



Business Efficiency Board

**Wednesday, 22 May 2013 at 6.30 p.m.
Council Chamber, Runcorn Town Hall**

A handwritten signature in black ink, appearing to read 'David W R', positioned above a faint rectangular stamp.

Chief Executive

BOARD MEMBERSHIP

Councillor Alan Lowe (Chairman)	Labour
Councillor Martha Lloyd Jones (Vice-Chairman)	Labour
Councillor Arthur Cole	Labour
Councillor Mike Fry	Labour
Councillor Darren Lea	Labour
Councillor Tony McDermott	Labour
Councillor Andrew MacManus	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor Joe Roberts	Labour
Councillor Gareth Stockton	Liberal Democrat
Councillor Kevan Wainwright	Labour

*Please contact Michelle Simpson on 0151 511 8708 or e-mail
michelle.simpson@halton.gov.uk for further information.*

The next meeting of the Board is on Wednesday, 26 June 2013

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

Part I

Item No.	Page No.
1. MINUTES	
2. DECLARATION OF INTEREST	
Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item.	
3. BUSINESS EFFICIENCY BOARD WORK PLAN 2013/14	1 - 3
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10. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	

PART II

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

11. INTERNAL AUDIT PROGRESS REPORT

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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: 22 May 2013

REPORTING OFFICER: Strategic Director – Policy & Resources

SUBJECT: Business Efficiency Board – Workplan 2013/14

PORTFOLIO: Resources

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 This report provides the indicative core workplan for the Business Efficiency Board for 2013/14. The workplan is attached at Appendix 1.

2.0 RECOMMENDATION: That the Business Efficiency Board considers and approves its workplan for 2013/14.

3.0 SUPPORTING INFORMATION

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

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

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

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

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

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

4.2 The Board also has responsibilities in respect of efficiency, improvement and procurement. Specifically, these include responsibility for:

- Monitoring the Council's performance against the Efficiency Strategy;
- Monitoring the implementation of the Council's Procurement Strategy;
- Ensuring that the Council has effective processes in place to obtain value for money from its contractual arrangements with third parties.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Good corporate governance requires independent, effective assurance about the adequacy of financial management and reporting. CIPFA considers that these functions are best delivered by an audit committee that is independent of the executive and scrutiny functions.

5.2 The maintenance of an effective governance framework contributes to the achievement of all the Council's priorities.

6.0 RISK ANALYSIS

6.1 An effective audit committee helps to raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. This can enhance the public trust and confidence in the financial governance of an authority.

6.2 By agreeing a workplan for its audit committee, the Council is formally setting out how the Business Efficiency Board will meet its responsibilities as the Council's Audit Committee.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None identified.

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

None

Appendix 1 – Business Efficiency Board Workplan 2013/14

	22 May 201	26 June 2013	18 Sept 2013	27 Nov 2013	26 Feb 2014
Internal Audit:					
• Quarterly progress report	x		x	x	x
• 2012/13 Annual Internal Audit Report	x				
• Approval of 2014/15 Audit Plan					x
Financial Reporting:					
• Approval of Abstract of Accounts			x		
External Audit:					
• External Audit letter to those charged with governance	x				
• Annual Governance Report (including audit opinion and Value For Money conclusion)			x		
• External Audit fee letter	x				
• External Audit Plan	x				x
• Annual Grant Claims Report				x	
• External Audit Update		x		x	
Governance:					
• Approval of Annual Governance Statement		x			
Risk Management:					
• Review of Corporate Risk Register	x			x	
Anti-Fraud & Corruption:					
• Update Report		x			
Other Audit Committee matters:					
• Approval of workplan for 2013/14	x				
Procurement:					
• Procurement update	x			x	
Efficiency:					
• Efficiency Programme update		x	x	x	x

REPORT TO: Business Efficiency Board

DATE: 22nd May 2013

REPORTING OFFICER: Strategic Director – Policy and Resources

PORTFOLIO: Resources

SUBJECT: Strategic Risk Register 2013/14

WARDS: Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 To seek Members' views on the Revised Strategic Risk Register for 2013/14.

RECOMMENDED That:

- (1) the Board review the robustness and adequacy of the Council's risk management arrangements and;**
- (2) make such recommendations to the Executive Board that are deemed necessary and appropriate.**

3.0 SUPPORTING INFORMATION

- 3.1 The attached Strategic Risk Register has been reviewed and updated as required and in accordance with the Risk Management Policy previously approved by this Board. It has been endorsed at the Council's Management Team.
- 3.2 It contains, at Risk 3, an additional risk of 'failing to effectively realise community expectations'.
- 3.3 This Register assesses strategic risks and each Directorate of the Council has produced and publicised their own detailed Risk Registers.
- 3.4 The Board is requested to review and comment on its overall content.

4.0 POLICY IMPLICATIONS

- 4.1 The Risk Management Policy provides a framework through which the Council effectively manages the actual and potential opportunities and threats that may affect the achievement of its strategic priorities and operational objectives.

5.0 OTHER IMPLICATIONS

- 5.1 Failure to manage corporate risks could lead to the Council failing to achieve its objectives, and suffering financial loss, damaging its reputation.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 6.1 It is important if the Council is to deliver on its priorities that it has effective Risk Management arrangements in place and that those arrangements are kept under review

Many of the Council's major projects and initiatives have their own detailed risk registers. The Council's reporting template for reports requiring executive decisions includes a 'risk' section. This ensures it is kept in the forefront of Members' and managers' minds.

7.0 EQUALITY AND DIVERSITY ISSUES

- 7.1 There are no direct implications for equality and diversity.

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

None under the meaning of the Act

Corporate Risk Register

Lead Strategic Director: **Ian Leivesley**

Risk Management Coordinator: **Tony Dean**

Register Completion Date: **March 2013**

Register Review Date: **October 2013**

Assessment of current risk(s)					
Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Score (I x L)¹	Council Priority Area(s)
1	Budget Reductions Failure to effectively align resources to corporate objectives and strategic requirements leads to a lack of focus on priorities resulting in failure to deliver objectives and the possibility of varying degrees of challenge	4	4	16	Corporate effectiveness and business efficiency
2	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	Halton's Urban Renewal
3	Community Expectations Failure to effectively realise community expectations could lead to damage to the Authorities reputation and credibility resulting in negative views towards the transparency of the decision making process	4	3	12	Corporate effectiveness and business efficiency
4	Partnerships Ineffective and poorly controlled partnerships with statutory and non statutory organisations will lead to a lack of accountability and ineffective use of resources resulting in a failure to meet the needs of and improve outcomes for local communities. In particular partnership work could be at risk where funding streams have discontinued	3	4	12	A Healthy Halton / Employment, learning and skills / Children and Young People / A Safer Halton

