



Business Efficiency Board

**Wednesday, 3 June 2015 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn**

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

Chief Executive

BOARD MEMBERSHIP

Councillor Joe Roberts (Chairman)	Labour
Councillor Martha Lloyd Jones (Vice-Chairman)	Labour
Councillor John Bradshaw	Conservative
Councillor Arthur Cole	Labour
Councillor Mike Fry	Labour
Councillor Darren Lea	Labour
Councillor Alan Lowe	Labour
Councillor Andrew MacManus	Labour
Councillor Tony McDermott	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor John Stockton	Labour

Please contact Lynn Derbyshire on 0151 511 7975 or e-mail lynn.derbyshire@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 23 September 2015

**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. EFFICIENCY PROGRAMME UPDATE	1 - 4
4. 2013-16 PROCUREMENT STRATEGY UPDATE	5 - 17
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13. 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.

14. INTERNAL AUDIT PROGRESS REPORT

114 - 155

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: 3 June 2015

REPORTING OFFICER: Strategic Director, Policy & Resources

PORTFOLIO: Resources

SUBJECT: Efficiency Programme Update

WARDS: All

1.0 PURPOSE OF THE REPORT:

To inform the Board of progress made to date with the Efficiency Programme (refer to Appendix 1).

2.0 RECOMMENDATION: The board is asked to note the contents of the report.

3.0 SUPPORTING INFORMATION

Up to date workstream information is available via the Efficiency Programme Office's team site at: <http://hbc/Teams/EFFIC/Pages/Home.aspx>

4.0 POLICY IMPLICATIONS

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

It should be noted that since commencing in 2009, the Efficiency Programme, and activity associated with it, has identified savings in the region of over £12m. This has assisted the Council in the difficult task of dealing with the budget gap.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

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 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.

8.0 EQUALITY AND DIVERSITY ISSUES

N/A

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

None under the meaning of the Act

Halton Council Efficiency Programme

Progress update – June 2015

Progress to date against each of the current workstreams is given below.

Review of Library Services (Wave 5)

This review is now complete.

Following a decision made by Executive Board in November 2014, the mobile library ceased operation on 28 March 2015.

New structures, rotas, job descriptions and management arrangements were implemented on 12 April 2015. The new organisational structure created a Development Section and a Frontline Service Section, overseen by a service manager. The management of caretaking provision within the libraries has been reviewed and transferred to Property Services and administrative activity to the Administration Shared Service.

19 staff left the authority under the Council's voluntary severance scheme. There was one compulsory redundancy (0.04FTE). A number of other staff were successful in securing alternative employment both within and external to the Council.

The Efficiency Programme Office has continued to support the service as the new arrangements bed-in. This has involved a training needs analysis and the development of a programme to upskill staff appointed to new roles as part of the restructure.

Savings of £400,000 were achieved.

Review of Learning & Achievement (Wave 5)

This review is now complete.

The review focussed on the aspects of the 0-19 Division which provide school improvement services and support, and the Portage service.

Some structural revisions have been implemented to generate additional capacity within the service within existing budget provision.

Savings of £20,000 in 2015/16 have been achieved.

Review of Halton Supported Housing Network (Wave 5)

A To Be model for the service has been selected, and consultation with staff and Trade Unions on a new structure, rotas and job roles is currently being programmed.

Following consultation, a final structure will be agreed, and implementation of new arrangements is likely to be towards the end of 2015.

A savings target of £250,000 has been set for this workstream.

Supplier Relationship Review (Wave 5)

The work undertaken as part of this review has been transferred to the Procurement Division. Updates will be reported to the Efficiency Programme Board on an ad hoc basis.

Review of Highways Services (Wave 5)

The workstream is currently in the As Is phase, with initial drop-in sessions for affected staff currently running.

A savings target is yet to be set for this workstream.

Reviews of Premium Pay, use of Agency Workers and use of Casual Staff (Wave 6)

The Efficiency Programme Board agreed to split the review of Premium Pay into reviews of Overtime and Enhancements.

Reviews of Agency, Casual and Overtime are running concurrently and the initial As Is report was recently presented to the Programme Board. Business areas for examination have been prioritised.

A savings target has not yet been set for this workstream.

REPORT TO:	Business Efficiency Board
DATE:	3 June 2015
REPORTING OFFICER:	Strategic Director, Policy and Resources
SUBJECT:	2013-16 Procurement Strategy Update
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Board with an update regarding progress with the Council's Procurement Strategy 2013-16 targets and performance measures.

2.0 RECOMMENDATION: It is recommended that the report and position statement, be noted;

3.0 SUPPORTING INFORMATION

- 3.1 The Council's Procurement Strategy provides a structured approach to procurement, in order to ensure efficient processes are followed which will deliver reduced costs whilst maintaining or improving service delivery.

Progress against key measures within the strategy is detailed in Appendix 1.

