



Business Efficiency Board

**Wednesday, 19 January 2011 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn**



Chief Executive

BOARD MEMBERSHIP

| | |
|--|-------------------------|
| Councillor Dave Leadbetter (Chairman) | Labour |
| Councillor Martha Lloyd Jones (Vice-Chairman) | Labour |
| Councillor Harry Howard | Labour |
| Councillor Diane Inch | Liberal Democrat |
| Councillor Alan Lowe | Labour |
| Councillor Andrew MacManus | Labour |
| Councillor Tony McDermott | Labour |
| Councillor Peter Murray | Conservative |
| Councillor Ulfar Norddahl | Liberal Democrat |
| Councillor Ged Philbin | Labour |
| Councillor Joe Roberts | Labour |

Please contact Michelle Simpson on 0151 471 7394 or e-mail michelle.simpson@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 9 March 2011

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

Part I

| Item No. | Page No. |
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| 1. MINUTES | |
| 2. DECLARATION OF INTEREST | |
| 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. | |
| 3. CORPORATE RISK REGISTER 2010-11 | 1 - 14 |
| 4. PROCUREMENT STRATEGY 2010 - 2013 | 15 - 35 |
| 5. PROGRESS WITH THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS | 36 - 38 |
| 6. AUDIT COMMISSION 2009/10 ANNUAL GRANT CLAIM REPORT | 39 - 43 |
| 7. UPDATE ON EFFICIENCY PROGRAMME | 44 - 48 |
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| PART II | |

SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972
AND THE LOCAL GOVERNMENT (ACCESS TO
INFORMATION) ACT 1985

In this case the Board has a discretion to exclude the press and public and, in view of the nature of the business to be transacted, it is RECOMMENDED that under Section 100A(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

9. INTERNAL AUDIT PROGRESS REPORT - QUARTER 3

79 - 104

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: 19 January 2011
REPORTING OFFICER: Strategic Director - Resources
SUBJECT: Corporate Risk Register 2010-11
WARDS: All

1.0 PURPOSE OF THE REPORT

1.1 To consider the revised Corporate Risk Register

2.0 RECOMMENDATION: That the Board consider the contents of the Corporate Risk Register which was approved by Executive Board on 16th December 2010.

3.0 SUPPORTING INFORMATION

The purpose of 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 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:

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.

Risk Management training has been provided to ensure that there is understanding of officers and members role in the risk management process.

4.0 POLICY IMPLICATIONS

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. 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

Nil

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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.

6.1 Children and Young People in Halton

6.2 Employment, Learning and Skills in Halton

6.3 A Healthy Halton

6.4 A Safer Halton

6.5 Halton's Urban Renewal

7.0 RISK ANALYSIS

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

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 1972

None under the meaning of the Act.

CORPORATE RISK REGISTER 2010-11

November 2010

Corporate Risk Register –November 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 | <p>Partnerships – Public and Private Partnership working if ineffective and poorly controlled partnership working may lead to a lack of accountability and ineffective use of resources resulting in failure to achieve outcomes/objectives</p> | 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. | 5.11.10 |
| 2 | <p>Partnerships - NHS Bodies 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.</p> | 4 | 4 | 16 | <ul style="list-style-type: none"> • Encourage NHS bodies to fully commit (both energy and resources) to priorities and health prevention agenda • Encourage NHS Bodies to allocate funding • The Council has been consulted and involved in the health service deliberations to reconfigure their services. • Influencing the development of the community strategy. | 4 | 3 | 12 | Dwayne Johnson | 6 monthly | The DH has now completed its consultation on the NHS White Paper: Liberating the NHS. The Council is awaiting the guidance on establishing Health and Well Being Boards as these Boards will become the main vehicle for coordinating strategies and determining funding. The work commissioned on | 5.11.10 |

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|---|---|---|---|----|---|---|---|---|---------------|-----------|---|---------|
| | Partnerships continued | | | | <ul style="list-style-type: none"> • Development of draft health outcome measures. • Regular performance monitoring at both the Health Performance Board and Chief Officers Group. | | | | | | Section 31 partnerships will play a significant part in preparing the framework for these new Boards. | |
| 3 | Children's Services Inspection by Ofsted The Council and its Partners in the Children's Trust have to meet the exacting requirements of Ofsted's new Performance Framework, particularly in terms of child protection | 4 | 3 | 12 | <ul style="list-style-type: none"> • Restructured CYP Directorate around commissioning and provision of services with an integrated Children and Families Department • Children and Young People's Plan in place • Children's Trust in place and links to HSCB • Full engagement of all statutory partners at a senior level (including | 3 | 2 | 6 | Gerald Meehan | 6 monthly | <ul style="list-style-type: none"> • Children's Trust and HSCB fully engaged in preparatory work and service improvement • Regular case audits in place for social care and across Children's Trust • Significant management oversight of operations | 6.12.10 |

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|---|--|---|---|----|--|---|---|----|---------------|-----------|--|---------|
| | Children's Services Integration continued | | | | <p>schools) in place</p> <ul style="list-style-type: none"> • Plan formed with outcome based accountability • Group set up for inspection preparation | | | | | | | |
| 4 | <p>Stakeholders – Community Engagement</p> <p>Failure to communicate effectively and engage local community participation in service planning, design, and delivery leading to complaints and tensions and conflict on specific initiatives resulting in loss of reputations, alienation of people from local government reduced collectivism and more individualistic opting out</p> | 4 | 4 | 16 | <ul style="list-style-type: none"> • Effective LSP • Effective and inclusive Area Forums • Use of Halton 2000 • Research and Intelligence Unit • Community Development Team | 4 | 3 | 12 | Ian Leivesley | 6 monthly | <p>The Council continues to use the various tools it has available for customer involvement/public participation.</p> <p>A review of Area Forums has resulted in revised arrangements aimed at greater participation</p> <p>Combined consultation on the Community Strategy, Core Strategy and Local Transport Plans (Dec 2010)</p> <p>Audit of engagement Undertaken and the engagement strategy is being reviewed and updated by the Strategic Partnership</p> | 5.11.10 |

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| 5 | Finance Severe and rapid reductions in government funding makes it difficult effectively align resources to corporate objectives in the short term leading to service reductions in priority areas | 4 | 4 | 16 | <ul style="list-style-type: none"> • Medium Term Financial Strategy • Budget working group • Budget Risk register • Efficiency Programme. risk register • Review of Corporate Priorities/Community Plan • Communication of Priorities to Staff/Members/Managers to achieve buy-in | 4 | 3 | 12 | Ian Leivesley | 6 monthly | The Council continues to spend within in its means. 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 but these will not be sufficient on their own and further savings will be required. Reviews over the coming years. | 5.11.10 |
| 6 | Mersey Gateway 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"> • Experienced Project Director in place since Programme Entry • Experienced team of consultants involved early on in the project • Project adheres to the PRINCE2 project management structure in terms of governance • Officer Project Board and Mersey Gateway | 4 | 2 | 8 | Dick Tregoe | 6 monthly | The Stage 3 plan for the Procurement process is now under development which will set things in place for the next phase of the project. The plan will be approved by OPB. The procurement process will draw on resources outside the dedicated project team | 5.05.11 |

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| | Mersey Gateway continued | | | | <p>Executive Board in place for governance and approvals</p> <ul style="list-style-type: none"> • Assurance provided to OPB and MGEB through regular Gateway reviews • Regular discussions with Government departments in order to minimise risk to HBC • Mersey Gateway Risk Register which is shared with OPB on a monthly basis | | | | | | <p>to ensure that the project meets with corporate requirements.</p> <p>Governance proposals are under consideration to ensure that plans are put in place to address the succession of the current project team at contract award and financial close.</p> | |
| 7 | Major Projects – (e.g. 3MG, Widnes Waterfront, Castlefields, Canal Quarter) Ineffective Project Management of major projects leads to delay increased costs resulting in failure to regenerate borough | 4 | 3 | 12 | <ul style="list-style-type: none"> • Individual Project Management Groups • Project Teams • Performance Management Reports • Partnering Arrangements • Project Management Training for officers | 3 | 2 | 6 | Dick Tregear | 6 monthly | <p>Progress continues to be made with all projects. Careful attention is paid to budgets in the light of changes arising from reduction in allocations from Central Government and NWDA.</p> | 5.11.10 |
| 8 | Joint Venture for Daresbury Science and Innovation Park | 4 | 2 | 8 | <ul style="list-style-type: none"> • Positive co-operation with public sector partners (STFC and NWDA) & new JV | 4 | 1 | 4 | Dick Tregear | 6 monthly | <p>A JV Partner has now been chosen. Consultant solicitors and property experts</p> | 5.11.10 |

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|---|---|---|---|----|---|---|---|----|---------------|-----------|---|---------|
| | Joint Venture.....continued | | | | <ul style="list-style-type: none"> private sector partner. Establishment of contract management systems | | | | | | continue to provide advice. | |
| 9 | Building Schools for the Future and Primary Capital Programme Delivery of two new builds (Wade Deacon and The Grange Schools) needs to be on time and to budget | 4 | 3 | 12 | <ul style="list-style-type: none"> Preferred Bidder appointed 2.12.10 (LTP) BSF Team reduced to reflect size of BSF Programme; appropriate number of days secured Warrington BC withdrawn from programme | 3 | 4 | 12 | Gerald Meehan | 6 monthly | <ul style="list-style-type: none"> New Academy (Ormiston Bollingbroke) open September 2010 Preferred Bidder for BSF Sample Schools appointed Very small team in place to deliver the two schools | 5.11.10 |