¹ See appendix 'A' for scoring mechanism

Assessment of current risk(s)					
Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Score (I x L)¹	Council Priority Area(s)
5	Safeguarding Children and Adults Inability to support and protect children and adults to ensure that they are healthy, safe and have the opportunity to reach their potential.	4	3	12	A Healthy Halton / Employment, learning and skills / Children and Young People / A Safer Halton
6	Capacity and Resilience Inability of the Council to sustain the delivery of services in line with Council Priorities as a result of the impact of budget cuts	3	4	12	Corporate effectiveness and business efficiency
7	Architectural Landscapes Changes to the Architectural Landscape of other public sector organisations that could potentially lead to the deterioration of services, in particular for the most vulnerable groups	3	4	12	A Healthy Halton / Employment learning and skills / Children and young people / A Safer Halton / Corporate effectiveness and business efficiency
8	Funding and Income Generation Failure to maximise and identify funding opportunities in light of government cuts resulting in a potential challenge of the Councils capacity to delivery its priorities	4	3	12	A Healthy Halton / Employment, learning and skills / Children and Young People / A Safer Halton
9	Fraud Inadequate control systems lead to an increase in fraud and financial loss	3	3	9	Corporate effectiveness and business efficiency

Assessment of Residual Risks

Item	Risk control measure(s)	RRS ² (I x L)	Timescale / Review frequency	Lead Officer(s)
1	<p>Budget Reductions</p> <ul style="list-style-type: none"> • Link the budget process to Service Planning • Service Planning and maintain a robust overview of statutory obligations and prioritise accordingly • Review of Corporate Priorities / Community Plan • Communication of Priorities to Staff/Members/ Managers to achieve buy-in • Medium Term Financial Strategy • Budget Risk Register • Smarter procurement to generate savings • Efficiency Programme service delivery • Explore the potential for collaboration with neighbouring Local Authorities • Internal - Equality Impact Assessment process established 	3 x 3 = 9	6 monthly	Strategic Director Policy & Resources (Ian Leivesley)

² RRS – Residual Risk Score after control measures implemented

Assessment of Residual Risks

Item	Risk control measure(s)	RRS ³ (I x L)	Timescale / Review frequency	Lead Officer(s)
2	<p>Mersey Gateway</p> <ul style="list-style-type: none"> • Project Structure based on PRINCE2 control procedure under the governance of the Mersey Gateway Executive Board, chaired by the Leader, providing authority and policy direction to the Chief Executive as Senior Responsible Owner (Chair of the MG Officer Project Board) • Dedicated project team established under the leadership of an experienced Project Director supported by class leading professional advisers • Routine project assurance undertaken, including the appointment of specialist non-executive directors on the OPB, which is reinforced by external Gateway Reviews(4Ps) and HM Treasury scrutiny at specific project milestones. For example:- Gateway 2 project review undertaken and action plan dealing with recommendations agreed with Mersey Gateway Officer Project Board • Effective relationship with Government Departments (as co funders for MG) maintained by both Department for Transport and HM Treasury being represented on the Officer Project Board • Delivery within the Funding framework agreed with Government reviewed at regular intervals and managed through the Mersey Gateway Risk Register • The Office Project Board and Project Team have been reinforced with additional specialist procurement advisers to reduce delivery risk • Three bidding groups have been selected and the competitive market for construction will drive value for money 	4 x 2 = 8	6 months	Chief Executive (David Parr)

³ RRS – Residual Risk Score after control measures implemented

Item	Risk control measure(s)	RRS ³ (I x L)	Timescale / Review frequency	Lead Officer(s)
	<ul style="list-style-type: none"> • Draft Final Bids submitted in November 2012 have been assessed to ensure compliance with the Council requirements and that prices are within the limits set in the funding agreement with Government • The Competitive phase of procurement is expected to be closed in February when Final Tenders will be invited to be submitted in April. A preferred Bidder planned to be announced in spring 2013 • The Project Board reviews the Mersey Gateway Risk Register every 6 weeks 			

Assessment of Residual Risks

Item	Risk control measure(s)	RRS ⁴ (I x L)	Timescale / Review frequency	Lead Officer(s)
3	<p>Community Expectations</p> <ul style="list-style-type: none"> • Community Engagement Strategy promotes joint communications from all partner organisations and the public • Local Government Organisation lobbies on a regional and national footing that provides a coordinated approach to disseminate information • Halton 2000 and Resident surveys conducted that assist to not only establish community expectations and also disseminate information to communities. Results are communicated to Management Team and relevant managers • Equality Impact Assessments to be completed for protected groups • Any decisions to cease or amend service provision, direct engagement with communities to invite views followed by early warning of intended actions • Increase use of social media consultation • Area Forums as a medium for communications and consultation • Target consultation exercises for specific projects • Engagement through local Strategic Partnerships • Elected member surgeries • Effective use of local media 	3 x 2 = 6	6 months	All Strategic Directors

⁴ RRS – Residual Risk Score after control measures implemented

Assessment of Residual Risks

Item	Risk control measure(s)	RRS ⁵ (I x L)	Timescale / Review frequency	Lead Officer(s)
4	<p>Partnerships</p> <ul style="list-style-type: none"> • Strategic Policy Board (HSPB) facilitates interagency collaboration and cooperation to maximise available resources in the pursuit of agreed strategic goals • Effective use of local media • Specialist Strategic Partnership Boards covering each of the 5 Strategic Priorities now established • Current Government policy promotes collaborative working in the public sector in order to deliver more efficient public services, e.g. community budgets • Halton Safeguarding Boards fully operational (see 5 below) • Establish a performance framework through which progress in addressing key strategic outcomes can regularly and routinely monitored and provides flexibility for other issues to be considered • Service efficiency by sharing resources • Joint Sustainable Community Strategy approved between Halton public, private and voluntary Sector organisations and agencies. It lasts until 2026 	2 x 2 = 4	6 monthly	Chief Executive (David Parr)

⁵ RRS – Residual Risk Score after control measures implemented

Assessment of Residual Risks

Item	Risk control measure(s)	RRS ⁶ (I x L)	Timescale / Review frequency	Lead Officer(s)
5	<p>Safeguarding Children and Adults</p> <ul style="list-style-type: none"> • Halton’s Children’s and Adult’s Safeguarding Boards are fully operational, they operate with statutory guidance and its resources provided as agreed • Representatives from the Children’s and Adult’s Safeguarding Boards work in partnership and attend at corresponding boards • The Adults Board has revised its terms of reference and membership and has set its priorities for the forthcoming year • New Adults Safeguarding teams are now in place • Children’s Board continue to work with strategic groups within the borough to ensure accountability and effectiveness of safeguarding • Children’s Board produces an annual report containing priorities and including measurement on the effectiveness of arrangements. Progress tracked via the HSCB Business Plan 	4 x 2 = 8	6 monthly	Strategic Directors – Communities (Dwayne Johnson) & Children and Enterprise (Gerald Meehan)

⁶ RRS – Residual Risk Score after control measures implemented

Assessment of Residual Risks

Item	Risk control measure(s)	RRS ⁷ (I x L)	Timescale / Review frequency	Lead Officer(s)
6	<p>Capacity and Resilience</p> <ul style="list-style-type: none"> • Service reviews around more efficient ways of working including the redirection of resources where appropriate and greater use of technology • Focus the delivery of services on priorities and legal responsibilities through effective Service Planning • Delivery of training courses in Stress Management and Managing Resilience to Change • Risk assessing, monitoring and support mechanisms for work related stress • Agile Working policy • Business Continuity Planning • Launch of Healthy Workforce portal • People Plan approved with the main aim 'to provide a skilled, knowledgeable and competent workforce who can deliver efficient services now and in the future'. The plan contains 4 key objectives and progress is monitored at a number of forums 	2 x 3 = 6	6 months	All Strategic Directors

