Audit Manager	<a href="mailto:c-williams@audit-commission.gov.uk">c-williams@audit-commission.gov.uk</a> 0844 798 3572	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.

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## Independence and objectivity

- 33 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which we are required by auditing and ethical standards to communicate to you.
- 34 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 2.

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## Meetings

- 35 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 3.

## The audit team

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### Quality of service

- 36** We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Terry Cater, our sub-regional Head of Operations.
- 37** If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet 'Something to Complain About' which is available from the Commission's website or on request.

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### Planned outputs

- 38** Reports will be discussed and agreed with the appropriate officers before being issued to the Business Efficiency Board.

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**Table 5**      **Planned outputs**

<b>Planned output</b>	<b>Indicative date</b>
Opinion audit plan	29 January 2010
Annual governance report	17 September 2010
Auditor's report giving an opinion on the financial statements	30 September 2010
Opinion report	29 October 2010

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# Appendix 1 – Fees letter

27 April 2009

Bill Dodd  
Operational Director Financial Services  
Halton Borough Council  
Municipal Building  
Kingsway  
Widnes  
Cheshire WA8 7QF

Dear Bill

Audit fee letter 2009/10

Further to our discussions I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Halton Borough Council. The audit work and fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Peter Forrester, your Comprehensive Area Assessment Lead, has written to you separately with the proposed inspection fees.

As I have not yet completed my audit for 2008/09 the audit planning process for 2009/10, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Halton BC is £256,860. I am proposing a total indicative fee for the 2009/10 audit of £239,408 (exclusive of VAT) which is 6.8 per cent below the scale fee. This also compares to the planned fee of £222,554 for 2008/09. A summary of this is shown in the table below.

## Audit fee

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements	174,767	147,146
Use of Resources/VFM Conclusion	62,247	72,579
WGA	2,394	2,829

## Appendix 1 – Fees letter

Audit area	Planned fee 2009/10	Planned fee 2008/09
Total audit fee	239,408	222,554
Certification of claims and returns	78,000	70,000

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is slightly higher than that identified in 2008/09, mainly as a result of:

- continued pressure to achieve financial balance;
- changes to the SORP and the need to comply with these;
- issues around the categorisation of expenditure between capital and revenue;
- new funding and accountability arrangements for the Adults with Learning Disabilities pooled budget; and
- planning for the implementation of IFRS and the potential impact on this on capacity within the finance team.

A separate plan for the audit of the financial statements will be issued in December 2009. This will detail the risks identified, planned audit procedures and any changes in fee. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Operational Director Financial Services and then prepare a report outlining the reasons why the fee needs to change for discussion with the Business Efficiency Board (the Council's audit committee).

My use of resources assessments will be based upon the evidence from three themes.

- Managing finances.
- Governing the business.
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. However, I have identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table overleaf.

Risk	Planned work	Timing of work
The Council will need to continue to progress some challenging and high cost projects, including the Mersey Gateway (MG) and Building Schools for the Future (BSF), during the current economic climate.	PFI specialist to review progress on the MG and BSF schemes, particularly affordability and vfm.	January – March 2010
The Council will need to deliver significant planned efficiency savings in 2009/10 whilst at the same time dealing with the impact of the economic downturn.	Carry out a review of the Council's progress against its efficiency targets as part of the 2009/10 Use of Resources assessment.	December 2009 – March 2010
The workforce element of the Use of Resources review will be applied for the first time in 2009/10.	Carry out a review of workforce arrangements as part of the 2009/10 Use of Resources assessment.	December 2009 – March 2010
Our 2007/08 use of resources work identified weaknesses in the Council's asset management arrangements.	Review progress in strengthening asset management arrangements as part of the 2009/10 Use of Resources assessment.	December 2009 – March 2010

The proposed fee for the certification of grant claims and returns has increased slightly for 2009/10. This is because of the unexpected increase in ERDF grant claims requiring audit in 2007/08. The proposed fee will be revisited once the 2008/09 audit of grant claims and returns is complete.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

**Appendix 1 – Fees letter**

The key members of the audit team for 2009/10 are:

Audit Manager – Colette Williams      0844 798 3572

Team Leader –      Judith Smith   0844 798 3596

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact the Northern Region Head of Operations, Terry Carter at [t-carter@audit-commission.gov.uk](mailto:t-carter@audit-commission.gov.uk).

Yours sincerely

Mike Thomas  
District Auditor

cc     David Parr, Chief Executive  
       Ian Leivesley, Strategic Director Corporate and Policy  
       Councillor Leadbetter, Chair of the Business Efficiency Board

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# Appendix 2 – Basis for fee

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- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment process starts with the identification of the significant financial and operational risks applying to the Council with reference to:
  - our cumulative knowledge of the Council;
  - planning guidance issued by the Audit Commission;
  - the specific results of previous and ongoing audit work;
  - interviews with Council officers; and
  - liaison with Internal Audit.

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## Assumptions

- 3 The level of risk in relation to the audit of the 2009/10 financial statements is slightly higher than that identified for 2008/09. In setting the fee, I have assumed that:
  - you will inform us of significant developments impacting on the audit;
  - Internal Audit meets the appropriate professional standards;
  - good quality working papers and records will be provided to support the financial statements by 1 July;
  - requested information will be provided within agreed timescales;
  - prompt responses will be provided to draft reports; and
  - additional work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

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# Appendix 3 – Independence and objectivity

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- 1 Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:
  - discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
  - confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised
- 4 The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Business Efficiency Board. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 5 The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

- 6 The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
  - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
  - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
  - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- 7 The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

# Appendix 4 – Working together

## Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 Our proposal for the meetings is as follows.

**Table 6 Proposed meetings with officers**

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive, Strategic Director Corporate and Policy, Operational Directors: Policy & Performance and Financial Services	CAAL, DA and AM	January, April, June and September	Quarterly liaison meetings to provide an update on issues.
Strategic Director Corporate and Policy and Operational Director Financial Services	DA and AM	March, July and September	General update on current issues including: <ul style="list-style-type: none"> <li>• Audit Plan;</li> <li>• Annual Governance Report; and</li> <li>• Annual Audit Letter.</li> </ul>
Chief Accountant	AM and Team Leader (TL)	Bi-monthly	Update on audit and accounting issues.
Business Efficiency Board	DA and AM, with TL as appropriate	As determined by the Committee	Formal reporting of: <ul style="list-style-type: none"> <li>• Audit Plan;</li> <li>• Annual Governance Report; and</li> <li>• other issues as appropriate</li> </ul>

## Sustainability

- 3 The Audit Commission is committed to promoting sustainability in our working practices and we will actively consider opportunities to reduce our impact on the environment. This will include:
  - reducing paper flow by encouraging you to submit documentation and working papers electronically;
  - use of video and telephone conferencing for meetings as appropriate; and
  - reducing travel.

---

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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For further information on the work of the Commission please contact:

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[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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**REPORT TO:** Business Efficiency Board

**DATE:** 10 March 2010

**REPORTING OFFICER:** Operational Director – Financial Services

**SUBJECT:** Internal Audit Plan for 2010/11

**WARDS:** Borough-wide

### **1.0 PURPOSE OF THE REPORT**

- 1.1 This report provides details of the proposed Internal Audit Plan for 2010/11. The Audit Plan outlines the likely programme of work to be completed by Internal Audit during the year.
- 1.2 The Code of Practice for Internal Audit in Local Government requires that the annual Audit Plan is considered and approved by the Council's Audit Committee.