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|----|--|---|---|----|--|---|---|----|---------------|-----------|--|--|
| 10 | Corporate Capacity Inability to support major projects due to: - capacity - capability - resources - finances - Inability to recruit key staff with appropriate skills leading to the potential of delivery failure or delay. | 4 | 4 | 16 | - Active Project Management (e.g. PRINCE) - Early identification & Intervention - Training & Development - Recruitment arrangements - Partnership working - People Strategy | 4 | 3 | 12 | D. Parr | 3 months | People Strategy and workforce strategies completed and kept under review. Tailored training programmes put on for senior managers to help them to manage and deliver change. IIP accreditation renewed | 5.11.10 |
| 11 | I.T. 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 | • Disaster recovery plan • Business Continuity Plan • Review information governance and security strategies | 4 | 2 | 8 | Ian Leivesley | 6 monthly | • The continued development of the Joint venture offsite recovery centre based at Redcar Borough Council over 160 miles away. • The development of virtualised application servers allowing greater resilience and restore in the case of outage. • The development of SAN to SAN off site replication, protecting valued data assets. | Phase 1 completed October 2010. Ongoing development Continuous process as part of the ICT Strategy October 2011 |

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| | I.T continued | | | | | | | | | | <ul style="list-style-type: none"> • The continued development of backup solutions and services. • The continued centralisation of all data assets within the 2nd data centre <p>Compliance with the Code of Connection hardware, network and data security standards, strategies and governance standards</p> | <p>Continuou s process</p> <p>Continuou s process</p> <p>Complianc e with v4.1 June.</p> <p>Continuou s process</p> |
| 12 | Human Resources – 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"> • Health and Safety Policy • Stress Risk Assessments • Absenteeism procedures • Occupational Health Service • “Preparing for Change” Training Courses | 3 | 2 | 6 | Ian Leivesley | 3 monthly | <p>New organisational development group established to bring together and take a strategic overview of workforce planning, flexible working staff development activities. IIP re-accreditation</p> | 5.11.10 |

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|----|---|---|---|----|---|---|---|---|--------------------------------|-----------|--|---------|
| 13 | <p>Waste Failure to develop a cogent Waste Management Strategy leads to a failure to meet Government</p> <p>Targets resulting in increased cost of waste disposal (impacting on the Council's ability to deliver other services)</p> | 4 | 4 | 16 | <ul style="list-style-type: none"> • Development of a Joint Waste Strategy • Formal local authority and private sector partnership • Close engagement with MWDA • Effective Management of agreed Project Plan • Consultation with key stakeholders • Review at Regular Intervals. | 3 | 3 | 9 | Dick Tregoe | 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. | 5.11.10 |
| 14 | <p>Government (etc.) Intervention</p> <p>Rapid change resulting from new coalition policies combined with severe budget cuts may prevent us from delivering local priorities.</p> | 3 | 3 | 9 | <ul style="list-style-type: none"> - Influence policy development - Lobbying - Working relationships and networking - Political management - Prioritisation - HiR Group - Horizon scanning | 3 | 3 | 9 | D. Parr | 6 months | Good political and other networks seeking to influence policy development and legislation | 5.11.10 |
| 15 | <p>Community Cohesion Failure to support cohesive communities leads to tension and polarised communities lacking in integration, engagement and civic pride.</p> | 4 | 2 | 8 | <ul style="list-style-type: none"> • Service Plans Equality Impact Assessments extended to cover community cohesion factors • Data set of performance indicators defined by Audit | 4 | 1 | 4 | Dwayne Johnson / Ian Leivesley | 6 monthly | The Council has agreed a new Equalities framework and Impact Assessment process this now underpins our commitment to Equalities. In addition a new Sustainable Communities Strategy | 5.11.10 |

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|----|---|---|---|----|--|---|---|---|----------------|----------|--|---------|
| | Community Cohesion continued The Council needs to take a leadership role with local partners in addressing equality, diversity and cohesion for the Borough. | | | | Commission as a result of cohesion baseline assessment established & embedded in performance monitoring | | | | | | is out for consultation and this will assist with further developments in this area. | |
| 16 | Resilience Planning – 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 | 5.11.10 |
| 17 | Crime & Disorder and Safeguarding Adults 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"> Ensure regular outcome and performance reports are submitted to the CDRP Board. Regularly review finance commitments and identify opportunities to be more efficient and attract new funding opportunities. | 2 | 3 | 6 | Dwayne Johnson | 6months | The Council has recently been Inspected by the Care Quality Commission and they have awarded the Council an 'excellent' classification in their assessment framework. | 5.11.10 |

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|----|--|---|---|--------------------|--|---|---|----------|---------------|----------|---|---------|
| 18 | Fraud Failure to adopt effective counter fraud and corruption measures could result in fraudulent activity going undetected resulting in a reduction in the resources available to the Council | 4 | 4 | 16 HIGH | The Council's system of internal control Standing Orders relating to Finance and Procurement The work of Internal Audit The work of the Benefits Investigation Unit The Anti-Fraud and Anti-Corruption Strategy The Fraud Response Plan The Confidential Reporting Code (Whistle blowing Policy) Employee Code of Conduct The Scheme of Delegation Communication systems to raise awareness of the risk of fraud. | 4 | 2 | 8 Med | Ian Leivesley | Annually | Specific counter fraud reviews in the Internal Audit Plan 2010/11 Further fraud awareness training Continued adoption of best practice, e.g. Fraud Risk Evaluation Diagnostic (FRED) Introduction of Fraud Bulletin in 2010/11 Continued participation in the National Fraud Initiative | 5.11.10 |
|----|--|---|---|--------------------|--|---|---|----------|---------------|----------|---|---------|

REPORT TO: Business Efficiency Board

DATE: 19 January 2011

REPORTING OFFICER: Strategic Director - Resources

SUBJECT: Procurement Strategy 2010 - 2013

WARDS: Boroughwide

1.0 PURPOSE OF THE REPORT

1.1 To seek the Board's approval of the revised Procurement Strategy and Delivery Plan 2010 - 2013.

2.0 RECOMMENDED: That the Board approves the Procurement Strategy and Delivery Plan for 2010-2013

3.0 SUPPORTING INFORMATION

3.1 This is the first Strategy developed by the recently formed Procurement Centre of Excellence. It sets out how by bringing procurement skills together into one place it will help the Council deliver its priorities as well as support the local economy

3.2 The newly formed Division will be a vital source of support and technical expertise which will continually review the way in which procurement can be delivered to secure ongoing reductions in spend.

4.0 POLICY IMPLICATIONS

4.1 The implementation of the strategy will support the effective delivery of Council's services.

5.0 OTHER IMPLICATIONS

5.1 Savings realised through more efficient procurement can be re-directed into supporting front line and priority services.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 The Strategy recognises the impact that Procurement can have on each of the Council's priorities and seeks wherever possible to maximise opportunities to achieve them.

7.0 RISK ANALYSIS

- 7.1 Implementation of the strategy will minimise contract failures that could result in financial loss and damage to the Council's reputation and credibility. Additionally it will minimise the risk of legal challenge under EU rules.

8.0 EQUALITY AND DIVERSITY ISSUES

- 8.1 The Council is committed to providing an inclusive environment in respect of procurement opportunities to all potential suppliers including those from small and medium enterprises and the voluntary and community sector. This will be achieved by improving the transparency of the Council's procurement processes.

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

- 9.1 None under the meaning of the Act.



Halton Borough Council
Procurement Strategy
April 2010 - 2013

A large, light blue circular diagram is centered on the page. It consists of three curved arrows forming a circle, pointing clockwise. The top-left arrow is labeled 'PEOPLE', the top-right arrow is labeled 'PROCESS', and the bottom arrow is labeled 'PARTNERSHIP'. The diagram is semi-transparent and serves as a background for the title text.

Version control record

| Version | Date | Purpose / change | Circulation / Publication |
|---------|-------------|---|--|
| v1.0 | August 2010 | First draft | |
| V6.0 | 11.11.10 | Final draft | Chief Officers and Executive Board Member for Resources. |
| V7.0 | 29.11.10 | Amendments made by MF and Cllr Wharton, changes to delivery plan (Appendix A) | |
| V8.0 | 21.12.2010 | Final draft to Business Efficiency Board January 2011 | BEB Members |

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Foreword by Councillor Mike Wharton

I am pleased to introduce the first Procurement Strategy developed by the newly formed Procurement Centre of Excellence which takes Halton into a new decade where business efficiency is a key focus for the Council and its partners.

The people of Halton deserve the best quality services from their local Council, which we are striving to deliver at the best value for the organisation. Our aims are to deliver intelligence-led procurement decisions that provide high quality, value for money and that help to support our local economy. These aims are at the heart of this strategy

In further pursuing opportunities for organisational effectiveness and efficiency the Council has implemented a number of revised structural arrangements including the establishment of a Procurement Centre of Excellence. This Procurement Division will provide a source of support and technical expertise and will continually review the way in which procurement is, and can, be delivered to secure ongoing spend reductions.

The Council is committed to providing an inclusive environment in relation to procurement opportunities to all potential suppliers including those from Small and Medium Enterprises. This will be achieved through improving the transparency of our procurement opportunities and by removing unnecessary barriers and waste by streamlining the procurement process.