⁷ RRS – Residual Risk Score after control measures implemented

Assessment of Residual Risks

Item	Risk control measure(s)	RRS ⁸ (I x L)	Timescale / Review frequency	Lead Officer(s)
7	<p>Architectural Landscapes</p> <ul style="list-style-type: none"> • Maintain an overview of external influences involving political, economic, social, technological, legislative and environmental factors • Review services in line with Council Priorities, whilst protecting the most vulnerable • Protect interests by being part of the processes leading to the delivery of new arrangements • The transfer of Public Health has led to the development of a partnership proposal to improve the efficiency and effectiveness of health and adult social care through the Health and Wellbeing Board • Seminars have taken place around the new arrangements, i.e. Influential Localism, Education, Health & Social Care, Social Values, Welfare Reform and Police and Social Responsibility Acts • The potential impact on resources of schools moving to Academy status has been monitored by working early with schools to understand the level of risk 	3 x 2 = 6	6 months	All Strategic Directors

⁸ RRS – Residual Risk Score after control measures implemented

Assessment of Residual Risks

Item	Risk control measure(s)	RRS ⁹ (I x L)	Timescale / Review frequency	Lead Officer(s)
8	<p>Funding and Income Generation</p> <ul style="list-style-type: none"> • Develop and seek alternative untapped funding opportunities • Horizon scanning for external funding sources and signpost as appropriate • Work in partnership with 3rd sector to share funding streams • Current funding programmes - managers to ensure that they are aware of when funding comes to an end and, where necessary, explore other opportunities for new funding streams • Funding streams relevant to Halton based projects continue to be identified either by External Funding or by relevant parties • Directorates have prioritised main projects that require funding for the forthcoming year • External Funding have presented a range of external and income generating options through the budget setting process • Become commercially focussed to protect current funds and effectively use them • Establish trading and income generation possibilities 	3 x 2 = 6	6 months	All Strategic Directors

⁹ RRS – Residual Risk Score after control measures implemented

Item	Risk control measure(s)	RRS ¹⁰ (I x L)	Timescale / Review frequency	Lead Officer(s)
9	<p>Fraud</p> <ul style="list-style-type: none"> • Rigorous pre-employment checks of new employees • Dedicated Housing Benefit / Council Tax Benefit anti-fraud section • A continuous internal audit of the Council's systems and services • Participation in the National Fraud Initiative • Whistleblowing arrangements • Development of HBMS and HBMS scans allow better matching and checking with other national databases • Annual reporting of counter fraud measures and activities reported to the Business Efficiency Board • Joint working takes place with the Department for Work and Pensions helps with detecting Housing Benefit and Council Tax Benefit fraud [In 2012/13 as at 31st January 2013 the Benefits Investigation Unit issued 31 cautions, 18 administrative penalties and achieved 34 successful prosecutions] • Procurement policy has ensured procurement processes meet Standing Orders • National Fraud initiative 	3 x 2 = 6	6 monthly	Strategic Director Policy & Resources (Ian Leivesley)

¹⁰ RRS – Residual Risk Score after control measures implemented

Version Control Record

Version	Date Created	Date of Amendment:	Nature of Amendment	Date of Next Review:
1.0	13.10.11			
2.0		28.8.12	Progress Commentary updated	28.3.13
3.0		13.3.13	Reviewed and updated	13.10.13

Scoring Mechanism

Once the business risks are identified and analysed they are scored by multiplying the impact and likelihood. They will then establish a final score (or significance rating) for that risk:

Risk Score	Overall Rating
11-16	High
5-10	Medium
1-4	Low

Those that have been placed in the red boxes are the primary or **Top Risks** followed by the **medium** and **low** risks.

Measures to control the risks are identified from the following options;

1. Reducing the likelihood; or
2. Reducing the impact; or
3. Changing the consequences of the risks by,
 - Avoidance
 - Reduction
 - Retention
 - Transference; or
4. Devising Contingencies, i.e. Business Continuity Planning

The risks are scored again to establish the effects the measures have once implemented on reducing the risks and identify a score rating for residual risks.

REPORT TO: Business Efficiency Board

DATE: 22nd May 2013

REPORTING OFFICER: Strategic Director – Policy and Resources

PORTFOLIO: Resources

SUBJECT: BEB Members Scrutiny of Procurement

1.0 PURPOSE OF THE REPORT:

- 1.1 To update the Board on the two EU procurement activities that Board Members have scrutinised during 2012/13.

2.0 RECOMMENDATION:

- 2.1 The board notes the scrutiny activity;
- 2.2 Agrees next steps in terms of the scrutiny role, the groups and selects further procurement activities to scrutinise and report on.

3.0 SUPPORTING INFORMATION:

The Board selected two EU procurement activities to scrutinise. These were:

Tender: Residual Waste (Jimmy Unsworth – Divisional Manager):

BEB Group: Cllr Lowe, Cllr Cole, Cllr Fry, Cllr Plumpton-Walsh, Cllr MacManus and Cllr Wainwright.

This procurement exercise commenced in September 2012. A series of meetings were held pre-procurement for BEB Members in order to receive an overview of the contract, history, background, current arrangements and interim requirements before a possible regional Merseyside contract is in place in 2016. Members explored the current arrangements and the rationale to set up an interim contract until 2016.

This was followed with an overview of the timetable for procurement and the evaluation matrix to be used for the tender exercise. Members explored the EU legal requirements of a procurement process, the use of Mandatory Information Questions (MIQ), how quality was scored, who would assess the Health & Safety element, the use of uplifts and a request that they had sight of the scoring matrix when populated.

In January 2013 the tender exercise closed on the Chest and Standing Orders requires this to be 'opened' by Portfolio Holder or a designated Member. Cllr Wharton undertook this role.

During February the MIQ's were evaluated and this is where the evaluation panel had to seek guidance from the Legal Department in relation to the bid content in the submissions. The procurement officer issued a clarification question via the Chest to all bidders on receipt of these clarifications and one bidder subsequently withdrawing from the process; we made the decision to pass the decision to Executive Board in March in order to seek approval to abandon the process. (Part 2 Item).

The next steps:

Officers are considering the options now open to Halton and one option is to review the specification and go back out to market. If this is the agreed way forward, it would be helpful for Members to select this procurement exercise as its next scrutiny activity in order to see continuity through to contract award.

3.2 Bus Routes (Geoff Hazlehurst – Divisional Manager)

BEB Group: Cllr Lloyd-Jones; Cllr Lea; Cllr Roberts, Cllr McDermott and Cllr Ratcliffe.

This procurement exercise commenced in September 2012, a series of meetings were held pre-procurement for BEB Members in order to receive an overview of the contract, history, background, current arrangements and requirements. There was also a supplier day event where Cllr Lloyd-Jones attended.

This was followed with an overview of the timetable for procurement and the evaluation matrix to be used for the tender exercise. Members explored the EU legal requirements of a procurement process, the use of an open procedure, the use of MIQ's rather than a Restricted process with a Pre-Qualification Questionnaire (PQQ) and how it was evaluated and then how the tenders were evaluated in order to award framework contracts.