**2.0 RECOMMENDATION: That the Business Efficiency Board is recommended to approve the proposed Internal Audit Plan for 2010/11.**

### **3.0 SUPPORTING INFORMATION**

- 3.1 In order to comply with best professional practice, Internal Audit is required to produce a programme of work (the Audit Plan) which outlines the likely areas of activity for the coming year.
- 3.2 The Audit Plan should be designed to provide sufficient coverage across the organisation to enable Internal Audit to deliver an overall opinion on the Council's risk management, control and governance arrangements. The work of Internal Audit therefore assists the Operational Director – Financial Services in discharging his statutory responsibilities as s151 officer in terms of ensuring the proper administration of the Council's financial affairs.
- 3.3 The work undertaken by Internal Audit also provides one of the key sources of assurance to the Chief Executive and Leader of the Council who are jointly required to sign the Annual Governance Statement (AGS). The purpose of the AGS is to declare the extent to which the Council complies with the principles of good governance.
- 3.4 The Council's Internal Audit Strategy was approved by the Business Efficiency Board in February 2009. The 2010/11 plan has been developed in accordance with that strategy.

- 3.5 The draft 2010/11 Internal Audit Plan is attached at Appendix A. This document provides a summary of how the Council's internal audit resources are to be utilised during the year.
- 3.6 The implementation of phase one of the Council's Efficiency Programme should not have a material impact on the coverage provided by Internal Audit. For information, the key developments affecting Internal Audit are:
- The number of operational audit staff has reduced to 7.52 FTEs from 9.0 FTEs. However, the posts that have been deleted have been vacant for over 12 months. Therefore, the total number of audit days to be delivered in 2010/11 is broadly consistent with that planned in 2009/10.
  - A new post of Divisional Manager – Audit & Operational Finance will assume responsibility for managing the internal audit service.
- 3.7 Appendix B to this report set out how the Council's arrangements for providing its internal audit service comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK.
- 3.8 As internal audit resources are not sufficient to provide assurance over all areas of Council activity, a risk-based approach is adopted to prioritise coverage. In compiling the programme of work for 2010/11, account has therefore been taken of:
- The need to provide a robust annual opinion on the Council's risk management, control and governance arrangements;
  - The need to comply with CIPFA guidance;
  - The results of consultation with Strategic Directors and the s151 officer;
  - A review of the Council's corporate and directorate risk registers;
  - Changes in the operating environment of the Council, in particular, the changes arising from the Efficiency Programme;
  - Internal Audit's cumulative knowledge of the Council; and
  - The results of previous internal audit work.
- 3.9 The Council's external auditors have also been consulted as part of the planning process to minimise any potential for duplication and to maximise the benefit the Council receives from the total audit resource.
- 3.10 The Audit Plan will be kept under review throughout the year and quarterly progress reports will be provided to the Business Efficiency Board. Changes to planned work may be necessary to reflect the Council's changing risks and priorities. Minor amendments to planned work will be agreed with the Operational Director – Financial Services. Any significant matters that jeopardise completion of the plan or require substantial changes to it will be reported to members.

#### **4.0 POLICY IMPLICATIONS**

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

#### **5.0 OTHER IMPLICATIONS**

5.1 The Council is required to 'maintain an adequate and effective system of internal audit' under Regulation 6 of the Accounts and Audit Regulations 2006. This responsibility is delegated to the Operational Director – Financial Services.

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

#### **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 CIPFA defines Internal Audit as being 'an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives'.

6.2 Internal Audit therefore supports the Council in achieving all the aims and objectives set out in the Sustainable Community Strategy and the Corporate Plan.

#### **7.0 RISK ANALYSIS**

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

#### **8.0 EQUALITY AND DIVERSITY ISSUES**

None

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

CIPFA Code of Practice for Internal Audit in Local Government in the UK  
- 2006



**APPENDIX A**

**INTERNAL AUDIT PLAN**

**2010/11**

## 1. Purpose of the Audit Plan

1.1 This plan summarises the results of Internal Audit's planning work. It sets out details of:

- The responsibilities and scope of Internal Audit;
- Internal Audit's reporting arrangements;
- The proposed programme of work for 2010/11 (the Audit Plan).

## 2. Internal Audit – Responsibilities & Scope

### Responsibilities

2.1 Internal Audit is an appraisal function within an organisation.

2.2 The internal audit function is responsible for:

- a) Providing assurance to management that:
  - Internal control systems (including risk management and governance arrangements) are adequate and functioning efficiently and effectively;
  - The policies and procedures established by management are complied with, are appropriate in current circumstances, and are not wasteful;
  - The accounting records, and associated financial systems, form a reliable basis for the production of the financial statements.
- b) Drawing the attention of management to, and recommending remedial action to address:
  - Deficiencies in the systems of internal control; and
  - Instances of duplicated functions, wastage and inefficiency.
- c) Providing advice on audit related matters, including suspected fraud or corruption.
- d) Providing advice on risk and control issues in regard to systems development.
- e) Providing assurance to the Council's s151 officer on the Council's system of internal control in support of the Council's Annual Governance Statement.

**Scope**

- 2.3 The scope of the internal audit function includes:
- The whole internal control system of the Council including all its operations, resources, services and responsibilities for other bodies; and
  - Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an interest.
- 2.4 The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by Internal Audit can reduce risk and lead to systems of control being considered adequate. However, the implementation of audit recommendations cannot eliminate risk altogether.
- 2.5 Whilst it is not the role or responsibility of Internal Audit to detect fraud, the risk of fraud will be considered in each audit assignment.

### 3. Reporting arrangements

3.1 At the conclusion of each individual audit assignment, a Draft Report is issued to the appropriate manager within the Council. Once the report has been agreed, a Final Report is then issued to:

- The Chief Executive;
- The Strategic Director – Resources;
- The Operational Director – Finance (s151 officer);
- The Strategic Director responsible for the area reviewed;
- The Operational Director responsible for the area reviewed;
- Audit Commission.

3.2 In each audit report, an overall opinion will be provided on the area audited. The opinion is based on an assessment of the effectiveness of the control environment in the area audited and the likelihood of objectives being met. The scale of opinions is set out in the following table:

Opinion type	Assurance Level	Description
Positive	Substantial	A robust framework of controls ensures objectives are likely to be achieved. Controls are applied continuously or with minor lapses.
	Adequate	There is basically a sound system of controls for objectives to be achieved. However, there are weaknesses and evidence of non-compliance or ineffective controls.
Negative	Limited	A risk of objectives not being achieved due to the absence of key internal controls. Where controls do exist, there is significant non-compliance.

3.3 On a quarterly basis, Internal Audit produces a Progress Report for the Business Efficiency Board detailing the key issues arising from audit work and progress made against the Audit Plan.

3.4 An Annual Report is presented to the Business Efficiency Board to provide assurance or otherwise on the effectiveness of the internal control framework of the Council.