In achieving these goals the Council is committed to the use and exploitation of electronic information technologies to provide accessible and cost effective procurement solutions. This will include the extensive use of an e-tendering system (The Chest) to advertise trading opportunities as and when they arise and allow suppliers to register an interest with trading with the Council

The strategy defines the key objectives that will govern and progress our procurement activity for the next three years. These address not just statutory requirements around value for money, equality and diversity and sustainability but also aspirational goals linked to our Corporate Plan and Community Strategy working with our partners to improve the prospects and life experiences of local people.

I commend this strategy to stakeholders, staff and all who seek to support Halton in building a better future for the Borough.

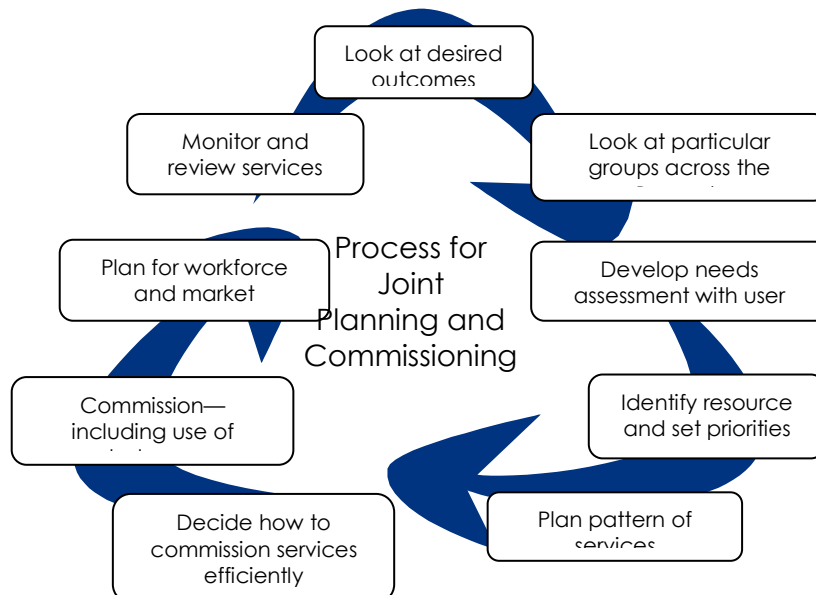


Cllr Mike Wharton,
Executive Board Member for Resources

Executive Summary

The Council will continue to develop its procurement processes in order to ensure that they are transparent, supportive and robust. Additionally it will continue to build organisational capabilities, knowledge and expertise to ensure that environmental impact and cost are minimised, through for example embracing e-commerce and electronic trading solutions. This strategy however will not lose sight of those enterprises that have yet to embrace such technologies as a means of doing business for example by eliminating or simplifying bureaucratic processes and widely communicating tender opportunities within the market.

This strategy will build upon the Council's strong foundation of effective commissioning¹ that has been developed in previous years. It sets out the Council's approach to strategic procurement, for both internal and external stakeholders, and provides a clear route map to delivery over the medium term.



The intelligence gathered through **strategic procurement** is essential to commissioning decision-making. It will contribute in particular to Stages 4, 6, 8 and 9 outlined above.

This implementation of this strategy will primarily support the delivery of the Council's strategic priorities by contributing to making Halton a thriving borough with employment opportunities (Urban Renewal / Employment Learning and Skills) and through reducing the cost to the Council of acquiring its goods, services and works (Corporate Effectiveness and Efficient Service Delivery).

¹ Commissioning involves the entire cycle of needs assessment, service design and acquisition, and the ongoing management and monitoring of delivery.



This strategy identifies a series of key actions and outcomes, which will be subject to annual review and refresh, along with a timeframe for their delivery. This will provide a framework and co-ordinated methodology through which the Council will provide a sustainable and robust solution to meet its procurement needs.

Operating Context and Legislative Framework

Procurement remains a key factor in delivering a more efficient and effective local government service. It is not just about obtaining value for money, but also ensuring that we act in such a way as to support the wider government agenda and the effective delivery of local services.

In light of the current and medium-term economic climate all public sector organisations will face increasing fiscal constraint. This has significant implications in terms of getting procurement right in that, for example:-

- ✓ It can play a critical role in supporting the delivery of organisational / partnership priorities and the improvement of public services.
- ✓ Savings realised through more efficient procurement can be redirected into supporting front line and priority services and mitigating against the affect of a diminishing resource base
- ✓ Contract failures can result in financial loss and damage to the authority's reputation and credibility. Additionally authorities' remain open to legal challenge under EU Rules.

In addressing these issues the Council established a Procurement Centre of Excellence in April 2010 which in addition to delivering the economic benefits of reduced operational costs; this approach allows the development of a functional base of expertise and a more consistent and concerted approach to developing and implementing more effective procurement processes.

Combined with the service specific expertise of specialist officers within each of the Council's four Directorates, these revised structural arrangements will deliver sustainable long-term benefits to both the organisation and the community that it serves.

High value procurement activities are subject to 2006 EU Procurement Rules, which provide for equality of opportunity across the European Union, and the Council believes that the same principle of transparency applies equally to all procurement opportunities regardless of cost.

In taking account of such issues the Council will continue to adopt and develop processes that integrate fairness in competition, engagement with the whole supply community, and take account of sustainability and regeneration and to uphold the principles of equality and diversity within the national workforce.

The increasing use of e-tendering and our website to advertise trading opportunities is now being embedded into current business practice. We will ensure that our own web pages

www.halton.gov.uk/content/business/procurement provides signposts to

useful links that will enable businesses to more easily trade with us, and to our regional local government partners.

Procurement Standing Orders and Financial Regulations in the Council Constitution set out the principles, values thresholds and corporate rules to which both members and officers must adhere, when carrying out procurement activity. The Procurement Standing Orders have recently been reviewed in light of Government directives to promote transparency of spend above £500 and to publish such data as well as contracting and tendering opportunities.

Purpose and Underlying Principles

The primary purpose of this strategy is to establish a clear corporate strategy through which those working for, or on behalf of, the Council can align activity to the delivery of the council's business and community priorities.

Additionally it is intended as a vehicle to communicate this strategy and the principles upon which it has been founded to all primary stakeholders.

In so doing the strategy will provide a point of focus and allow the opportunity to develop and strengthen relationships between such groups and lay the foundation for the collaborative pursuit of a shared and common understood ambition.



Additionally it will explain, in organisational terms, the new roles, responsibilities and relationships that will need to become embedded in daily practice order to ensure the effective and robust delivery of both the strategy itself and the related strategic priorities of the Council.

The four basic principles that have underpinned this strategy are:-

1. Probity & Compliance

Inclusive of accountability, legal process, openness and transparency.

2. Value for Money

Procurement decisions take account of both whole life cost (economy), and quality (effectiveness) to secure efficiencies.

3. Innovation

Encourages constructive challenge and engages both the customer and the central support team at the earliest stages of the process.

4. Fair Competition

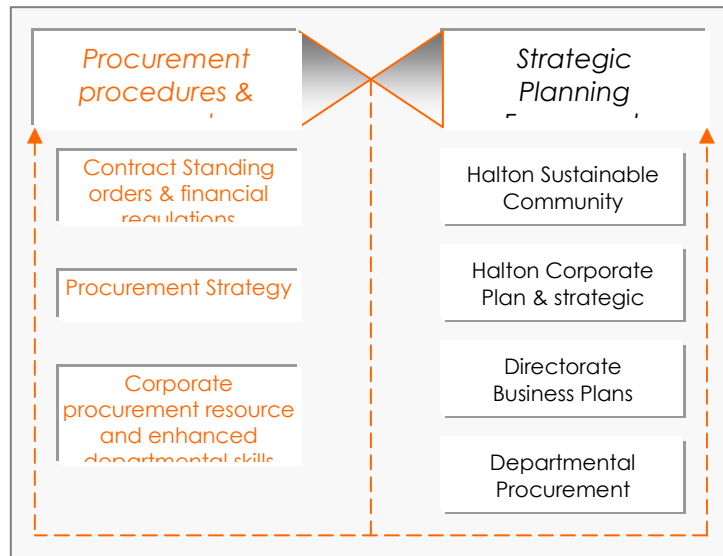
Provides fair access to information and is supportive of equality and diversity and sustainable procurement solutions.

Applying such principles will ensure that procurement practice remains cohesive and that decision making processes continue to be informed and intelligence-led.

Strategic Integration

The Council has for some time had in place an effective strategic planning framework which facilitates the development of its community focussed and organisational priorities and ensures synergy with the wider planning requirements of the organisation.

The diagram opposite illustrates the relationship between this framework and the organisations mechanisms that will ensure that effective procurement practice remains an integral element of the organisations business planning arrangements.



Establishing a Procurement Centre of Excellence will allow the

Council to combine functional expertise with the specialist expertise of direct service providers within the organisation. Such an approach will enhance both the consistency and quality of procurement decisions whilst minimising the operating costs for the authority.

This collaborative approach will also ensure that through the cross-fertilisation and sharing of expertise and knowledge that the authority's procurement arrangements remain sufficiently robust whilst retaining the necessary degree of flexibility to respond to future changes within the operating environment.

The Council's strategic priorities of Urban Renewal and Employment Learning and Skills will be supported by this strategy through the proactive engagement of the local business community to enhance their ability to compete fairly for contracts with the Council. This will be facilitated through, for example, the roll out of e-tendering and will be supported by the Halton Chamber of Commerce.