In January 2013 the tender exercise closed on the Chest and Standing Orders requires this to be 'opened' by the relevant Portfolio Holder. This was Cllr Stockton.

During January the MIQ's were evaluated in order to establish a pass or fail. Then the tenders were evaluated and the BEB group received a briefing on the outcome. The process drew to conclusion with the issue of the Intention to Award letter and subsequent cooling off period – 10 days (EU legal requirement) and the award notice was published in March on the Official Journal European Union (OJEU).

4.0 POLICY IMPLICATIONS

4.1 None identified at this stage.

5.0 OTHER IMPLICATIONS

5.1 None identified at this stage.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 The Procurement Division is designed to improve procurement practice across the Council to reduce costs associated with procurement but also to realise significant savings from more robust procurement activity. This affects all of the Council's priorities. This scrutiny role adds to the internal safeguarding and audit of procurement activity.

7.0 RISK ANALYSIS

7.1 Given the financial constraints facing the Council in the immediate and medium terms, failure to identify and realise savings from more robust procurement practice may result in financial pressures to the Council not being met. 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. This scrutiny role adds further audit to ensure we keep risk to a minimum.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None identified at this stage.

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

9.1 Not Applicable

REPORT TO: Business Efficiency Board

DATE: 22 May 2013

REPORTING OFFICER: Strategic Director - Policy & Resources

PORTFOLIO: Resources

SUBJECT: External Audit Letter To Those Charged With Governance

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To inform the Board of the proposed responses to the annual letter from Grant Thornton, the Council's external auditors, as part of their year-end audit of accounts work.

2.0 RECOMMENDATION: That proposed responses presented in the appendix, be approved.

3.0 SUPPORTING INFORMATION

3.1 International Auditing Standards require the Council's external auditors, Grant Thornton, to raise with those charged with governance (i.e. the Business Efficiency Board) matters that may affect the Council's financial statements and to document the Board's response.

3.2 Appendix 1 presents proposed responses to a number of questions contained in a letter from Grant Thornton to the Chair of the Board. Mike Thomas from Grant Thornton attend the meeting and will be able to discuss the questions further with the Board if required.

4.0 POLICY AND OTHER IMPLICATIONS

4.1 None.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 None.

6.0 RISK ANALYSIS

6.1 None.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

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

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

APPENDIX 1

Matters relating to the Financial Statements 31 March 2013

Ref	Auditor Question	Response
gtcl18	Are you aware of any instances of non-compliance with laws or regulations or on notice of any such possible instances of non-compliance?	No
gtcl7	<p data-bbox="331 577 746 645">In relation to the specific risk of fraud:</p> <p data-bbox="331 645 746 779">How would you assess the Council's arrangements for identifying and responding to the risk of fraud?</p>	<p data-bbox="778 645 1385 723">The Council has robust arrangements for identifying and responding to the risk of fraud.</p> <p data-bbox="778 745 1385 1294">There is an established risk management process and the risk of fraud to the organisation is considered as part of the Council's planning processes. The Business Efficiency Board receives regular reports on the Council's corporate risk management arrangements and reviews the corporate risk register. The risk of fraud is specifically acknowledged in the Council's Corporate Risk Register, which also details the measures that the Council has in place to deter fraud. The Business Efficiency Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p data-bbox="778 1317 1385 1585">The Business Efficiency Board also has specific responsibilities in regard to monitoring and reviewing the Council's anti-fraud and corruption policies and arrangements. The Board receives an annual report on the measures the Council has established to counter the risk of fraud.</p> <p data-bbox="778 1608 1385 1809">The Council has an established Anti-Fraud & Corruption Strategy, Fraud Response Plan and Confidential Reporting Code. These documents form part of the Council Constitution.</p> <p data-bbox="778 1832 1385 1989">Internal audit considers the risk of fraud in each audit assignment. Internal audit also undertakes periodic initiatives to raise fraud awareness amongst employees and members.</p>

	What has been the outcome of these arrangements so far this year?	As far as the Board is aware, these arrangements have been effective in mitigating the risk of fraud and corruption.
	What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>Housing benefit and council tax benefit claims are considered to be most susceptible to fraud. This is a national issue and not unique to Halton.</p> <p>Other key areas at risk of fraud include:</p> <ul style="list-style-type: none"> • Housing Tenancy Fraud • Council Tax (Single Person Discounts, Student exemptions, non-occupancy) • Procurement • Grant Fraud • Employee Fraud • Schools • Personal Budgets
gtcl14	Are you aware of any significant transaction outside the normal course of business?	Disposal of Wade Deacon School Site – Following transfer to Academy status.
gtcl17	Are you aware of allegations of fraud, errors, or other irregularities during the period?	No
gtcl19	Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	No

REPORT TO: Business Efficiency Board
DATE: 22 May 2013
REPORTING OFFICER: Strategic Director - Policy & Resources
PORTFOLIO: Resources
SUBJECT: Planned External Audit Fee Letter 2013/14
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To inform the Board of the planned external audit fee for 2012/13.

2.0 RECOMMENDATION: That the 2013/14 external audit fee and the scope and timing of the planned external audit work be noted.

3.0 SUPPORTING INFORMATION

3.1 International Standards on Auditing (ISA) 260 requires auditors to communicate to those charged with governance (i.e. the Business Efficiency Board). One of the requirements is for the Auditor to set out the fees to be charged for the audit and the factors considered in setting those fees.

3.2 Mike Thomas from the Council's external auditors, Grant Thornton, will attend the meeting to present their audit fee letter, which is attached to this report.

4.0 POLICY AND OTHER IMPLICATIONS

4.1 None.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 None.

6.0 RISK ANALYSIS

6.1 None.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None.

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

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



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15 April 2013

Dear Ian

Planned audit fee for 2013/14

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. In this letter we set out details of the audit fee for the Halton Borough Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2013/14 has been set by the Audit Commission at £139,322, which compares to the scale fee of £139,322 for 2012/13. We are currently finalising the additional audit fee we will charge in 2012/13 for the additional audit work associated with the Mersey Gateway project.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme

The audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Chartered Accountants

Member firm within Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money (VfM) conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £12,000.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2013	34,831
December 2013	34,831
March 2014	34,830
June 2014	34,830
Grant Certification	
June 2014	12,000
Total	151,322

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2013 to January 2014. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion and the whole of government accounts return will be finalised in September 2014. Our proposed audit timeline is as follows.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2013 to January 2014	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to September 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to September 2014	Audit Findings (Report to those charged with governance)	As above
Financial resilience	January to September 2014	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts (WGA)	September 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2014	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2013/14 are:

	Name	Phone Number	E-mail
Engagement Lead	Mike Thomas	0161 214 6368	Mike.Thomas@uk.gt.com
Engagement Manager	Colette Williams	0161 214 6360	Colette.A.Williams@uk.gt.com
Audit Executive	Judith Smith	0161 214 6371	Judith.Smith@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance, at Sarah.Howard@uk.gt.com

Yours sincerely

Mike Thomas
For Grant Thornton UK LLP

REPORT TO: Business Efficiency Board
DATE: 22 May 2013
REPORTING OFFICER: Strategic Director – Policy & Resources
PORTFOLIO: Resources
SUBJECT: External Audit Plan 2012/13
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the 2012/13 Audit Plan presented by the Council's external auditor, Grant Thornton.