#### 4. Internal Audit Plan - 2010/11

- 4.1 The Audit Plan is stated in terms of the number of days input which is estimated as accurately as possible based on existing staff numbers. However, the resources available and the exact time required for each piece of audit work cannot be estimated precisely at this stage. The plan therefore represents the best estimate of the audit resources available and the ways in which they will be deployed.
- 4.2 The analysis below summarises the planned coverage for 2010/11.

<b><u>Analysis of Planned Audit Time</u></b>	<b><u>Days</u></b>
<b><u>Corporate work</u></b>	
Corporate & strategic issues	55
Governance arrangements	50
Anti-fraud and corruption	63
<b><u>Transactional Support Services</u></b>	
Financial systems	160
Procurement & contract management	135
Human Resources	15
IT and Administration	100
<b><u>Non-Transactional Support Services</u></b>	
	65
<b><u>Directorate work</u></b>	
Adults & Community	162
Children & Young People (including schools)	291
Environment & Economy	100
Resources	40
<b><u>Other work</u></b>	
Fee earning work	72
Advisory work	43
<b><u>Provision - completion of 2009/10 audits</u></b>	
	50
<b><u>Follow up of previous audit recommendations</u></b>	
	25
<b><u>Contingency</u></b>	
	21
<b>Total Planned Audit Days</b>	<b>1447</b>

- 4.3 The following pages provide a more detailed breakdown of the specific work that will be carried out under each area of audit activity. Detailed terms of reference for each piece of work will be agreed with the appropriate manager(s) prior to the audit commencing.

## **A Corporate work**

### Corporate & strategic issues

Reviews are planned of the following areas:

- Carbon management
- Widnes Waterfront scheme
- Building Schools for the Future

### Governance arrangements

Planned work comprises:

- Review of the Council's governance controls (to provide assurance for the Annual Governance Statement)
- Input to the annual review of the Council Constitution
- Reporting to the Council's Audit Committee (Business Efficiency Board)
- Maintenance of the Council's Scheme of Delegation

### Anti-Fraud & Corruption

Internal Audit has a pro-active programme of counter fraud work. This work is undertaken to help ensure that the Council has adequate arrangements to highlight potential instances of fraud and corruption, and to maintain a strong counter fraud culture.

Planned anti-fraud and corruption work for 2010/11 includes:

- Participation in the National Fraud Initiative 2010
- Participation in the Greater Manchester Anti-Fraud Group
- Anti-Fraud and Corruption awareness initiatives
- Targeted anti-fraud and corruption data mining

## **B Transactional Support Services**

### Financial systems

Whilst Internal Audit has adopted a risk-based approach to prioritising audit coverage, there are areas of work where work is required on an annual basis. One such area is the Council's main financial systems.

As part of Internal Audit's joint working agreement with the Audit Commission, annual reviews are undertaken on all the systems that compile material disclosures for the Council's financial statements.

Internal Audit will therefore carry out 'key control' reviews on the systems listed below. These reviews are intended to provide assurance that systems are operating effectively and to identify and evaluate any changes that might affect the operation of the identified system controls.

- Payroll
- Business rates
- Council Tax
- Housing Benefit
- Creditors
- Loans & Investments
- Cash & Bank
- Accounting journals
- Sundry debtors
- Fixed assets

Additionally, all key financial systems are reviewed in detail on a cyclical basis. More in depth work will therefore be undertaken on the following systems:

- Sundry debtors
- Housing Benefit and Council Tax Benefit
- Payroll
- Purchase to Pay

### Procurement & contract management

Internal Audit will be involved in auditing the following areas:

- Upton All Saints CE Primary School - New build
- Kingsway Health Centre refurbishment
- Waste contract
- Municipal Building refurbishment
- The Hive
- The Village – Castlefields
- Highways - Contract management
- High cost care packages

A range of checks will also be undertaken on contract final account payments.

### Human Resources

Work on Human Resources will focus on the ongoing implementation of the Trent system.

### IT & Administration

Following Internal Audit's own risk assessment, reviews are planned in the following areas:

- Server virtualisation
- Data security
- IT Procurement
- IT Strategy
- Mobile working

- Code of Connection compliance

### **C Non-Transactional Support Services**

Reviews are planned in the following areas:

- Performance Reporting – Data Quality
- National Indicators
- Marketing & Communications

### **D Directorate work**

Full system reviews provide assurance as to whether management has established satisfactory systems of control to ensure:

- Compliance with statutory requirements and Council / departmental policies and procedures;
- Achievement of objectives in service plans;
- Safeguarding of assets;
- Maintenance of complete and accurate records;
- Efficient, economic and effective use of resources.

The operational system reviews planned for 2010/11 are summarised below. Work is planned across all directorates to ensure that Internal Audit can provide an annual opinion on the whole of the Council's control environment.

#### Adults & Community

- Carers' Strategy
- Community Safety Team
- Private Sector Housing Grants
- Personalisation
- Community Meals Service
- Libraries
- Lifeline, Community Wardens, Telecare Services
- Social inclusion for vulnerable adults
- Private Sector Housing Grants
- Sports Development Grant
- Trading Standards partnership

#### Children & Young People

School audits continue to be undertaken on a cyclical basis. All schools operating delegated bank accounts are visited approximately every two years. All other schools are visited approximately every four years. However, the timing of school audits is adjusted to reflect other known issues, such as changes in the Head Teacher of a school.

Where possible, school audits are combined with Financial Management Standard in Schools (FMSiS) assessment visits to minimise the number of visits to schools and to ensure an efficient use of audit resources.

Other planned work in Children & Young People Directorate includes:

- Attendance at school
- Early Years Settings
- Teachers' Pay
- MyPlace
- Youth Offending Team
- Contact Point - Accreditation
- Directorate cash income

#### Environment & Economy

- Asset management
- Environmental Health
- School meals
- Kerbside waste collections
- Pest Control

#### Resources

- Land charges
- Miscellaneous licensing

### **E Other work**

#### Advisory work

Internal Audit has a consultancy role in addition to its assurance role. This includes providing advice on control analysis and design, guidance in developing new systems and the sharing of knowledge and best practice across the Council.

In 2010/11, Internal Audit will contribute to the following corporate issues:

- Corporate Risk Management Group
- Agency Working Group
- Procurement & Commissioning Group
- Schools - General
- Carefirst 6 implementation
- Individualised budgets
- Information Governance Group

#### Fee earning work

Internal Audit undertakes a small amount of fee earning work. This comprises:

- Providing an annual internal audit for Manchester Port Health Authority;
- Undertaking the Financial Management Standard in Schools external assessment for the Council's schools. In 2010/11, it is anticipated that 23 schools will be assessed against the standard.

**F Provision – Completion of 2009/10 audits**

Inevitably at year-end, not all planned work for the year will be completed. A provision is therefore made in the 2010/11 plan to allow time for the completion of work in progress carried over from 2009/10.

**G Follow up**

Internal audit routinely carries out follow up work to provide assurance that all previous audit recommendations that were agreed are actually implemented. Follow up reviews are normally undertaken shortly after the date agreed in the Action Plan for the implementation of recommendations has passed.