Furthermore the implementation of the strategy will make a significant contribution to the Council's priority of Corporate Effectiveness and Efficient Service delivery through effective spend management and cost reduction and outcome focussed contract award and management.

There is also recognition of the relationship to wider policy issues and delivery mechanisms and the need for integration with, for example; the work of the Employment, Learning and Skills Specialist Strategic Partnership, Halton Carbon Management Scheme, joint working with the Merseyside Procurement Board and local joint commissioning strategies.

Partnerships and Collaboration

Value for money can be gained by working in partnership across the Council but also with other organisations, both in terms of using a mixed economy of providers, pooling resources, one procurement exercise and also being open to innovative ways of working.

Within the region, Halton works with the North West Improvement and Efficiency Partnership, and other regional network groups, to address issues around improving value for money through better engagement with other public sector bodies.

This provides the scope for joined up commissioning and procurement using pooled budgets to provide a robust service by the partners to discharge their functions in the best interests of joint clients.

Halton has strong links with other purchasing organisations and particularly with the Mersey City Region. As a member of the Merseyside Procurement Board, we are engaged in a programme, which is not only delivering value for money on collaborative contracts, but also looking at how we can work together to use common approaches and access to procurement opportunities within the region and beyond.

Regionally there are links to wider collaborations and to social enterprise groups, to promote better understanding of ways in which we could work together. The Merseyside Procurement Board partners interact with a developed network of representative bodies and supporting organisations aimed at improving procurement training and opportunities for their members. Organisations such as Merseyside Improvement and Efficiency Partnership (MIEP) also serve as a link with local partners to improve their understanding of this sector of the supply market. A common supplier portal (The Chest hosted by Due North) has been adopted by the members of the Merseyside Procurement Board to enable the supplier community to access all advertised local authority opportunities within the region, via a single contact point.

The Council is committed to forging a strong relationship with Halton Chamber of Commerce and as outlined in the Procurement Delivery Plan (Appendix 1) will work with the Chamber to promote new improved ways of working with the local business community to access trading opportunities more effectively. To achieve this, a series of workshops will be scheduled to guide and support local businesses in the tender process.

Corporate Social Responsibility

The Council is fully committed to ensuring that it maintains high ethical standards in all that it does. It places a priority not simply on the short-term interests of the organisation but on the longer-term interests of all of the organisations stakeholders and the wider community as a whole. In particular this strategy and its associated implementation plan take account of both environmental sustainability and equality and diversity issues.

Sustainability and Economic Development

The Council requires that its procurement decisions are founded upon the basis of the Most Economically Advantageous Tender (MEAT). This involves the consideration of the whole life costs of purchases and acquisitions. Lowest price, whilst an important factor, should not be the sole basis for awarding a tender or entering into a contract agreement. This approach allows the full consideration of environmental policies and impacts, employment issues and other relevant criteria when awarding a contract.

The Council will continue to encourage and promote environmentally friendly procurement practice in accordance with its priorities to support the minimisation of waste and maximisation of recycling and the ongoing protection and improvement of environmental assets.

The Council is presently developing a Sustainable Procurement Strategy and is working towards Level 3 of the Flexible Framework on Sustainable Procurement. Halton is part of the Merseyside Procurement Board and endorses and supports the collaborative Sustainable Procurement Policy, which aims to set a single standard within the region.

In pursuit of such principles the Council will continue the expansion and use of e-procurement solutions and promote the integration of environmental criteria within the tendering process.

Equality and Diversity

The Council remains committed to ensuring equality of opportunity and provision within all aspects of service delivery, policy development and employment practice. This commitment is reflected within a range of policies, including the Single Corporate Equality Scheme, strategies and documents that underpin the work of the organisations business operations.

This commitment forms an intrinsic component of the procurement practices adopted by the Council who will use its position and influence as a community leader in overcoming discriminatory barriers.

This is achieved for example through:-

- The inclusion of equality related gateway questions within the pre-qualification process. This ensures that only those providers with appropriate equality credentials can proceed to the bidding stage. Additionally it provides the opportunity for constructive comment to be fed back to organisations to encourage their consideration of such issues within their business environment.
- Representation from the Procurement Centre of Excellence within the Corporate Equality and Diversity Group to ensure that areas of good practice / emerging issues are recognised at an early stage and appropriate responses developed.

Primary Roles and Responsibilities

The successful execution of this strategy will be dependent upon the contribution of and collaboration between a number of key players throughout the organisation. In order to ensure that there is a common understanding of expectations it is considered helpful to identify the particular roles of those individuals and groups identified below.

Elected Member / Senior Officer Representation

A Member of the Council's Executive Board, along with the Strategic Director (Resources Directorate), have been identified as Member and Officer Leads for procurement within the organisation. Their role will involve providing visible senior support and acting as 'champions' in driving the procurement agenda forwards into the future through advocacy and the appropriate allocation of resources.

Strategic Support

The Senior Management Team of the Council have endorsed the role and methodology presented by the Head of Procurement to firstly rollout the use of The Chest – Due North across all trading activity, where appropriate across the Council. Secondly, Senior Management will support evidence based initiatives which will further embed good practice leading to further efficiencies and savings fore the Council.

Procurement Centre of Excellence

The Centre of Excellence will lead, support, and enable the use of spend management profiles as a means of developing more robust and effective procurement processes across the organisation. It will play a pivotal role in identifying areas for improvement and in building internal and external relationships between customers and potential suppliers. It will also take lead

responsibility for ensuring that procurement activity remains consistent with the organisations ethics and corporate social responsibilities.

The work of the Centre will also underpin the Council's efficiency agenda and drive change in order to provide financial security for the Council through the ongoing monitoring and reporting of procurement related initiatives and the achievement of planned outcomes.

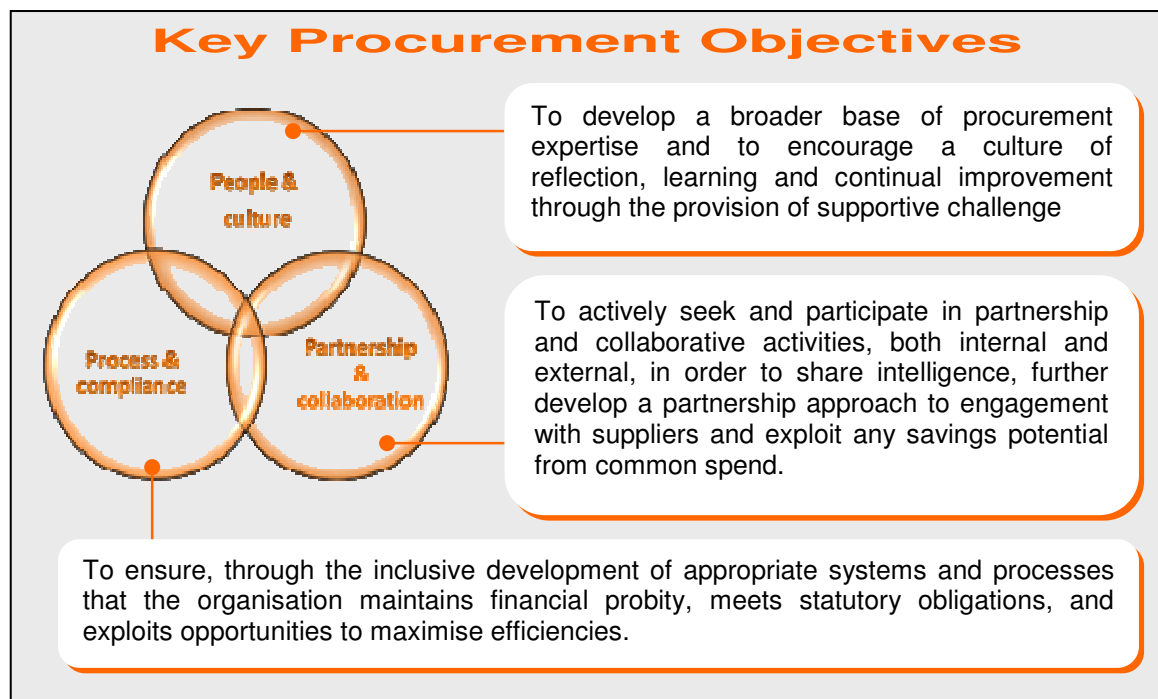
Directors, Divisional Managers and Key Buyers

This key group of Officer's will have a responsibility to work in collaboration with the Centre of Excellence to ensure that good practice is adopted and shared throughout the organisation. In addition there is an expectation that this group will play a full and active part in the development and delivery of new initiatives that will form part of the ongoing efficiency agenda.

Developing Actions and Strategy Implementation

In developing this strategy consideration has been given to both embedded actions and practices and the identification of further actions that will be required in order to maximise the impact of procurement operations in terms of both efficiency and service delivery.

In order to provide clarity and direction, the following primary objectives for the Centre of Excellence have been developed around the three interrelated practice perspective of people, process and partnership. Developing actions across each of these perspectives will ensure that our approach remains multidimensional and offers the greatest scope for building sustainable change within the organisation.



Management, Monitoring and Reporting

The effective implementation of this strategy and its associated delivery plan will form the basis for the development of a performance monitoring system. As such a number of processes have been established, and will be developed, in order to monitor the progress that is being made which include:-

- Business Efficiency Board quarter monitoring.
- Financial Quarter Monitoring Report.
- Quarterly Report Chief Officers – Procurement Report.