2.0 RECOMMENDATION: That the contents of the External Audit Plan for 2012/13, be noted.

3.0 SUPPORTING INFORMATION

3.1 The External Audit Plan for 2012/13, including the results of the interim audit work, is attached to this report and will be presented by Mike Thomas from Grant Thornton.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 The report contains details of the external audit fees for 2012/13.

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 external audit plan is based upon Grant Thornton'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.

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

8.1 None under the meaning of the Act.



The Audit Plan for Halton Borough Council

Year ended 31 March 2013

April 2013

Mike Thomas

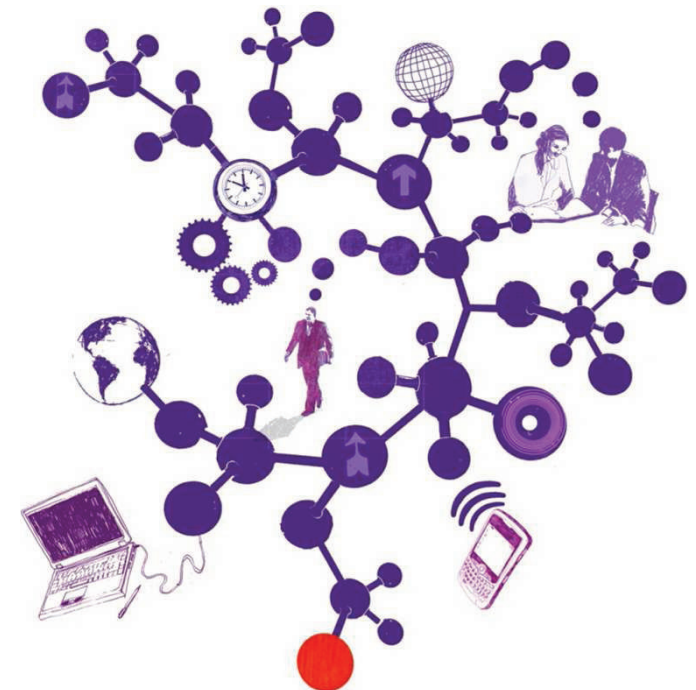
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

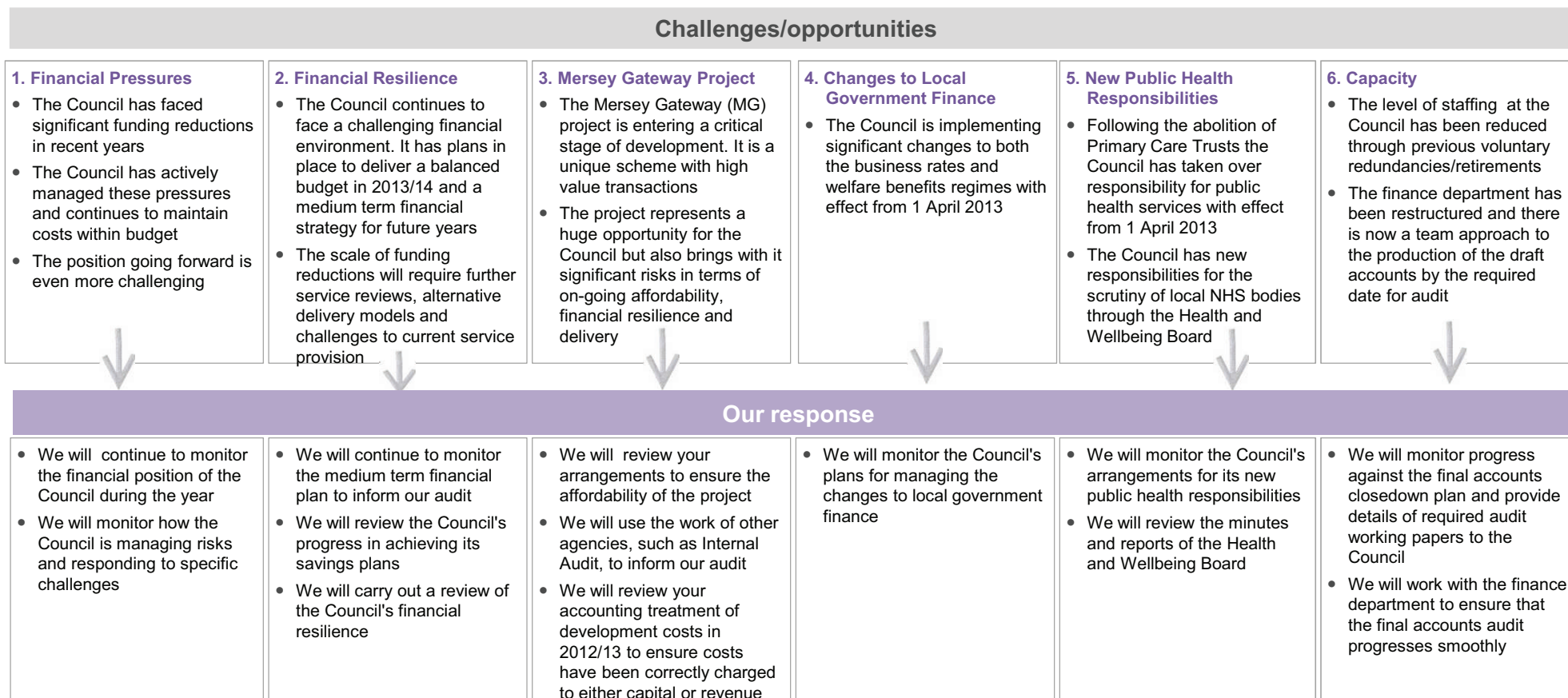
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2. Developments relevant to your business and the audit
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5. Significant risks identified
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11. Fees and independence
12. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice
- Transfer of assets to Academies
- Recognition of grant conditions and income

2. Legislation

- Local Government Finance settlement 2012/13
- Welfare reform Act 2012

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

4. Pensions

- Planning for the impact of 2013/14 changes to the Local Government pension Scheme (LGPS)

5. Other requirements

- The Council is required to submit a Whole of Government accounts (WGA) pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

We will ensure that:

- the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing
- schools are accounted for correctly and in line with the latest guidance
- grant income is recognised in line with the correct accounting standard