**H Contingency – Unplanned Work**

Provision is made in the Audit Plan to accommodate any unplanned work that may arise during the year. This may range from requests for advice or assistance from service areas to responding to incidences of fraud.

**Self-Assessment – Compliance with Code of Practice for Internal Audit in Local Government**

<b>Standard</b>	<b>Expected Assurance</b>	<b>Evidence/Self Assessment</b>
<b>1. Scope of Internal Audit</b>		
1.1 Terms of Reference	<p>Do terms of reference:</p> <ul style="list-style-type: none"> <li>(a) establish the responsibilities and objectives of Internal Audit?</li> <li>(b) establish the organisational independence of Internal Audit?</li> <li>(c) establish the accountability, reporting lines and relationships between the Head of Internal Audit and: <ul style="list-style-type: none"> <li>(i) those charged with governance?</li> <li>(ii) those parties to whom the Head of Internal Audit may report?</li> </ul> </li> <li>(d) recognise that Internal Audit's remit extends to the entire control environment of the organisation?</li> <li>(e) identify Internal Audit's contribution to the review of the effectiveness of the control environment?</li> <li>(f) require and enable the Head of Internal Audit to deliver an annual audit opinion?</li> <li>(g) define the role of Internal Audit in any fraud-related or consultancy work?</li> <li>(h) explain how Internal Audit's resource requirements will be assessed?</li> <li>(i) establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfill its responsibilities?</li> </ul> <p>Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?</p> <p>Have the terms of reference been formally approved by the organisation?</p>	<p>Terms of reference for Internal Audit are set out in the Council Constitution (section 6.2 of Standing Orders relating to Finance).</p> <p>Yes - The Head of Internal Audit is a member of the Constitution Review Working Party, which meets each year and provides an opportunity for any required changes to be discussed and put forward.</p> <p>The terms of reference for Internal Audit are formally approved by Full Council as part of the review of the Constitution.</p>

Standard	Expected Assurance	Evidence/Self Assessment
	Are terms of reference regularly reviewed?	Annually, as part of the Constitution review.
1.2 Scope of Work	<p>Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?</p> <p>Where services are provided in partnership has the Head of Internal Audit identified?</p> <p>(a) how assurance will be sought? (b) agreed access rights where appropriate?</p>	<p>Yes - see Internal Audit Strategy.</p> <p>a) Internal Audit provides assurance over key partnerships through inclusion of partnership reviews in its annual workplan.</p> <p>b) Procurement Standing Orders 1.15(d) provide a requirement for rights of access for audit purposes to be incorporated into all partnership agreements.</p>
1.3 Other Work	<p>Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the:</p> <p>(a) skills; and (b) resources</p> <p>to do this?</p> <p>Do the terms of reference define Internal Audit's role in: (a) fraud and corruption? (b) consultancy work?</p>	<p>Senior staff in Internal Audit team have received training in disciplinary investigations / investigative interviewing and are appropriately skilled to carry out fraud and corruption work.</p> <p>Involvement in consultancy work is usually restricted to advising on risk and control measures relating to the implementation of new systems and/or changes to existing systems. Responsibility for such consultancy work is allocated to staff that are appropriately experienced to carry out the work effectively.</p> <p>A contingency is built into the annual Audit Plan to allow for any unplanned consultancy / fraud and corruption work.</p> <p>Yes - see 6.2 of the Council Constitution.</p>
1.4 Fraud & Corruption	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	<p>Yes - see the Council Constitution:</p> <ul style="list-style-type: none"> <li>• SO's relating to Finance (Part 11)</li> <li>• Confidential Reporting Code</li> <li>• Anti-Fraud and Anti-Corruption Strategy</li> <li>• Fraud Response Plan</li> </ul>

Standard	Expected Assurance	Evidence/Self Assessment
<b>2. Independence</b>		
2.1 Principles of Independence	<p>Is Internal Audit:</p> <p>(a) independent of the activities it audits?</p> <p>(b) free from any non-audit (operational) duties?</p>	<p>Operational audit staff are free from any activities they audit. Involvement in the Bankline payments system is to transfer to the Financial Management Division as a result of the Efficiency Programme.</p> <p>The Head of Internal Audit role is to be undertaken by the Divisional Manager – Audit &amp; Operational Finance. This position will also have line management responsibilities for other finance functions (Finance Support Services, Cashiers and Insurance). Independence will however be maintained in the following ways:</p> <ul style="list-style-type: none"> <li>• The Divisional Manager – Audit &amp; Operational Finance will not personally be involved in any internal audit reviews of any areas for which he / she is also responsible;</li> <li>• The S151 Officer will receive and respond to any internal audit reports covering the areas for which the Divisional Manager – Audit &amp; Operational Finance is responsible;</li> <li>• The post of Divisional Manager – Audit &amp; Operational Finance requires the postholder to be a qualified accountant. The CIPFA Standard of Professional Practice on Ethics requires members to uphold the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.</li> </ul>
	Where Internal Audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?	No - this issue is addressed by the terms of reference for Internal Audit.
2.2 Organisational independence	Does the status of Internal Audit allow it to demonstrate independence?	Yes - Internal Audit is recognised in the Council as being independent. Senior management support for the work of Internal Audit is evidenced by certain Internal Audit recommendations being discussed and endorsed by Management Team.
	Does the Head of Internal Audit have direct access to:- (a) Officers? (b) Members?	Yes - see terms of reference for IA.

Standard	Expected Assurance	Evidence/Self Assessment
	Does the Head of Internal Audit report in his or her own name to Members and Officers?	Yes - see terms of reference for IA.  All audit reports issued in the name of the Head of Internal Audit.
	(a) Is there an assessment that the budget for Internal Audit is adequate?  (b) Does any budget delegated to service areas ensure that:  (i) Internal Audit adherence to the Code is not compromised?  (ii) The scope of Internal Audit is not affected?  (iii) Internal Audit can continue to provide assurance for the Statement on Internal Control?	The Internal Audit budget is considered adequate to maintain organisational independence.  Budgets for Internal Audit are not delegated to individual service level.
2.3 Status of the Head of Internal Audit	Is the Head of Internal Audit managed by a member of the corporate management team?	Yes - the Head of Internal Audit reports directly to the s151 officer.
2.4 Independence of Internal Audit Contractors	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	Not applicable.
2.5 Declaration of Interest	Do Audit staff make formal declarations of interest?	Yes - periodically internal auditors are asked to inform the Head of Internal Audit of any potential conflicts of interests.
	Does the planning process take account of the declarations of interest registered by staff?	Yes - work is allocated to avoid any potential conflicts of interests arising where they are known.
<b>3. Ethics for Internal Auditors</b>		
3.1 Purpose	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?	This is achieved through the system to declare potential conflicts of interests.
3.2 Integrity	Has the Internal Audit team established an environment of trust and confidence?	Good relationships exist with colleagues, internal clients and external contacts.
	Do Internal Auditors demonstrate integrity in all aspects of their work?	Yes - there is no evidence of any auditors acting without integrity.