Procurement Delivery Plan

This strategy forms the foundation for action and the delivery of outputs that will lead to more efficient and effective business processes that ultimately deliver positive outcomes for a range of stakeholders, including the wider community of the borough.

This delivery plan identifies specific actions within each of the three practice perspectives. In progressing this initiative the Procurement Centre of Excellence will also, in more general terms, have lead responsibility for:-

- Providing direct support and leadership across the organisation and encouraging a more robust consideration of spend management through extending the development, use and analysis of expenditure profiles and other performance metrics
- Proactively engaging with internal and external partners and networks and ensuring that MEAT² principles are applied consistently in order to secure value for money.
- Embedding the Flexible Framework on Sustainable Procurement, promoting trading opportunities for the whole supply community, and encouraging innovation and competition within the supply market.
- Maximising and promoting the benefits of e-procurement solutions to stimulate electronic trading through service redesign, knowledge generation and sharing, and providing transparency and accountability in procurement activity.

Appendix 1 provides a more detailed series of actions within each of the three practice perspectives along with a timeframe for their implementation.

² Most Economically Advantageous Tender

Key Contacts and Feedback

Key Contacts:

Should you require any additional information or advice in relation to procurement please contact:

Head of Procurement:

Lorraine Cox – 0151 471 7330 Lorraine.Cox@halton.gov.uk

Category Managers:

Ashley McDonald – 0151 906 4813 Ashley.McDonald@halton.gov.uk

Elaine Roberts-Smith – 0151 906 4813 Elaine.Roberts-smith@halton.gov.uk

Matt Fearnhead – 0151 906 1522 Matt.Fearnhead@halton.gov.uk

Susan Shaw – 0151 906 1522 Susan.Shaw@halton.gov.uk

Generic Enquiry Email:

Procurement@halton.gov.uk

Feedback:

The Council encourages a participative approach to its strategy development activities. As such if you have any comments concerning this document, in terms of both content and format, or wish to request the information in alternative formats please contact the Head of Procurement.

For the purpose of this Strategy: **Procurement** is defined as those specific activities that focus upon the process of buying goods, services or works from the point at which the supply community is alerted to a need or an opportunity, through to the final contract arrangements being agreed.

Delivery Plan

Key Objectives: *To lead and direct the Council in embedding and further improving organisational procurement processes and systems to ensure that they remain cohesive, robust, and focussed upon the ongoing realisation of efficiencies.*

To develop, review, inform and challenge organisational and departmental expenditure profiles and other analytical approaches in order to exploit spend reduction opportunities.

To actively seek and participate in partnership and collaborative activities, both internal and external, in order to share intelligence, expand the procurement knowledge base and exploit any savings potential from common spend

| Action | Timeframe | Purpose / Outcome |
|---------------|------------------|--------------------------|
|---------------|------------------|--------------------------|

People

| | | | |
|---------------|---|--------------------------|---|
| People | Presentation to:- Chief Officers Management Team | July 2010 | To begin and lead the process of change management and to secure visible senior leadership and political support and enhance the understanding of and commitment to new working arrangements across all levels of the organisation. |
| | Elected Members | November 2010 | |
| | Senior Leadership Team | Quarterly from July 2010 | To secure commitment to engage with the central support team, establish regular meetings and develop work plans. |
| | Briefings to Directorate Management Teams | September 2010 | |
| | Briefings to wider workforce | Commencing December 2010 | To ensure synergy and integration of procurement activity across the organisation. Develop a wider understanding of how procurement can drive savings. |
| | Collaborate and share information knowledge with finance teams in relation to the realisation of spend reduction through the Councils budget process. | Commencing November 2010 | |
| | Develop budget holders understanding and appreciation of improved procurement practice through training and direct support. | Commencing November 2010 | Achieve budget reductions to reflect savings identified. |
| | Identify trading opportunities for the Procurement Centre of Excellence through trading / collaboration activities both internal and with external Public Sector bodies | December 2010 | Income generation streams identified |

Delivery Plan

| <i>Action</i> | <i>Timeframe</i> | <i>Outcome</i> |
|----------------------|-------------------------|-----------------------|
|----------------------|-------------------------|-----------------------|

Process

| | | | |
|-----------------------|--|---------------------------|---|
| <i>Process</i> | Revise and promote the use of standard procurement documentation including pre qualification questionnaires | By December 2010 | <p>Development of a risk-based implementation based on value and priority and increase the number of suppliers registered</p> <p>Coherent approach developed and embed across the authority Expansion of e-procurement solutions, promotion and integration of environmental criteria within the tendering process</p> <p>Provide opportunities to challenge and improve practice in order to secure spend control and reduction opportunities</p> <p>Officers more aware of procurement options ensuring the application of best practice and achievement of value for money.</p> <p>Provide opportunities to challenge and improve practice in order to secure spend control and reduction opportunities.</p> <p>Officers more aware of procurement options ensuring the application of best practice and achievement of value for money.</p> <p>Reduction in duplication and administration leading to improved contact management and greater efficiency.</p> |
| | Embed the use of The Chest (hosted by Due North) e-tendering solution across all trading activity within the Council | Commencing September 2010 | |
| | Develop the use of the Marketplace system (On line catalogues, standard product lists and e invoicing) | Commencing November 2010 | |
| | Develop a protocol for procurement activity | Commencing December 2010 | |
| | Develop a Sustainability Strategy to comply with the national SPTF/ Flexible Framework? | November 2010 | |
| | Review organisational procurement / process, produce spend analysis and establish category approach to work allocation in order to review spend themes. | Commencing November 2010 | |
| | Reduce waivers to standing orders through the review, guidance and challenge | Commencing August 2010 | |
| | Develop the awareness and use of Core Contracts, Frameworks through internal promotion | Commencing December 2010 | |
| | Promote opportunities for improvement and celebrate good practice and impact through a process of publication, promotion and review | Commencing September 2010 | |
| | Review spend intelligence in line with standing Order financial thresholds in order to prioritise support across the Council focusing on risk in addition to low value spend | Commencing October 2010 | |

Delivery Plan

| <i>Action</i> | <i>Timeframe</i> | <i>Outcome</i> |
|---------------|------------------|----------------|
|---------------|------------------|----------------|

Partnership

| | | | |
|--------------------|---|--------------------------------------|--|
| Partnership | Strengthen the links with national and regional purchasing organisations/groups and other public sector bodies | Commencing August 2010 | Improving value for money through collaboration and achievement of common approaches |
| | Further develop the relationship with Halton Chamber of Commerce and promote The Chest e-tendering solution to local businesses by delivering a series of local briefings and workshops | Ongoing programme from November 2010 | Increase the number of local businesses registering with the Chest and improve trading opportunities with the Council. Additionally, promote the procurement objectives of the Council and enhance the transparency of such opportunities to suppliers of goods and services |
| | Support local third sector and voluntary organisations (The Big Society) in how to tender more effectively and promote collaborative working within the sector | Commencing January 2011 | Improvement in local voluntary and community sector engagement within the Council's procurement activity |
| | Review spend opportunities to work collaboratively with Halton Borough Council | Commencing November 2010 | Joint contracts established and economies of scale to realise savings |

REPORT TO: Business Efficiency Board

DATE: 19 January 2011

REPORTING OFFICER: Operational Director – Finance

SUBJECT: Progress with the Implementation of International Financial Reporting Standards (IFRS)

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To provide the Board with an update of progress with the implementation of International Financial Reporting Standards (IFRS).

2.0 RECOMMENDED: That the report be noted.

3.0 BACKGROUND

3.1 The Council will be required to prepare its Statement of Accounts (The Abstract) for the year ended 31 March 2011, on the basis of International Financial Reporting Standards (IFRS) in compliance with the IFRS Accounting Code of Practice (IFRS Code).

3.2 In order to prepare the 2010/11 year-end accounts on this basis, it is necessary to restate the 2009/10 accounts in order to provide comparative figures and also to restate the 2008/09 balance sheet to provide the opening balances.

3.3 The implications of compliance with the IFRS Code are wide-ranging and affect all areas of the Council. In future, additional information will be required from all Directorates in order to prepare the year-end accounts in accordance with the IFRS Code and therefore systems will need to be in place to gather appropriate information.

4.0 RESTATEMENT OF THE 2009/10 ACCOUNTS

4.1 A significant amount of information has been gathered relating to those areas of the accounts which are affected by the introduction of the IFRS Code. As outlined in previous progress reports to the Board these areas include in particular leases, property valuations, and annual and flexi-leave balances. The accounting treatment of these items has been adjusted in accordance with the requirements of the IFRS Code. Similarly, a number of other areas of the accounts including government grants, debtors, creditors and group accounts have also been reviewed and accounted for in accordance with the Code's requirements.

4.2 As a result, the key financial statements within the 2009/10 Abstract of Accounts have now been restated onto an IFRS basis, along with the supporting notes to the accounts. Working papers have also been prepared which map all of the changes made, to enable them to be reviewed by the Audit Commission.