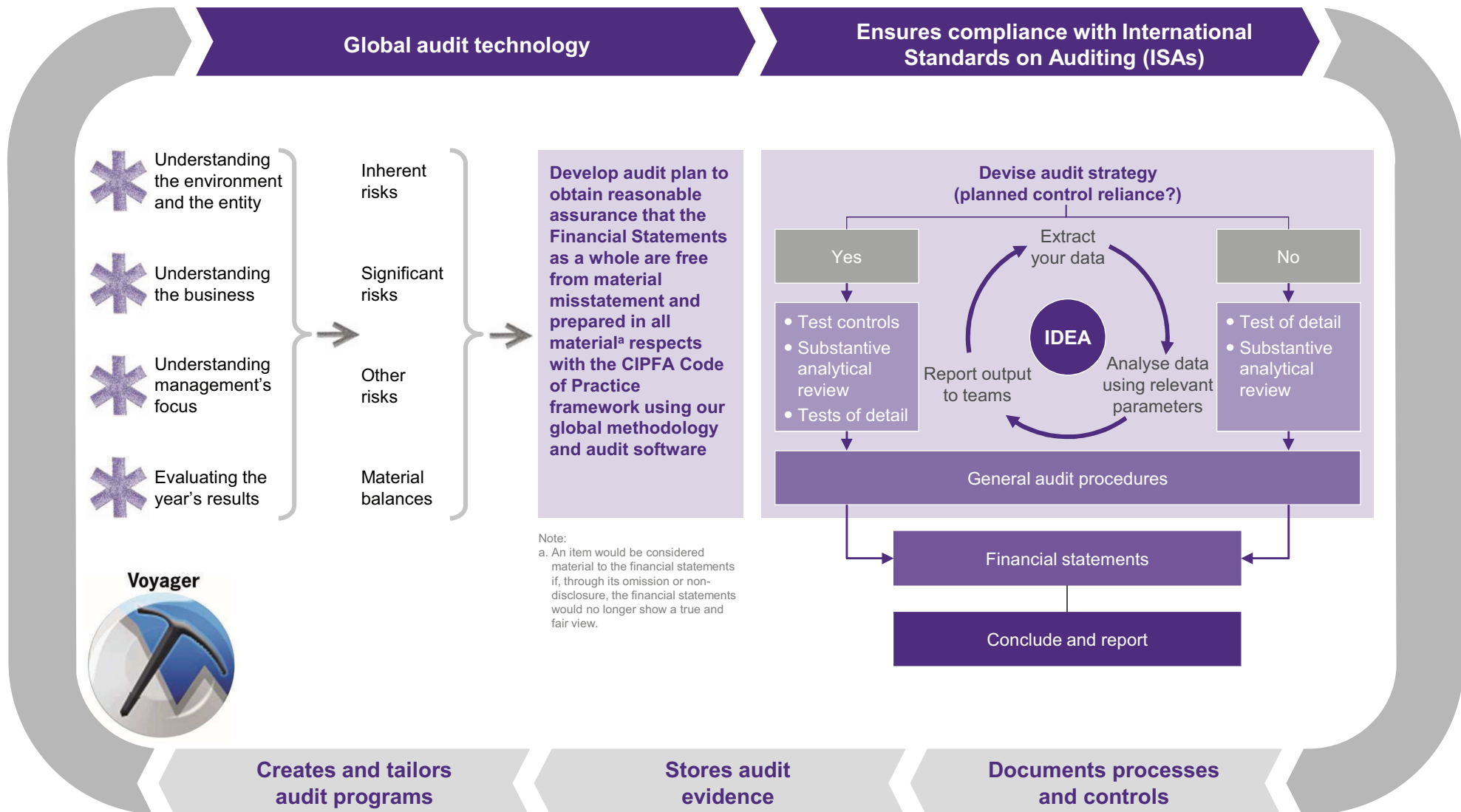
- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management

- We will carry out work on the WGA pack in accordance with requirements
- We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	Yes	Property, Plant and Equipment	Low	None		✓
Precepts and Levies	No	Council Tax	Low	None		×

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	No	Borrowings	Low	None		×
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		×
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Dividend income from Joint Venture	No	Revenue	Low	None		×
Impairment of investments	No	Investments	Low	None		×
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		×
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
PFI revenue support grant & other Government grants	Yes	Grant Income	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		×
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	PPE activity not valid	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	Revaluation measurements not correct	✓
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✓
Intangible assets	No	Intangible assets	Low	None		×
Investments (long & short term)	Yes	Investments	Low	None		✓
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		×
Inventories	No	Inventories	Low	None		×
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	Yes	Provisions	Low	None		✓
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below and there is one other significant risk relevant to Halton BC.

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Further work planned:</p> <ul style="list-style-type: none"> Review and testing of revenue recognition policies Performance of attribute testing on material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review of entity-level controls at the Council eg. journals and the role of the Business Efficiency Board (as the Council's Audit Committee) <p>Further work planned:</p> <ul style="list-style-type: none"> Review of general IT controls Review of accounting estimates, judgments and decisions made by management Testing of journal entries using computer assisted audit techniques (CAATs) Review of unusual significant transactions
Incorrect capitalisation of costs associated with the Mersey Gateway project	Accounting standards and CIPFA guidance set out the criteria to be applied when capitalising costs in the financial statements. For some costs there is an element of judgement as to whether they should be accounted for as capital or revenue.	<p>Work completed to date:</p> <ul style="list-style-type: none"> Initial discussion with the Council's finance team about their approach in 2012/13 and their response to the recommendations contained within the 2011/12 Annual Governance Report <p>Further work planned:</p> <ul style="list-style-type: none"> Obtain and review the accounting methodology being applied by the Council in 2012/13, including an assessment of assumptions and judgements made Sample test a number of transactions to confirm compliance with accounting standards

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Operating expenses understated Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Documentation and identification of the processes and key controls in the operating expenses cycle Walked through a sample expenditure item to confirm our understanding 	<ul style="list-style-type: none"> Testing of controls Substantive testing of expenditure Substantive testing of year end creditors
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> Documentation and identification of the process and key controls in the employee remuneration cycle Walked through a sample employee to confirm our understanding 	<ul style="list-style-type: none"> Substantive testing of payroll expenditure Audit of the year end reconciliation between the payroll system and the general ledger
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> Documentation and identification of the processes and key controls in the welfare expenditure cycle Walked through a sample expenditure item to confirm our understanding 	<ul style="list-style-type: none"> Certification work on the housing and council tax benefit subsidy return
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> Documentation and identification of the processes and key controls in the PPE cycle Walked through a sample item of capital expenditure to confirm our understanding 	<ul style="list-style-type: none"> Substantive testing of PPE additions and adjustments during the year Substantive testing of opening balances on PPE
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> Documented the qualifications of the in-house valuation team 	<ul style="list-style-type: none"> Agree the principles and methodologies used by the Council in its cyclical valuation exercise Substantive testing of revaluations at year end

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Halton Borough Transport	No	Comprehensive	None	<p>Halton Borough Transport (HBT) is not material to the accounts of the Council . We will agree the HBT audited accounts to the Councils' disclosures in the 2012/13 accounts.</p> <p>We are currently updating our understanding of the Council's group arrangements. We will consider any changes from the prior year and reflect any changes in our testing strategy</p>

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- opening balances for 2012/13
- the impact of issues highlighted within Council minutes and agenda papers
- journal entry controls.

A review of Information Technology (IT) controls is currently in progress and will be completed ahead of our detailed substantive work on the Council's financial statements.

	Work performed	Conclusion
Internal audit	We have reviewed internal audit's overall arrangements against the CIPFA Code of Practice. Where the arrangements are deemed to be adequate we can gain assurance from the overall work undertaken by internal audit and can conclude that the service is contributing positively to the internal control environment and overall governance arrangements within the Council.	Overall, we have concluded that internal audit continue to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. These included the following: <ul style="list-style-type: none"> • Payroll • Housing and Council Tax Benefits • Operating Expenses • Property, Plant and Equipment. 	No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding.