Standard	Expected Assurance	Evidence/Self Assessment
3.3 Objectivity	Are Internal Auditors perceived as being objective and free from conflicts of interest?	<p>Yes - work is allocated to ensure that auditors are free from conflicts of interests.</p> <p>The scope of all audit work is agreed with the client, Principal Auditor and Head of Internal Audit, and is therefore unlikely to be influenced unduly by an individual.</p> <p>Quality control procedures would help identify judgements that could not be substantiated.</p>
	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?	No official policy determined as it has not been an issue.
	Are staff rotated on regular/annually audited areas?	<p>Yes - staff are periodically rotated within team in the office.</p> <p>Where practical, staff are rotated on regular audited areas.</p>
3.4 Competence	<p>Does the Head of Internal Audit ensure that staff have sufficient knowledge of:</p> <p>(a) the organisation's aims, objectives, risks and governance arrangements?</p> <p>(b) the purpose, risks and issues of the service area?</p> <p>(c) the scope of each audit assignment?</p> <p>(d) relevant legislation and other regulatory arrangements that relate to the audit?</p>	<p>Yes:</p> <p>(a) Staff are informed through a variety of means, which include 'In Touch', Core Brief, the Intranet, the Corporate Plan and the service planning process.</p> <p>(b) Service plans for each department are available on the Intranet. The corporate and directorate risk registers are also available on the Intranet.</p> <p>(c) The scope of each assignment is detailed in an Audit Brief that is discussed with the auditor completing the work.</p> <p>(d) Input into each audit is provided by the Principal Auditor and Head of Internal Audit. This helps ensure that staff are made aware of any relevant legislation and other regulatory arrangements that relate to the audit.</p>
3.5 Confidentiality	Do Internal Audit staff understand their obligations in respect to confidentiality?	Yes – all officers in Internal Audit are members of professional bodies and are aware of this requirement.

Standard	Expected Assurance	Evidence/Self Assessment
<b>4. Audit Committees</b>		
4.1 Purpose of the Audit Committee	Does the organisation have an independent Audit Committee?	Yes - The Business Efficiency Board has been designated as the Council's Audit Committee.
4.2 Internal Audit's Relationship with the Audit Committee	Is there an effective working relationship between the Audit Committee and Internal Audit?	Yes - Internal Audit reports to most meetings of the Board.
	Does the Committee approve the Internal Audit Strategy and monitor progress?	Yes - the Internal Audit Strategy was approved by the Business Efficiency Board.
	Does the Committee approve the Annual Internal Audit Plan and monitor progress?	Yes - Quarterly progress reports are also taken to the Board to allow monitoring of Internal Audit work.
	Does the Head of Internal Audit: <ul style="list-style-type: none"> <li>(a) attend the Committee and contribute to its agenda?</li> <li>(b) participate in the Committee's review of its own remit and effectiveness?</li> <li>(c) ensure that the Committee receives and understands documents that describe how Internal Audit will fulfill its objectives?</li> <li>(d) report on the outcomes of Internal Audit work to the Committee?</li> <li>(e) establish if anything arising from the work of the Committee requires consideration of changes to the Audit Plan, or vice versa?</li> <li>(f) present the Annual Internal Audit report to the Committee?</li> </ul>	<ul style="list-style-type: none"> <li>(a) Yes - see minutes of meetings.</li> <li>(b) No – the Committee is newly established and is not a dedicated Audit Committee.</li> <li>(c) Yes – IA strategy, plan and monitoring reports are presented to the Committee.</li> <li>(d) Yes - see Internal Audit progress reports.</li> <li>(e) Yes – requests for updates on particular issues are received from the Committee.</li> <li>(f) Yes</li> </ul>
	Is there the opportunity for the Head of Internal Audit to meet privately with the Audit Committee?	Yes - at the Chairman's pre-meeting briefing.

Standard	Expected Assurance	Evidence/Self Assessment
<b>5. Relationships</b>		
5.1 Principles of Good Relationships	<p>Is there a protocol that defines the working relationship for Internal Audit with:</p> <p>(a) management?  (b) other Internal Auditors?  (c) External Auditors?  (d) other regulators and inspectors?  (e) Elected Members?</p>	<p>The Constitution sets out the accountability and reporting arrangements of Internal Audit in terms of management and Elected Members.</p> <p>A joint working protocol exists in terms of the working relationship with External Audit.</p> <p>Internal Audit is part of two regional CIA groups (Greater Manchester and Merseyside), each of which has their own terms of reference.</p> <p>No defined protocol exists with other regulators and inspectors as any contact occurs on an ad hoc basis.</p>
5.2 Relationships with Management	Does the Head of Internal Audit seek to maintain effective relationships between Internal Auditors and managers?	Yes – a good relationship usually exists between Internal Audit and managers. However, where necessary, the Head of Internal Audit will contact managers to resolve any potential issues that could threaten that effective working relationship. The sorts of issues that occur tend to relate to the timing or depth of audit work to be completed.
	Is the timing of audit work planned in conjunction with management?	Where possible (see above). Terms of reference are issued for each audit setting out the timing of the work.
5.3 Relationships with other Internal Auditors	Do arrangements exist with other Internal Auditors that include joint working, access to working papers, respective roles and confidentiality?	This happens on a 'needs basis'. The Council recently completed a joint audit review with the Internal Audit team from St Helens Council.
5.4 Relationships with External Auditors	Is it possible for Internal Audit and External Audit to rely on each other's work?	Yes – External Audit rely on the work of Internal Audit for data quality and the main financial systems.
	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	Yes
	Are the Internal and External Audit Plans co-ordinated?	Yes – consultation on the Audit Plan takes place each year.
5.5 Relationships with other Regulators & Inspectors	Has the Head of Internal Audit sought to establish a dialogue with the regulatory inspection agencies that interact with the organisation?	Dialogue would be sought if there were specific issues arising from inspection visits that were relevant to the work of IA.

Standard		Expected Assurance	Evidence/Self Assessment
5.6	Relationships with Elected Members	Do the terms of reference for Internal Audit define the channels of communication with Members and describe how such relationships should operate?	Yes – see the Council Constitution (section 6.2. of SOs relating to Finance).
		Does the Head of Internal Audit maintain good working relationships with Members?	Yes – the reports from Internal Audit to the Business Efficiency Board result in significant debate and challenge.
<b>6.</b>	<b>Staffing, Training &amp; Continuing Professional Development</b>		
6.1	Staffing Internal Audit	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	Yes – IPF benchmarking exercises suggest that the number of staff appears reasonable. The team is experienced and well qualified when compared to other unitary authorities.
		Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available with the Internal Audit team?	Yes - as required, additional computer audit expertise is bought in.
		Is the Head of Internal Audit professionally qualified and experienced?	Cipfa qualified (1993) with over 17 years audit experience.
		Does the Head of Internal Audit have wide experience of Internal Audit and management?	Yes - Head of Internal Audit has been in post for over seven years. Previous experience includes: <ul style="list-style-type: none"> <li>• Two years as an Assistant Manager at KPMG;</li> <li>• Four years as a Group Auditor at a Metropolitan Council;</li> <li>• Four years as a Deputy Group Auditor at a Metropolitan Council.</li> </ul>
		(a) Do all Internal Audit staff have up-to-date job descriptions?  (b) Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for Internal Audit staff?	Yes - all job descriptions reviewed as part of the Efficiency Programme.  Yes - all person specifications reviewed as part of the Efficiency Programme.
6.2	Training & Continuing Professional Development	(a) Has the Head of Internal Audit defined skills and competencies for each level of Auditor?	Basic skills and competencies set out in the person specification for each post.