5.0 CHANGES TO ACCOUNTING POLICIES AND THE CONSTITUTION

- 5.1 In order to restate the 2009/10 accounts on an IFRS basis it has been necessary to update the Council's Accounting Policies. These will be presented to the next meeting of the Board and will then be used as the basis for preparing the 2010/11 year-end accounts.
- 5.2 It has also been necessary to make certain changes to Standing Orders Relating to Finance within the Council's Constitution, such as the section relating to leases which includes the definition of finance and operating leases. These changes are being made as part of the current annual review of the Constitution.

6.0 AUDIT COMMISSION REVIEW

- 6.1 Whilst there is no formal requirement for the Audit Commission to audit the restated 2009/10 accounts, the Audit Commission have agreed to review the restated accounts and supporting working papers during January 2011. This will enable a shared understanding and agreement to be reached, which will provide a sound starting point for preparation of the 2010/11 year-end accounts on a full IFRS basis.
- 6.2 The outcome of the Audit Commission's review of the 2009/10 restated accounts will be reported to the next meeting of the Board.

7.0 NEXT STEPS

- 7.1 Following the review of the 2009/10 accounts by the Audit Commission, work will begin to plan for the preparation of the 2010/11 accounts on a full IFRS basis. This will include ensuring that systems are in place to gather and maintain information required for preparation of the accounts, such as those in respect of leases, land and property valuations, annual and flexi-leave balances, and contractual arrangements.
- 7.2 The draft 2010/11 Abstract of Accounts will be presented to the Board during June 2011, prior to which Members will be briefed regarding the implications of the IFRS Code upon the draft accounts. The Audit Commission will present the findings from their audit of the 2010/11 accounts during September 2011.

8.0 POLICY AND OTHER IMPLICATIONS

- 8.1 None.

9.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 9.1 There are no direct implications.

10.0 RISK ANALYSIS

- 10.1 If the transitional requirements for the implementation of the IFRS regime are not met, the Council will fail to meet its statutory obligations in terms of the accounting requirements for the 2010/11 final accounts.

10.2 The IFRS Project Implementation Plan has been risk assessed in terms of the key actions, to ensure they are prioritised and properly resourced during the implementation process.

11.0 EQUALITY AND DIVERSITY ISSUES

11.1 None.

12.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1072

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

REPORT TO: Business Efficiency Board

DATE: 19 January 2011

REPORTING OFFICER: Operational Director – Finance

SUBJECT: Audit Commission 2009/10 Annual Grant Claim Report

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the Audit Commission's report following the audit of 2009/10 grant claims.

2.0 RECOMMENDED: That the Audit Commission's report presented at Appendix 1 be received.

3.0 BACKGROUND

3.1 The District Auditor will attend the meeting to present the Audit Commission's findings following the audit of 2009/10 grant claims, the report of which is shown in Appendix 1.

4.0 POLICY AND OTHER IMPLICATIONS

4.1 None.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 There are no direct implications.

6.0 RISK ANALYSIS

6.1 There are no direct risks involved with this report, however, the Audit Commission's work assists the Council in ensuring that a sound control environment is operated which minimises financial risks.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1072

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

Our reference HA003

21 December 2010

The Members
Halton Borough Council
Kingsway
Widnes
WA8 7QF

Direct line 0844-798-7043
Email m-thomas@audit-
commission.gov.uk

Dear Ladies and Gentlemen

2009-10 Annual Claims and Returns report

Halton Borough Council receives a significant amount of funding from various grant-paying departments. The grant-paying departments attach conditions to these grants and the Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant grant conditions have been met.

For 2009/10, to date, my audit team have certified 7 grant claim returns with a total value of £127 million. Of these, we carried out a limited review on 6 claims and a full review on 1 claim. I am pleased to report that:

- none of the claims were amended in any significant way;
- we were able to fully certify all returns; and
- we identified no issues in relation to the control environment for claims and returns to grant paying departments.

These results reflect the efforts made by the Council to improve the grant preparation process across all claims that require certification. In particular, the Housing and Council Tax Benefit claim has continued to reflect high standards of preparation and accuracy with only one very minor amendment required as a result of my audit team's testing.

There is one overdue NWDA grant for £1,155,630 which has not yet been submitted for certification by the Council. We expect to certify this during January 2011.

Appendix 1a below sets out a full summary of the claims reviewed. Appendix 1b below provides a brief explanation of the certification regime including the difference between a limited and a full review.

As at the end of December 2010 my audit fee for the certification of the Council's grant claims totalled £35,000 (estimated).

Yours sincerely

Michael Thomas
District Auditor

Appendix 1a: Summary of 2009/10 Certified Claims

| Claim | Value £ | Adequate control environment | Amended | Qualification letter |
|--|--------------------|---|-------------------|---------------------------------|
| Housing & Council Tax Benefit (BEN01) | 59,051,053 | Yes | Yes | No |
| General Sure Start (EYC02) | 7,194,432 | Yes | Yes | No |
| National non-domestic rates return (NNDR3) | 44,575,566 | Yes | No | No |
| Teachers Pension Fund (PEN05) | 8,312,584 | Yes | No | No |
| NWDA Single Programme – Bayer Crop Science (RG34) | 5,800,390 | Yes | Yes | No |
| NWDA Single Programme – EDZ Widnes Waterfront (RG34) | 1,199,108 | Yes | Yes | No |
| NWDA Single Programme – 3MG (RG34) | 1,155,630 | Not yet certified | Not yet certified | Not yet certified |
| Disabled Facilities (HOU21) | 453,000 | Yes | Yes | No |

Appendix 1b: Background

The income received from grant paying departments by the Council is significant so it is important that the grant certification process is properly managed. In particular this means:

- an adequate control environment for each claim and return ; and
- ensuring that the Council can evidence that it has met the conditions attached to each claim.

I am required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants and subsidies paid by the government departments and public bodies to Halton Borough Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.

The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant-paying departments.

The key features of the 2009/10 arrangements are as follows:

- In all cases the financial limits are by reference to the total amount claimed, rather than the grant allocation, total eligible expenditure, or total amount reported. For projects spanning over more than one year, the financial limit is by reference to the total amount claimable over the lifetime of the project. Each certification instruction provides guidance on the form entries that determine the value of a claim or return. This approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.
- For claims and returns below £125,000 the Commission does not make certification arrangements.
- For claims and returns between £125,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure or data.
- For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required.

The work that we undertake to certify the Housing Benefits claim for the Department for Work and Pensions is slightly different. Because of the high value and high risk nature of the claim, the auditor has to test the entries on a Council's claim form. In doing this we:

- confirm that the subsidy claim has been completed using the recognised software for claim completion;
- undertake an analytical review for a year by year comparison and comparisons to other Councils; and
- carry out detailed testing of individual claims for benefit to ensure the Council is calculating benefit entitlement correctly and reporting accurate performance information to the Department for Work and Pensions.

REPORT TO: Business Efficiency Board
DATE: 19 January 2011
REPORTING OFFICER: Strategic Director, Resources
SUBJECT: Efficiency Programme Update

1.0 PURPOSE OF THE REPORT:

1.1 To inform the Board of progress made to date with the Efficiency Programme.

2.0 RECOMMENDED THAT THE BOARD NOTE THE REPORT

3.0 SUPPORTING INFORMATION:

3.1 Progress on the Efficiency Programme is summarised in the Appendix.

4.0 POLICY IMPLICATIONS

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

5.0 OTHER IMPLICATIONS

5.1 The Efficiency Programme has identified net efficiency savings totalling £3.5m. These savings have helped the Council to balance the budget.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

7.0 RISK ANALYSIS

7.1 Given the financial constraints facing the Council in the immediate and medium terms, failure to continue to progress Efficiency Programme workstreams into future stages may result in the Efficiency Programme not achieving its

objectives – primarily service improvement and cost reduction. This could result in services being underfunded, with departments unable to meet the costs of staff and other resources required to deliver to the community of Halton. The Efficiency Programme Board meets regularly to monitor and manage the Programme to ensure that planned cost reductions are achieved.

8.0 EQUALITY AND DIVERSITY ISSUES

N/A

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

N/A

Halton Council Efficiency Programme

Progress update; January 2011

The programme continues with Wave 3 workstreams now commencing. To summarise, progress to date against each workstream is given below.

Review of Open Spaces

Work has continued to implement elements of the transition plan to ensure that savings are sustainable. The workstream implementation team meets regularly and an evaluation of the first year of operation of the reconfigured service is being carried out. This will be reported in February 2011.

Review of Property Services

Redesign and restructuring of the function is reaching a conclusion. Soft market testing of the cleaning service is currently in progress.

Review of Revenues & Benefits & Halton Direct Link

A revised structure for the front line service delivery aspect of these services has been proposed and consultation closed on 4th January 2011. A final structure will be brought forward and reconfiguration of the services will commence shortly.

Other improvement opportunities that the workstream board had committed to have been pursued and savings recorded.

The Contact Centre element of this workstream has been taken out and set up as a workstream in its own right. See below.

Review of the Contact Centre

A Workstream Board has been established and work commenced in December 2010. Benchmarking and customer consultation are currently in progress.

ICT Support Services Review

A new structure for the service went live on 1st October 2010. Savings of £80,000 resulted from the restructuring process.

Opportunities for the rationalisation of systems, hardware and software are currently being evaluated in order to identify further savings.

Review of Contracted Services to Schools

Following an analysis of the costs of delivering services to schools, charges have been examined and some have been revised. Schools will shortly be advised of the services available to them, and the charges for the coming financial year.