Results of interim audit work (continued)

	Work performed	Conclusion
Opening balances	We have reviewed the balances brought on to the general ledger at 1 April 2012 to ensure they are consistent with the audited 31 March 2012 values. This included a check to see that all manual adjustments and all audit adjustments at 31 March 2012 were properly posted to the ledger.	No significant issues were noted and we are satisfied that balances are properly recorded in the general ledger at 1 April 2012.
Minutes review	We have reviewed all relevant meeting minutes and relevant papers throughout the year to identify potential audit risks	The review of minutes has not identified any additional risks above those reported in this audit plan.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	We have not identified any significant issues. We will perform detailed testing on journal transactions recorded in the general ledger throughout the year using computer assisted audit techniques (CAATs).
Review of information technology (IT) controls	Our information systems specialist is undertaking a high level review of the general IT control environment, as part of the overall review of the internal controls system.	The work is in progress with an expected completion date of the end of April.

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for members.

We have identified the Mersey Gateway project, particularly its affordability, as a specific risk for the Council's vfm conclusion. We have discussed this with senior officers and agreed a project brief and fee for the audit work. We are currently revisiting the project brief and the associated audit fee to ensure our proposed audit work does not exceed our Code of Audit Practice responsibilities. We will update members on progress in our next update report to the Business Efficiency Board.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- Consider the overall affordability of the Mersey Gateway project
- Review the Council's progress against its savings plans
- Review the Council's response to cost pressures arising from reductions in funding, the need to identify and maximise funding opportunities, and the challenge to the Councils capacity to continue to delivery its priorities

Logistics and our team



Date	Activity
18 December 2012	Planning meeting
February to April 2013	Interim site work
22 May 2013	The audit plan presented to Business Efficiency Board
1 July 2013	Year end fieldwork commences
September 2013	Audit findings clearance meeting
18 September 2013	Business Efficiency Board meeting to report our findings
25 September 2013	Sign financial statements and VfM conclusion
28 October 2013	Issue Annual Audit Letter

Our team

<p>Mike Thomas CPFA Director T 0161 214 6368 M 0788 045 6173 E Mike.Thomas@uk.gt.com</p>	<p>Judith Smith CPFA Executive T 0161 214 6371 E Judith.Smith@uk.gt.com</p>
<p>Colette Williams CPFA Manager T 0161 214 6360 M 0788 045 6176 E Colette.A.Williams@uk.gt.com</p>	<p>Ashling Conway Associate T 0151 214 7237 E Ashling.Conway@uk.gt.com</p>

Fees and independence

Fees

	£
Council audit	139,322
Additional work relating to Mersey Gateway (opinion and vfm conclusion)	TBC
Grant certification	14,350
Total	153,672

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
Grant Thornton's tax team have provided tax advice to Halton BC for a number of years. The cost of this advice is normally in the region of £12,000 to £15,000 per year. However, in 2011/12 the costs totalled some £33,300. This increase was related to specific tax advice on Daresbury and Wade Deacon High School.	33,300
In accordance with Ethical Standards we reviewed this matter and we are satisfied that there is no significant threat to auditor independence.	

Independence and ethics

We confirm that there are no other significant facts or matters that impact on our independence as auditors that we are required to or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

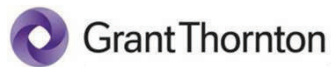
This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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REPORT TO: Business Efficiency Board

DATE: 22 May 2013

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Resources

SUBJECT: Internal Audit Annual Report – 2012/13

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The CIPFA Code of Practice for Internal Audit in Local Government requires the Head of Internal Audit to provide a written report to the Council's Audit Committee timed to inform the Council's Annual Governance Statement. As such, the purpose of this report is to provide an opinion of the adequacy and effectiveness of the Council's control environment. The 'control environment' is the collective term used to describe the Council's:

- risk management;
- control; and
- governance processes.

1.2 The Accounts and Audit Regulations 2011 provide a requirement for local authorities to conduct a review of the effectiveness of its internal audit at least once each year. This review is intended to provide members with a basis for determining the extent to which reliance can be placed on the internal audit opinion.

1.3 This report is therefore the culmination of the internal audit work completed during the course of the year and it provides an opinion on the adequacy of the Council's control environment. It also details the findings of the review of the effectiveness of the Council's internal audit function.

2.0 RECOMMENDATIONS: That the Board notes:

- (1) The Head of Internal Audit's opinion on the Council's control environment; and**
- (2) The findings of the review of the effectiveness of internal audit.**

3.0 SUPPORTING INFORMATION

Annual opinion on the Council's control environment

- 3.1 Internal audit work completed during the 2012/13 financial year was carried out in accordance with the Internal Audit plan, which was approved by the Business Efficiency Board on 29 February 2012. The plan was designed in such a way to allow Internal Audit to form an overall opinion on the Council's risk management, control and governance processes.
- 3.2 In providing an overall opinion on the Council's system of internal control, it should be noted that assurance can never be absolute. Internal Audit can only provide reasonable assurance that there are no major weaknesses in the areas reviewed. In arriving at an opinion, consideration is given to:
- The findings from the audit work undertaken during the year;
 - The amount of audit work undertaken in the year compared with work planned;
 - The results of follow up action in respect of previous audit work;
 - Whether or not any significant recommendations have not been accepted by management and the consequent risks;
 - The extent to which resource constraints prevent Internal Audit from providing assurance over all key risks faced by the Council.

Opinion on the Council's Control Environment

The Head of Internal Audit is required to form an opinion on the adequacy and effectiveness of the Council's internal control environment, which includes consideration of any significant risk or governance issues and control failures that have been identified. Although a number of high priority issues have been reported by Internal Audit during the course of the 2012/13 financial year, the actions that management has agreed to take in response to those findings will, if implemented satisfactorily, resolve them in an appropriate manner. I am therefore of the opinion that the Council has a well-established control environment that continues to operate well in practice.

There are no outstanding significant control issues identified through the work of Internal Audit that require disclosure in the Council's 2012/13 Annual Governance Statement.

Basis for the opinion

- 3.3 The 2012/13 Internal Audit Plan comprised 1,239 audit days based on an establishment of 6.52 FTE auditors. By year end, Internal Audit had delivered 944 audit days (76.2% of the total planned days for the year). The shortfall in the number of audit days delivered was a result of

staffing vacancies arising during the year and a member of staff being absent on maternity leave.

- 3.4 The reduction in available resources was managed by prioritising audit coverage and some planned work being deferred until the 2013/14 financial year.
- 3.5 The level of audit coverage achieved during the year is considered sufficient to ensure that a confident, evidence-based opinion can be provided.
- 3.6 A summary of the audit reviews finalised during the year is included in Appendix 1. Each audit area is graded according to the level of assurance that can be provided that objectives for the area reviewed are likely to be achieved. Three categories of assurance level are used: substantial, adequate and limited. Of the 49 audit reports finalised during the year:
- 23 areas received substantial assurance;
 - 26 areas received adequate assurance;
 - No audits received limited assurance.
- 3.7 A number of other audits from the 2012/13 Audit Plan are nearing completion and will be reported in the next progress report to the Board.
- 3.8 Due to the reduction in staffing resources, a risk-based approach has been adopted to following up audits to ensure that internal audit recommendations are implemented.
- 3.9 A total of 11 'follow up' audits were completed in the year and these are detailed in Appendix 2. In summary:
- 8 areas had made substantial progress in implementing the recommendations agreed;
 - 3 areas had made good progress in implementing the recommendations agreed;
 - There were no areas where progress in implementing the recommendations agreed had been unsatisfactory.