Standard	Expected Assurance	Evidence/Self Assessment
	(b) Are individual Auditors periodically assessed against these predetermined skills and competencies?	This is done as part of the initial recruitment process.  The Employee Development Reviews (EDR) also provide a forum for identifying skills / training needs.
	(c) Are training or development needs identified and included in an appropriate ongoing development programme?	The EDR process is takes place every 6 months. This identifies ongoing training needs.
	(d) Is the development programme recorded, regularly reviewed and monitored?	Yes – EDR Action Plans are produced and monitored.
	Do individual Auditors maintain a record of their professional training and development activities?	Responsibility for maintaining a record of professional training and development activities is left to individual Auditors as part of their CPD.
<b>7. Audit Strategy &amp; Planning</b>		
7.1 Audit Strategy	(a) Is there an Internal Audit Strategy for delivering the service?  (b) Is it kept up to date with the organisation and its changing priorities?	Yes  Yes – the strategy was last updated in 2009.
	Does the Strategy include:  (a) Internal Audit objectives and outcomes?  (b) how the Head of Internal Audit will form and evidence his or her opinion on the control environment?  (c) how Internal Audit's work will identify and address local and national issues and risks?  (d) how the service will be provided internally, externally or a mix of the two?  (e) the resources and skills required to deliver the Strategy?	Yes  Yes Yes Yes Yes
	Has the Strategy been approved by the Audit Committee?	Yes – last approved in February 2009.

Standard	Expected Assurance	Evidence/Self Assessment
7.2 Audit Planning	Is there a risk based plan that is informed by the organisation's risk management, performance management and other assurance processes?	Yes – The audit planning process takes account of the risk management, performance management and other assurance processes, such as the CPA inspection and the work of the PPBs.
	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?	Yes – The risk management process at Halton is not considered sufficiently robust to dictate the entire Audit Plan. Elements of the plan are determined through IA risk assessment and consultation with Strategic Directors and the s151 Officer.
	Are stakeholders consulted on the Audit Plan?	Yes – the s151 officer, Chief Executive and all Strategic Directors are consulted on the content of the Audit Plan.
	Does the Plan demonstrate a clear understanding of the organisation's functions?	Yes – a review of the departmental service plans forms part of the Audit planning process.
	<p>Does the Plan:</p> <p>(a) cover a fixed period of no longer than one year?</p> <p>(b) outline the assignments to be carried out?</p> <p>(c) prioritise assignments?</p> <p>(d) estimate the resources required?</p> <p>(e) differentiate between assurance and other work?</p> <p>(f) allow a degree of flexibility?</p>	<p>Yes, IA works to a one-year plan.</p> <p>Yes</p> <p>Yes</p> <p>Yes – a resources statement is completed as part of the audit planning process.</p> <p>Yes</p> <p>Yes – a contingency is built into the plan to allow for any unplanned work that may occur during the year.</p>
	Is there an imbalance between the resources available and resources needed to deliver the Plan? Is the Audit Committee informed of proposed solutions?	There is no imbalance between resources available and resources needed. IPF benchmarking results suggest that the level of audit coverage provided is towards the top end of the spectrum for unitary authorities when compared to the Council's gross expenditure.
	Has the Plan been approved by the Audit Committee?	Yes – the plan is approved each year by the Business Efficiency Board).

Standard	Expected Assurance	Evidence/Self Assessment
	If significant matters arise that jeopardise the delivery of the Plan, are these addressed and reported to the Audit Committee?	Yes – the Business Efficiency Board receives quarterly progress reports on performance against the Audit Plan. Any significant issues that jeopardise delivery of the plan are reported.
<b>8. Undertaking Audit Work</b>		
8.1 Planning	(a) Is a brief prepared for each audit?  (b) Is the brief discussed and agreed with the relevant managers?	Yes  Yes – a Terms of Reference based on the Audit Brief is issued to the manager of the area being audited.
	Does the brief set out:  (a) objectives? (b) scope? (c) timing? (d) resources? (e) reporting requirements?	Yes
8.2 Approach	Is a risk based audit approach used?	Yes – Risks are identified as part of the pre-audit meeting and preparation of the Audit Brief.
	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?	No, but this would happen as a matter of course should serious issues be identified in the course of the audit. The audit approach is that management should be kept informed of findings throughout the course of the audit so that there are no surprises.
	Does the audit approach include a quality review process for each audit?	Yes – Electronic working papers are subject to review by the Principal Auditor. Draft reports are reviewed by the Principal Auditor and Head of Internal Audit. Reports are not issued until all review points are cleared.
8.3 Recording Audit Assignments	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Standardised electronic working papers are in use.
	Do quality reviews ensure that the defined standard is followed consistently for all audit work?	Yes – this would be picked up as part of the management review process.

Standard	Expected Assurance	Evidence/Self Assessment
	<p>Are working papers such that an experienced Auditor can easily:</p> <p>(a) identify the work that has been performed?            (b) re-perform it if necessary?            (c) see how the work supports the conclusions reached?</p>	Yes
	<p>Is there a defined policy for the retention of all audit documentation, both paper and electronic?</p> <p>Do all retention and access policies conform to appropriate legislation, i.e. Data Protection Act, Freedom of Information Act, etc., and any organisational requirements?</p> <p>Is there an access policy for audit files and records?</p>	<p>Audit reports are retained indefinitely.</p> <p>Audit working papers are retained for the current year plus one full year.</p> <p>Yes</p> <p>Access to electronic records is restricted to IA staff.</p>
<p><b>9. Due Professional Care</b></p>		
<p>9.2 Responsibilities of the Individual Auditor</p>	<p>Are there documents that set out the requirements on all Audit staff in terms of:</p> <p>(a) being fair and not allowing prejudice or bias to override objectivity?            (b) declaring interests that could be perceived to be conflicting or could potentially lead to conflict?            (c) receiving and giving gifts and hospitality from employees, clients, suppliers or third parties?            (d) using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions?            (e) being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest?</p>	<p>As a member of a professional accountancy / audit body, this is an implicit expectation for all auditors.</p> <p>A procedure exists to declare all potential conflicts of interest. This is also a requirement of the Council's Employee Code of Conduct.</p> <p>This is covered by the Employee Code of Conduct and applies to all staff, not just Internal Audit staff.</p> <p>As a member of a professional accountancy / audit body, this is an implicit expectation for all auditors. Compliance with this requirement is also checked as part of each audit's quality assurance process.</p> <p>As a member of a professional accountancy / audit body, this is an implicit expectation for all auditors.</p>