Review of Operational Fleet & Client Transport

Two projects are currently in progress within this workstream:

- The usage of operational fleet across Council departments
- Client Transport arrangements (use of contracts and transport suppliers)

An analysis of current arrangements is in progress. Initial reports are expected to be brought forward in early 2011.

Following the findings of these projects, a third project will look at the fleet management function (procurement, maintenance, fuelling, etc).

Transactional / Non-Transactional: Process Review

This workstream is looking at process improvement to generate further efficiencies in business areas that were set up in April 2010. Four projects are underway and will operate on a task and finish basis. These cover;

- HR Processes – to streamline across the organisation
- Implementation of Document Imaging & Workflow to enable more reliable and cost effective movement of documentation around the organisation.
- Review of Invoice Payment Process (P2P) to streamline and adopt a common process
- Review of officer authorisation processes

Each of the above projects will result in more efficient working practices with a reduced resource requirement.

Initial findings in each of the projects have indicated that there are opportunities to streamline activity, save time and reduce costs. As proposals for improvement are brought forward, further updates will be made available.

Review of Income & Charging

In order to facilitate an effective review of fees, charges and opportunities to introduce new charges, a Corporate Charging Framework has been drafted. This sets out both the statutory background and the definition of full cost recovery. This framework will be taken through the policy approvals process and will then be the platform on which all existing and potential charges, as well as trading opportunities, will be assessed.

Review of Business Development & Regeneration (including Major Projects, European Affairs and External Funding)

This workstream has been scoped and an analysis of the 'As-Is' situation is due to be undertaken. Opportunities for savings and improvements are yet to be developed.

Review of Community Services

Workstream scope has been agreed. 'As-Is' analysis to commence shortly.

REPORT TO: Business Efficiency Board
DATE: 19 January 2011
REPORTING OFFICER: Strategic Director - Resources
SUBJECT: External Audit – Audit Plan 2010/11
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the 2010/11 Audit Plan presented by the Council's external auditor, the Audit Commission.

2.0 RECOMMENDATION: That the Business Efficiency Board note the contents of the draft Audit Plan for 2010/11.

3.0 SUPPORTING INFORMATION

3.1 The Audit Plan for 2010/11 is attached to this report.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 The report contains details of the fee for the audit.

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 plan is based on the Audit Commission's risk-based approach to audit planning. The risks that have been considered as part of the opinion planning process are detailed in the attached report. These risks reflect:

- Audit work specified by the Audit Commission for 2010/11;
- Current national risks relevant to your local circumstances; and
- The Council's local risks.

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 plan

Halton Borough Council

Audit 2010/11

DRAFT

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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Introduction

This plan sets out the audit work that I propose to undertake for the audit of financial statements and the value for money conclusion 2010/11.

1 The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:

- audit work specified by the Audit Commission for 2010/11;
- current national risks relevant to your local circumstances; and
- your local risks.

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Responsibilities

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.

2 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

3 I comply with the statutory requirements governing our audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice.

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Fee for the audit

The fee for the audit is £258,005, as indicated in my letter of 19 April 2010.

4 The Audit Commission scale fee for a Council of your size is £270,380. The fee proposed for 2010/11 is 4.5 per cent below the scale fee and is within the normal level of variation specified by the Commission.

5 However, the Commission wrote to all audited bodies, on 9 August, about its proposed new arrangements for local value for money audit work. This indicated the impact on audit fees for 2010/11 would be considered as part of the Commission's consultation on its work programme and scales of fees for 2011/12, originally planned for September. In light of the Secretary of State's announcement on the government's intention to abolish the Commission, this consultation has been delayed.

6 In setting the fee, I have assumed that:

- the loss of experienced contract support from January 2011 will not have a negative impact on the quality and timeliness of the 2010/11 financial statements;
- good quality, accurate working papers are available at the start of the financial statements audit.
- the Council will supply good quality working papers to support the restatement of 2009/10 balances to comply with International Financial Reporting Standards (IFRS); and
- Internal Audit undertakes appropriate work on all material systems and this is available for our review by 30 April 2011.

7 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, I will discuss this first with the Operational Director Finance and I will issue supplements to the plan to record any revisions to the risk and the impact on the fee.

8 Further information on the basis for the fee is set out in Appendix 1.

Working together

9 As in previous years, I will work with your staff to ensure an efficient audit and to provide ongoing audit support. To this end I have provided officers with an updated protocol on joint working and discussions are already underway about working paper requirements to support the 2010/11 financial statements.

10 In addition at least two of the Council's finance officers will attend the Audit Commission's 2010/11 accounts workshop in February 2011. The aim

of this event is to help local government bodies achieve a smooth and trouble-free final accounts and audit process. It will highlight key accounting and audit issues and help individual delegates gain a practical understanding of the new and complex issues they may face through an interactive workshop.

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Auditors report on the financial statements

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).

11 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 2011.

2010/11 opinion audit changes

12 My audit of the financial statements is governed by the International Standards on Auditing (UK&I) (ISAs). These standards prescribe the basic principles and essential procedures, with the related guidance, which govern my professional conduct as your auditor.

13 As with all guidance and frameworks, auditing standards are revised and updated, often in a piecemeal fashion. However, in 2009 the auditing profession completed a comprehensive project to improve the clarity of all the ISAs. This is known as the Clarity Project.

14 One of the main objectives of the Clarity Project was to promote greater consistency of application between auditors. This has been done by reducing the ambiguity within existing ISAs and improving their overall readability and understandability.

15 The new clarified framework will apply to my audit of your 2010/11 financial statements. Because of the new standards, you can expect to see some changes in the way my audit team delivers your audit and the information they seek from you. The impact of the main changes is set out in Appendix 2.

16 In summary the main changes you will see cover:

- journals;
- related party transactions;
- accounting estimates; and
- reporting deficiencies in internal control.

Materiality

17 I will apply the concept of materiality in both planning and performing the audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying opinion audit risks

18 I need to understand fully the Council to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. I 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.

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Identification of specific risks

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

Table 1: **Specific risks**

Specific opinion risks identified

| Risk area | Why is this a risk? | Audit response |
|--|---|---|
| Transition to IFRS accounts; component accounting for material items of property plant and equipment | <ul style="list-style-type: none"> ■ This is a new requirement ■ The guidance is complex ■ There is a degree of subjectivity permitted ■ It requires a multidisciplinary approach | <ul style="list-style-type: none"> ■ I will be reviewing the procedures and controls that exist within the property database ■ I will substantively test a sample of property valuations for reasonableness ■ I will review the instructions given to valuers ■ I will review the basis on which individual assets have been identified as material |
| Transition to IFRS accounts: segmental reporting of income and expenditure | <ul style="list-style-type: none"> ■ This is a new requirement ■ Additional analysis of the financial outturn data will be required | <ul style="list-style-type: none"> ■ I will be reviewing the procedures and controls that exist within the general ledger ■ I will substantively test extraction of data from the general ledger ■ I will test reconciliation of segmental information to the income statement |
| Accounting for costs associated with Mersey Gateway | <ul style="list-style-type: none"> ■ Fairly unique scheme ■ High value transactions ■ Complex accounting area ■ Changes to accounting treatment required in previous years | <ul style="list-style-type: none"> ■ I will liaise with officers and provide an early view on any proposed accounting treatments put to me ■ I will substantively test a sample of Mersey Gateway transactions to check the accounting treatment |
| Accounting for equal pay | <ul style="list-style-type: none"> ■ Specific accounting guidance to be followed ■ Affordability | <ul style="list-style-type: none"> ■ I will continue to discuss both the accounting treatment and affordability with officers during |

| Risk area | Why is this a risk? | Audit response |
|-----------|---------------------|--|
| | | <p>the year</p> <ul style="list-style-type: none"> ■ I will substantive test a sample of equal pay cases to ensure the correct accounting treatment has been applied ■ I will consider the appropriateness of any provision and or reserve at year end |

19 The Council is putting in place plans and actions to mitigate the effects of public spending constraints. At this time I have not identified any specific risk to the Council's 2010/11 financial statements or the audit process. However I will continue to monitor developments and if new risks arise I will bring these to your attention in a supplementary plan.

Value for money risks

20 I will undertake my risk assessment for the vfm conclusion early in the new year and communicate with you further then.

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Testing strategy

On the basis of risks identified above I will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.

21 I can carry out the testing both before and after the draft financial statements have been produced (pre- and post-statement testing).

22 Wherever possible, I will complete some substantive testing earlier in the year before the financial statements are available for audit. I have identified the following areas where substantive testing could be carried out early.

- Review of accounting policies.
- Bank reconciliation.
- Contributions.
- Investments – ownership.
- Year-end feeder system reconciliations.
- Physical verification of property, plant and equipment.
- Review of related party transactions.

Where I identify other possible early testing, I will discuss it with officers.

23 Wherever possible, and in line with our joint working protocol, I will seek to rely on the work of Internal Audit to help meet my responsibilities. For 2010/11, I expect to be able to use the results of the following pieces of work.

- General ledger - key control audit.
- Payroll - fundamental system review
- Housing and council tax benefits - fundamental system review.
- Council tax billing and payments - key control audit.
- Creditors - fundamental system review.
- Sundry debtors - fundamental system review.

24 I will also seek to rely on the work of other auditors and experts, as appropriate, to meet my responsibilities. For 2010/11, I plan to rely on the work of other auditors in the following areas:

- Verification of liabilities and disclosures of employee benefits as required by International Accounting Standard (IAS) 19 and notified by Merseyside Local Government Pension Fund.