Review of the effectiveness of internal audit

- 3.10 The Accounts and Audit Regulations 2011 provide a requirement for local authorities to conduct a review of the effectiveness of its internal audit at least once each year and to report the findings of the review alongside the annual opinion on the system of internal control.
- 3.11 The Operational Director – Finance has reviewed the Council's internal audit arrangements and considers it to be effective and fit for purpose. The following evidence supports this conclusion:

- The Council has designated the Business Efficiency Board as its Audit Committee. The Audit Plan is approved by the Board and regular reviews of progress towards delivering the plan are presented to the Board during the year. The Board provides robust challenge on issues identified through the work of internal audit and also seeks explanations from officers, when considered necessary, on risk and control issues.
- The Council's Internal Audit team has established quality assurance arrangements to ensure continued compliance with the CIPFA Code of Practice for Internal Audit in Local Government and the Council's audit methodology.
- Grant Thornton has recently reviewed Internal Audit against the CIPFA Code of Practice. Their overall conclusion was that *'internal audit continue to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council'*.
- The Council's internal audit arrangements comply with the CIPFA Statement on the role of the Head of Internal Audit in public service organisations.
- All employees within the Internal Audit Division hold a recognised accountancy and / or internal audit qualification.
- The Council's external auditors (Grant Thornton) place reliance where possible on internal audit in regards to work undertaken on the systems that compile the material disclosures for the statement of accounts.
- Internal Audit seeks feedback on the service it provides by issuing an 'Internal Audit Satisfaction Survey' at the end of each audit. The satisfaction levels from the 38 surveys returned in 2012/13 are summarised below:
 - 100% satisfaction – Work on financial systems
 - 95% satisfaction – Work on operational systems and services
 - 100% satisfaction – Work on information systems management
 - 100% satisfaction – Work on procurement
 - 86% satisfaction – Work on schools

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

- 4.1 Under Regulation 6 of the Accounts & Audit Regulations 2011 the Council 'must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance

with the proper practices in relation to internal control'. This responsibility is delegated to the Operational Director – Finance.

4.2 The Head of Internal Audit's opinion on the Council's control environment is one of the key sources of assurance that supports the Council's Annual Governance Statement.

4.3 The internal audit work carried out during the year provides assurance that the Council's main financial systems are operating effectively.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 CIPFA defines Internal Audit as being 'an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives'. Internal Audit therefore supports the Council in achieving all the aims and objectives set out in the Sustainable Community Strategy and the Corporate Plan.

6.0 RISK ANALYSIS

6.1 The work of Internal Audit is part of the overall framework that provides assurance that significant risks to the achievement of the Council's objectives are being managed effectively.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None arising directly from this report.

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

Document	Place of Inspection	Contact
Internal Audit Plan 2012/13 Internal Audit reports	1 st Floor, Kingsway House, Kingsway, Widnes	Merv Murphy

Internal Audit reports issued in 2012/13

	Audit Area	Level of Assurance		
		Substantial	Adequate	Limited
	Council wide			
1.	Risk Management	✓		
2.	Mersey Gateway – Use of Consultants		✓	
	Children & Enterprise Directorate			
3.	Schools – Transfer Process to Academy Status		✓	
4.	Strategic Asset Management		✓	
5.	Building Cleaning		✓	
6.	Building Schools for the Future	✓		
7.	16-19 Bursary Fund	✓		
8.	Woodside Primary		✓	
9.	Beechwood Primary		✓	
10.	Farnworth Primary		✓	
11.	Moorfield Road Primary		✓	
12.	Moore Primary	✓		
13.	Murdishaw West Primary		✓	
14.	St Basil's Catholic Primary	✓		
15.	Chesnut Lodge		✓	
16.	Warrington Road Nursery		✓	
17.	Halebank CEVC Primary		✓	
18.	St Berteline's CE Primary		✓	
19.	Pewithall Primary		✓	
20.	Fairfield Junior School	✓		
21.	St Augustine's RC Primary		✓	

	Audit Area	Level of Assurance		
		Substantial	Adequate	Limited
22.	Brookvale Primary		✓	
23.	Hale CE Primary	✓		
24.	Daresbury Primary	✓		
25.	Ashley School		✓	
26.	The Bankfield		✓	
27.	Saints Peter and Paul Catholic College	✓		
	Communities Directorate			
28.	Bulky Waste Collection & Bin Deliveries		✓	
29.	Disabled Facilities Grants	✓		
30.	Personalisation		✓	
31.	Grants to Voluntary Organisations	✓		
32.	Homelessness	✓		
33.	Community Centres		✓	
34.	Castlefields Community Centre Cafe		✓	
35.	Oakmeadow Resource Centre		✓	
36.	School Meals Income – Cash Cafeterias	✓		
37.	Halton Stadium – Counterfeit Notes		✓	
	Policy & Resources Directorate			
38.	Income Control		✓	
39.	Fixed Assets	✓		
40.	Management of Third Party ICT Services	✓		
41.	Due North E-Tendering System	✓		
42.	Highways Maintenance Contract – Interim Report	✓		
43.	Highways Maintenance Contract – Final Report	✓		

	Audit Area	Level of Assurance		
		Substantial	Adequate	Limited
44.	Loans & Investments	✓		
45.	Housing Benefit & Council Tax Benefit	✓		
46.	Sundry Debtors	✓		
47.	Main Accounting System – Journals	✓		
48.	Construction Industry Tax Deduction Scheme		✓	
49.	Central Electronic Storage	✓		
	Total	23	26	0




Key

Assurance Rating	Explanation
● Limited	The control environment is in need of improvement. Weaknesses in the control systems may put the service or system’s business objectives at risk.
● Adequate	There is basically a sound system of controls. However, opportunities exist to enhance the control environment further.
● Substantial	There is a sound system of control designed to ensure the achievement of the service or system’s business objectives.

Internal Audit 'follow up' reviews - 2012/13

	Audit Area	Level of Assurance		
		Substantial	Adequate	Limited
	Children & Enterprise Directorate			
1.	Property Maintenance	✓		
2.	Young People's Team	✓		
3.	Industrial Units	✓		
4.	Brookvale Children's Centre	✓		
	Communities Directorate			
5.	Trading Standards	✓		
6.	Crematorium and Cemeteries		✓	
7.	Pest Control		✓	
	Policy & Resources Directorate			
8.	Payment Card Industry – Data Security Standard	✓		
9.	Mayor's Fund	✓		
10.	Management of Imprest Accounts	✓		
11.	Planning Applications		✓	
	Total	8	3	0

Key

Assurance Rating	Explanation
 Limited	Little progress made in implementing the agreed recommendations.
 Adequate	Good progress made in implementing the agreed recommendations.
 Substantial	Substantial progress made in implementing the agreed recommendations.

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