Standard	Expected Assurance	Evidence/Self Assessment
	(f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed?	All auditors are aware that they need to be alert to the possibility of fraud when carrying out audit work. All auditors have also completed the Council's fraud awareness training.
	(g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?  (h) disclosing any non-compliance with these standards?  (i) not using information they gain in the course of their duties for personal use?	As a member of a professional accountancy / audit body, this is an implicit expectation for all auditors.  As a member of a professional accountancy / audit body, this is an implicit expectation for all auditors.  As a member of a professional accountancy / audit body, this is an implicit expectation for all auditors. It is also covered by the Council's Employee Code of Conduct.
9.3 Responsibilities of the Head of Internal Audit	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?	Yes - this is achieved through the routine management procedures relating to the review of working papers / report.
	Are there systems in place for individual Auditors to disclose any suspicions of fraud, corruption or improper conduct?	Yes – there is an expectation that auditors would bring such matters to the attention of the Principal Auditor or Head of Internal Audit when discussing progress on the audit.
<b>10. Reporting</b>		
10.1 Principles of Reporting	Is an opinion on the control environment and risk exposure given in each audit report?	Yes – an Audit opinion forms part of the standard audit report template.
	Has the Head of Internal Audit determined the way in which Internal Audit will report?	Yes – a standardised reporting template is used which is subject to regular review / updating.
	Has the Head of Internal Audit set out the standards for Internal Audit reporting?	Yes
	Are there laid down timescales for reports to be issued?	Yes – draft reports to be issued within 15 days of the closure meeting at the end of the audit fieldwork.
10.2 Reporting on Audit Work	Do the reporting standards include: (a) format of the reports?	Yes – see standard template.

Standard	Expected Assurance	Evidence/Self Assessment
	(b) quality assurance of reports?  (c) the need to state the scope and purpose of the audit?	Yes – all audit reports are reviewed by the Principal Auditor and the Head of Internal Audit.  The objectives and scope of the audit form part of the standard reporting template.
	(d) the requirement to give an opinion?  (e) process for agreeing reports with the recipient?  (f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?  Does the audit reporting process include discussion and agreement of reports?  Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?  Are areas of disagreement recorded appropriately?  Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention of senior management?  Is the circulation of each audit report determined when preparing the audit brief?  (a) Does the reporting process include details of circulation of that particular audit report?  (b) Is this included in the brief for each individual audit?	Yes – an opinion is provided in the management summary.  A closure meeting is held once the audit fieldwork to discuss the findings from the audit. A draft audit report is issued for consultation before a final report is issued containing the management responses to the recommendations made.  Yes  Yes – a draft report is issued for discussion purposes before a final report is agreed.  Yes – recommendations are graded high, medium or low. A guide to the prioritisation of recommendations is included in the Action plan of each report.  Where recommendations are not agreed, this is recorded in the Action Plan.  If Internal Audit were not satisfied with the management response to the recommendations made, an additional comment would be provided in the overall opinion.  Yes  Yes – the distribution list is recorded on the Terms of Reference.  Yes  Yes

Standard	Expected Assurance	Evidence/Self Assessment
	<p>Does the Head of Internal Audit have mechanisms in place to ensure that:</p> <p>(a) recommendations that have a wider impact are reported to the appropriate forums?</p>	<p>Recommendations that have a wider impact will be directed at the appropriate officer / forum.</p>
	<p>(b) risk registers are updated?</p>	<p>Where appropriate, recommendations will be made to include issues identified through audit work in the appropriate risk register.</p>
<p>10.3 Follow-up Audits &amp; Reporting</p>	<p>Has the Head of Internal Audit defined the need for and the form or any follow-up action?</p>	<p>Yes – all audit reports are subject to follow up reviews.</p>
	<p>Has the Head of Internal Audit established appropriate escalation procedures for Internal Audit recommendations not implemented by the agreed date?</p>	<p>Yes – the findings of all follow up audits are reported to the Chief Executive, S151 Officer and the appropriate Strategic Director. Summary findings from follow up reports are also presented to the Business Efficiency Board.</p> <p>Appropriate mechanisms therefore exist to escalate action should significant recommendations not be implemented.</p>
	<p>Where appropriate, is a revised opinion given following a follow-up audit and reported to management?</p>	<p>Yes – standardised audit opinions have been introduced with a level of assurance being given. The opinion can therefore be updated following the findings of the follow up review.</p>
	<p>Are the findings of audits and follow-ups used to inform the planning of future audit work?</p>	<p>Yes – audit areas where recommendations are not implemented will be considered higher risk.</p>
<p>10.4 Annual Reporting &amp; Presentation of Audit Opinion</p>	<p>Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control (Annual Governance Statement)?</p>	<p>An Annual Internal Audit report is produced and presented to the Business Efficiency Board. The report forms one part of the assurance re the Annual Governance Statement.</p>
	<p>Does the Head of Internal Audit's annual report:</p> <p>(a) include an opinion on the overall adequacy and effectiveness of the organisation's control environment?</p>	<p>Yes</p>

Standard	Expected Assurance	Evidence/Self Assessment
	(b) disclose any qualifications to that opinion, together with the reasons for the qualification?	Yes
	(c) present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies?	Yes
	(d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control (Annual Governance Statement)?	Yes
	(e) compare the actual work undertaken with the planned work and summarise the performance of the Internal Audit function against its performance measures and targets?	Yes
	(f) comment on compliance with the standards of the Code?	Yes
	(g) communicate the results of the Internal Audit quality assurance programme?	Yes
	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	Quarterly progress reports are reported to the Business Efficiency Board.
<b>11. Performance, Quality &amp; Effectiveness</b>		
11.1 Principles of Performance, Quality & Effectiveness	Is there an audit manual?	Yes
	Does the audit manual provide guidance on: (a) carrying out day-to-day audit work? (b) complying with the Code?	Yes Yes
	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?	The Audit Manual is subject to periodic review.

Standard	Expected Assurance	Evidence/Self Assessment
	<p>Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of:</p> <p>(a) each individual audit?</p>	<p>Yes – post audit questionnaire completed by the audit client.</p>
	<p>(b) the Internal Audit service as a whole?</p>	<p>Yes - Performance indicators established for Internal Audit and reported to the Corporate Services PPB and Business Efficiency Board.</p> <p>Internal Audit also participates in the IPF Audit Benchmarking exercises each year.</p>
<p>11.2 Quality Assurance of Audit Work</p>	<p>Does the Head of Internal Audit have a process in place to ensure that work is allocated to Auditors who have the appropriate skills, experience and competence?</p>	<p>Work is allocated to individual auditors by the Principal Auditors. The allocation of work reflects the appropriate skills, experience and competence of individuals.</p> <p>There is some flexibility of staff between the audit teams which allows work to be allocated to the most appropriate persons.</p>
	<p>Does the Head of Internal Audit have a process in place to ensure that all staff are supervised appropriately throughout all audits?</p>	<p>This is achieved through line management arrangements. The respective Principal Auditors are responsible for ensuring that each auditor receives appropriate supervision at all times.</p>
	<p>Does the supervisory process cover:</p> <p>(a) monitoring progress?</p> <p>(b) assessing quality of audit work?</p> <p>(c) coaching staff?</p>	<p>Regular 'one to one' meetings are held between the Principal Auditor and each auditor to monitor progress against each audit.</p> <p>Quality of work is monitored through report and file review for each piece of work.</p> <p>Coaching of staff occurs as required. As the team is relatively small, Principal Auditors and the Head of Internal Audit are easily accessible to provide coaching as required.</p>