25 I also plan to rely on the work of experts in the following areas:

- Valuation of liabilities under IAS 19 as notified by the Actuary of the Merseyside Local Government Pension Fund.

- Valuation of Property Plant and Equipment provided by the Council's in house valuers.

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Value for money conclusion

I am required to give a statutory VFM conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

26 This is based on two criteria, specified by the Commission, related to your arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

27 I will plan a programme of VFM audit work based on my risk assessment.

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Key milestones and deadlines

The Council is required to prepare the financial statements by 30 June 2011. I am required to complete the audit and issue the opinion and value for money conclusion by 30 September 2011.

28 The key stages in producing and auditing the financial statements are in Table 2.

29 I will agree with you a schedule of working papers required to support the entries in the financial statements. The agreed fee is dependent on the timely receipt of accurate working papers.

30 Every week, during the audit, the audit team will meet with the key contact and review the status of all queries. I can arrange meetings at a different frequency depending on the need and the number of issues arising.

Table 2: **Proposed timetable**

| Activity | Date |
|--|------------------------------|
| Control and early substantive testing | By April 2011 |
| Receipt of accounts | Week commencing 27 June 2011 |
| Sending audit working papers to the auditor | 30 June 2011 |
| Start of detailed testing | 4 July 2011 |
| Progress meetings | Weekly |
| Present report to those charged with governance at the audit committee | By 30 September 2011 |
| Issue opinion and value for money conclusion | By 30 September 2011 |

The audit team

Table 3 shows the key members of the audit team for the 2010/11 audit.

Table 3: **Audit team**

| Name | Contact details | Responsibilities |
|---|---|---|
| Mike Thomas District Auditor | m-thomas@audit-commission.gov.uk 0844 798 3572 | 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 | c-williams@audit-commission.gov.uk 0844 798 3572 | Manages and coordinates the different elements of the audit work. Key point of contact for the Operational Director Finance. |
| Judith Smith Team Leader | j-smith@audit-commission.gov.uk 0844 798 3596 | Leads the fieldwork on the opinion audit. Point of contact in the Audit Manager's absence. |

Independence and objectivity

31 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which I am required by auditing and ethical standards to communicate to you.

32 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 3.

Meetings

33 The audit team will ensure we have knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 4.

Quality of service

34 I aim to provide you with a quality audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-

westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

35 If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Planned outputs

36 My team will discuss and agree reports with the right officers before issuing them to the Business Efficiency Board.

Table 4: **Planned outputs**

| Planned output | Indicative date |
|--|----------------------|
| Annual governance report | 19 September 2011 |
| Auditor's report giving an opinion on the financial statements | By 30 September 2011 |
| Annual audit letter | By 30 November 2011 |

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Appendix 1 Basis for fee

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.

The risk assessment process starts with the identification of the significant financial and operational risks applying to the Council with reference to:

- my 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.

Assumptions

In setting the fee, I have assumed that:

- the loss of experienced contract support from January 2011 will not have a negative impact on the quality and timeliness of the 2010/11 financial statements;
- the fee for the value for money conclusion is the same as for 2009/10
- you will inform me of significant developments impacting on the audit;
- Internal Audit meets the appropriate professional standards;
- Internal Audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that I can place reliance for the purposes of our audit.
- you provide:
 - good quality working papers and records to support the financial statements by 30 June 2011;
 - information asked for within agreed timescales;
 - prompt responses to draft reports; and
- there is no allowance for extra work needed to address questions or objections raised by local government electors.

Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

Appendix 2 Changes to the opinion audit as a result of the revised International Standards on Auditing (UK&I) (ISAs)

The revised ISAs are applicable from the 2010/11 audit onwards. I outline below the main changes you will notice in the way my audit team delivers your audit because of the revised ISAs.

Journals

ISA (UK&I) 330 (The Auditor's response to assessed risks), requires me to review all material year-end adjustment journals. I can do this by using interrogation tools such as CAATs (Computer aided audit techniques), IDEA software or excel, depending on the compatibility of your general ledger software. My Audit Manager will discuss a suitable approach to this work in meetings with officers over the next few weeks.

Related party transactions

ISA (UK&I) 550 (Related parties) requires me to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. I will also review minutes and correspondence for evidence of related party transactions and carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Accounting estimates

ISA (UK&I) 540 (Auditing Accounting Estimates, Including Fair Value Accounting Estimates, And Related Disclosures) requires me to look at your accounting estimates in detail. As part of my audit I will request a list of these from you. I will need to know in particular:

- the process you use to make your accounting estimates;
- the controls you use to identify them;
- whether you use an expert to help you in making the accounting estimates;
- whether any alternative estimates have been discussed and why they have been rejected;
- how you assess the degree of estimation uncertainty (this is the uncertainty arising because the estimate cannot be precise or exact) ; and
- the prior year's accounting estimates outcomes, and whether there has been a change in the method of calculation for the current year.

Deficiencies in internal control

ISA (UK&I) 265 (Communicating Deficiencies In Internal Control To Those Charged With Governance And Management) is a new standard.

If I identify a deficiency in any of your internal controls during the audit, I will undertake more audit testing to decide whether the deficiency is significant.

If I decide the deficiency is significant, I will report it in writing to the Business Efficiency Board as those charged with governance.

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Appendix 3 Independence and objectivity

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).

The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

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 fees 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.

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.

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.

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 seven years, with additional safeguards in the last 2 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.

The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

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Appendix 4 Working together

Meetings

The audit team will ensure we have knowledge of your issues to inform our risk-based audit through regular liaison with key officers.

My proposal for the meetings is as follows.

Table 5: **Proposed meetings with officers**

| Meeting | Attendees | Timing | Purpose |
|-----------------------------------|--|---|---|
| Progress meeting | Chief Executive and other members of the Management Team District Auditor Audit Manager | Quarterly | General update on audit progress and Council issues. |
| Audit Committees | District Auditor Audit Manager Members of the Business Efficiency Board | As determined by the Committee | Formal reporting of: Audit Plan Annual governance report Other issues as appropriate |
| Progress meeting | District Auditor Audit Manager Strategic Director Resources and Operational Director Finance | Quarterly and as needed during the year | To discuss audit, finance, accounting and any other emerging issues |
| Progress meeting | Audit Manager and/or Team Leader Divisional Manager - Audit and Operational Finance | Quarterly | To liaise on issues included in the joint working protocol |
| Progress meetings | Audit Manager Chief Accountant | Bi-monthly | To discuss audit progress and specific accounting issues. |
| Post statements progress meetings | Audit Manager Team Leader Chief Accountant Accountants | Weekly | To report on progress of the financial statements audit, resolve queries and agree reporting implications |

Sustainability

The Audit Commission is committed to promoting sustainability in our working practices and I 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.

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Appendix 5 Glossary

Annual audit letter

Report issued by the auditor to an audited body that summarises the audit work carried out in the period, auditors' opinions or conclusions (where appropriate) and significant issues arising from auditors' work.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by auditors in accordance with the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor, comprising both the members of the body and its management (the senior officers of the body). Those charged with governance are the members of the audited body. (See also 'Members' and 'Those charged with governance'.)

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and other guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB, which contain basic principles and essential procedures with which auditors are required to comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles that apply to the conduct of audits and with which auditors are required to comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts or accounting statements that audited bodies are required to prepare, which summarise the accounts of the audited body, in accordance with regulations and proper practices in relation to accounts.

Internal control

The whole system of controls, financial and otherwise, that is established in order to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality (and significance)

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only in relation to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, in addition to their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Members

The elected, or appointed, members of local government bodies who are responsible for the overall direction and control of the audited body. (See also 'Those charged with governance' and 'Audited body'.)

Statement on internal control/Annual Governance Statement

Local government bodies are required to publish a statement on internal control (SIC) with their financial statements (or with their accounting statements in the case of small bodies). The disclosures in the SIC are

supported and evidenced by the body's assurance framework. At local authorities the SIC is known as the Annual Governance Statement and is prepared in accordance with guidance issued by CIPFA. Police authorities also produce a SIC in accordance with relevant CIPFA guidance. Local probation trusts are required to prepare a SIC in accordance with the requirements specified by HM Treasury in Managing Public Money.

Those charged with governance

Those charged with governance are defined in auditing standards as 'those persons entrusted with the supervision, control and direction of an entity'.

In local government bodies, those charged with governance, for the purpose of complying with auditing standards, are:

- for local authorities – the full council, audit committee (where established) or any other committee with delegated responsibility for approval of the financial statements;
- for police or fire authorities – the full authority, audit committee (where established) or other committee with delegated responsibility for approval of the financial statements;
- for local probation boards and trusts – the board or audit committee; and
- for other local government bodies – the full authority or board or council, audit committee (where established) or any other committee with delegated responsibility for approval of the financial statements

Audit committees are not mandatory for local government bodies, other than police authorities and local probation trusts. Other bodies are expected to put in place proper arrangements to allow those charged with governance to discuss audit matters with both internal and external auditors. Auditors should satisfy themselves that these matters, and auditors' reports, are considered at the level within the audited body that they consider to be most appropriate.

Whole of Government Accounts

The Whole of Government Accounts initiative is to produce a set of consolidated financial accounts for the entire UK public sector on commercial accounting principles. Local government bodies, other than probation boards and trusts, are required to submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, their statutory accounts.

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