Standard	Expected Assurance	Evidence/Self Assessment
11.3 Performance & Effectiveness of the Internal Audit Service	Does the Head of Internal Audit have a performance management and quality assurance programme in place?	<p>Yes – performance targets are set individually for each auditor and performance is reviewed at the monthly ‘one to one’ meetings between the Head of Internal Audit and the Principal Auditors.</p> <p>The performance of the section as a whole is discussed at the regular Audit Management Team meetings.</p> <p>Quality assurance on individual audit reviews is ensured by the draft report being reviewed by the Principal Auditors and Head of Internal Audit. Audit files are reviewed by the Principal Auditors.</p>
	<p>Does the performance management and quality assurance framework include as a minimum:</p> <p>(a) a comprehensive set of targets to measure performance:</p> <p>(i) which are developed in consultation with appropriate parties?</p> <p>(ii) which are included in service level agreements, where appropriate?</p> <p>(iii) against which the Head of Internal Audit measures, monitors and reports appropriately on progress?</p> <p>(b) user feedback obtained for each individual audit and periodically for the whole service?</p> <p>(c) a periodic review of the service against the strategy and the achievement of its aims and objectives, the results of which are used to inform the future strategy?</p> <p>(d) internal quality reviews to be undertaken periodically to ensure compliance with this Code and the audit manual?</p>	<p>Yes. IA reports to the Corporate Services PPB on the following indicators:</p> <ul style="list-style-type: none"> <li>- percentage of draft reports issued within 15 days of completing audit fieldwork;</li> <li>- percentage of schools requesting IA to undertake the FMSiS external assessment;</li> <li>- whether or not External Audit can place reliance on the work of Internal Audit.</li> </ul> <p>PIs were developed in consultation with S151 officer.</p> <p>SLAs not yet established, although reference to the issuing of reports within 15 days is included in the Audit Charter.</p> <p>Head of Internal Audit reports quarterly to Corporate Services PPB. The indicators are also discussed at the monthly GA meetings.</p> <p>User feedback is sought at the conclusion of each audit review.</p> <p>Yes- this is incorporated into the service planning and audit planning processes.</p> <p>Yes – periodic self-assessments against the Code are undertaken.</p>

Standard	Expected Assurance	Evidence/Self Assessment
	<p>(e) an action plan to implement improvements?</p> <p>Does the Head of Internal Audit compare the performance and the effectiveness of the service over time, in terms of both the achievement of targets and the quality of the service provided to the user?</p>	<p>The Financial Services Service Plan makes reference to particular developments to improve service delivery.</p> <p>This is done on an ongoing basis – see progress statements, PI data and minutes of the Audit Management Team meetings.</p>
	<p>Do the results of the performance management and quality assurance programme evidence that the Internal Audit service is:</p> <p>(a) meeting its aims and objectives?</p> <p>(b) compliant with the Code?</p> <p>(c) meeting internal quality standards?</p> <p>(d) effective, efficient, continuously improving?</p> <p>(e) adding value and assisting the organisation in achieving its objectives?</p> <p>Does the Head of Internal Audit report on the results of the performance management and quality assurance programme in the annual audit report?</p> <p>Does the Head of Internal Audit provide evidence from his or her review of the performance and quality on the Internal Audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of Internal Audit?</p>	<p>Yes – External Audit is able to place reliance on the work of IA.</p> <p>Yes – substantial compliance</p> <p>Yes – audit working papers should demonstrate through file and report review that internal quality standards have been met.</p> <p>Yes – benchmarking exercises are undertaken annually to compare respective costs and performance.</p> <p>Improvements are made continuously to make the service more effective and efficient, e.g. increased use of laptops / electronic working papers, combining school audits with FMSiS assessments etc.</p> <p>Yes – the construction of the Audit Plan takes account of the Council’s objectives. The focus of IA’s work is therefore aligned to the objectives of the organisation.</p> <p>Yes</p> <p>Yes</p>

**REPORT TO:** Business Efficiency Board

**DATE:** 10 March 2010

**REPORTING OFFICER:** Strategic Director – Corporate & Policy

**SUBJECT:** Business Efficiency Board – Workplan 2010/11

**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

1.1 This report provides the indicative core workplan for the Business Efficiency Board in its role as the Council's Audit Committee for the 2010/11. The workplan is attached at Appendix 1.

**2.0 RECOMMENDATION: That the Business Efficiency Board considers and approves its Workplan for 2010/11.**

## **3.0 SUPPORTING INFORMATION**

3.1 The powers and duties of the Business Efficiency Board are set out in the Council Constitution. The attached workplan outlines areas for consideration by the Board at each of its meetings over the financial year to help ensure that it meets its responsibilities.

3.2 The workplan has been prepared taking into account a practical spread of issues across the year allowing for specific items that are determined by statutory or other prescribed timescales.

3.3 The areas identified in the workplan are those known and anticipated at the current time. It is possible that issues may arise that may require additional reports to be added.

## **4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

4.1 The Business Efficiency Board is responsible for approving the Council's Annual Governance Statement. It is therefore essential that the workplan of the Business Efficiency Board reflects the primary sources of assurance over the Council's governance framework. These sources of assurance include:

- The work of internal audit;
- The Council's risk management arrangements;
- The results of corporate assessment;
- The work of the Council's external auditor.

**5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 5.1 Good corporate governance requires independent, effective assurance about the adequacy of financial management and reporting. CIPFA considers that these functions are best delivered by an audit committee that is independent of the executive and scrutiny functions.
- 5.2 The maintenance of an effective governance framework contributes to the achievement of all the Council's priorities.

**6.0 RISK ANALYSIS**

- 6.1 An effective audit committee helps to raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. This can enhance the public trust and confidence in the financial governance of an authority.
- 6.2 By agreeing a workplan for its audit committee, the Council is formally setting out how the Business Efficiency Board will meet its responsibilities as the Council's Audit Committee.

**7.0 EQUALITY AND DIVERSITY ISSUES**

- 7.1 None identified.

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

None.

### Appendix 1 – Business Efficiency Board Workplan 2010/11

	26 May 2010	30 June 2010	29 Sept 2010	10 Nov 2010	19 Jan 2011	9 Mar 2011
<b>Internal Audit:</b>						
• 2009/10 Annual Report	x					
• Quarterly progress report	x		x	x	x	
• Approval of 2011/12 Audit Plan						x
<b>Financial Reporting:</b>						
• IFRS – Implementation progress report	x			x		x
• Accounting policies	x					
• Approval of Abstract of Accounts (unaudited)		x				
<b>External Audit:</b>						
• Indicative Audit Fee and Fee Letter	x					
• Annual Governance Report (including audit opinion and Value For Money conclusion)			x			
• Annual Audit Letter				x		
• Opinion Audit Plan					x	
• Annual Grant Claims Report					x	
<b>Governance:</b>						
• Approval of Annual Governance Statement		x				
<b>Risk Management:</b>						
• Review of Corporate Risk Register			x			x
<b>Anti-Fraud &amp; Corruption:</b>						
• Update Report						x
<b>Audit Committee matters:</b>						
• Approval of workplan for 2011/12						x