Progress to Date

- 3.2 In line with the aims of the strategy, the Council continues to deliver savings from procurement. The centralised model, working across all spend areas of the Council and utilising the Risk Based Sourcing (RBS) approach for spend below EU financial threshold, is serving the Council well.
- 3.3 The Public Contract Regulations 2015 and a number of public sector procurement reforms (the Lord Young Reforms) came into force in February 2015. These are largely in line with the model that Halton had already implemented and that formed the basis of the Procurement Strategy. Adoption of these has not proved a significant challenge.
- 3.4 The Division developed a Social Value Procurement Framework in 2014, and this has been applied to a number of contracts that have recently been awarded. Progress against this will be measured incrementally as outcomes are achieved and recorded.

- 3.5 The Division concluded the delivery of support service commissions Sefton MBC and Cheshire East Council; and continues to provide procurement support to Halton Clinical Commissioning Group. Relationships with partner organisations continue to grow.

Looking Forward

- 3.6 For the remaining duration of the strategy, the established commercial approach to procurement will continue, underpinned by six key Building Blocks outlined in the strategy;

- Organisation
- Governance and Process
- Demand Management
- Market Engagement/Supplier Relationship Management (SRM)
- Category Management
- Purchase to Pay/ e Procurement

- 3.7 The Procurement Division will continue to respond to opportunities to work collaboratively with other organisations to promote and embed the principles of efficient commercial procurement.

4.0 POLICY IMPLICATIONS

- 4.1 None.

5.0 OTHER IMPLICATIONS

- 5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 6.1 The Procurement Strategy is designed to improve procurement practice across the Council, in order to reduce costs associated with procurement processes and to realise budget savings from more robust procurement activity. This supports the achievement of all of the Council's priorities.

7.0 RISK ANALYSIS

- 7.1 Given the financial constraints facing the Council, failure to identify and realise savings from more robust procurement practice may result in the Council not achieving budget savings targets. The Procurement Strategy and procedures surrounding it are designed to ensure that efficient procurement practices are operated across the Council.

8.0 EQUALITY AND DIVERSITY ISSUES

- 8.1 None.

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

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

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
<p>1. Organisation: The Council continues to recognise that procurement is a strategic function and is committed to placing it at the centre of its activities</p>	<p>a. Support from Elected Members, Business Efficiency Board and Management Team</p>	<p>The Public Contract Regulations 2015, came into effect from 26th February 2015, which implement Lord Young’s reforms as National Rules and are set out in Part 4 of the new Regulations, in particular there are new rules on:</p> <ul style="list-style-type: none"> • Advertising on Contracts Finder, and • Abolition of the Pre-Qualification Questionnaire below EU Threshold - £172,514 • Use of a Standard Questionnaire above EU Threshold <p>This reflects the Procurement Division’s Risk Based Sourcing (RBS) approach, primarily aimed at encouraging SME participation in simpler and a more consistent public procurement process.</p>
	<p>b. Implementation of Public Service (Social Value) Act, 2012</p>	<p>Following the approval of Halton’s Social Value Procurement Framework by Management Team and Executive Board, we continue to embed the Framework for opportunities that allow providers/suppliers to demonstrate wider community benefits from the delivery of their</p> <p>The Procurement Division will track all contracts where Social Value has been included either voluntarily, or within the Terms and Conditions of the contract. This applies to the following recently awarded contracts</p> <ul style="list-style-type: none"> • Property Consultancy • Security Services • Specialist Youth and Treatment Service • Floating Support Service • Housing Support Service for Single Homeless People

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
		<ul style="list-style-type: none"> • School Nursing Service • Youth Provision <p>A monitoring dashboard has been created for each contract, which allows for the measurement of social value outcomes in line with Halton's Sustainable Community Strategy(2011-2026) priorities</p> <p>As a consequence of the development Halton's Social Value Framework, the division has been asked to present at regional events on how it has been implemented</p>
<p>2. Governance and Process The Council will improve further its governance and processes to deliver greater efficiencies and streamlined procurement practices</p>	<p>a. Annual review of Procurement Standing Orders</p>	<p>Member's approved the Council's Constitutional changes for 2015-16 on 15th April 2015, which included Procurement recommendations in relation to Contract Extensions approval.</p> <p>The new Contract Extension Approval Thresholds are set out below: Above £1 million – report to Executive Board Below £1 million – Operational and Head of Procurement</p> <p>This will reduce the number of auto-extensions being carried out, without conducting a pre-extension meeting, to ensure that we continue to achieve value for money.</p>
	<p>b. Continue to ensure procurement practices are efficient and remove any unnecessary</p>	<p>The Councils Procurement Division continues to ensure practices are efficient and the removal of financial thresholds below EU threshold level has resulted in efficiencies for the period April 2014 to Feb 2015:</p> <ul style="list-style-type: none"> • 14 procurement exercises undertaken as Requests for Quote rather than full tenders. This demonstrates a significant reduction of officer time as we are not bound by Public Contract Regulations (PCR) 2015

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
	activity for spend below EU value Thresholds	<ul style="list-style-type: none"> • 6% of tender value saved per exercise has resulted in process efficiency savings (officer time) in excess of £107,553 to date. • This streamlined process allows a faster route to market and simplified processes for the business community to benefit from. <p>The New Public Contract Regulations come into effect from 26th February 2015, and include National Rules (Reg 105 to 113), which implement reforms proposed by Lord Young,</p> <p>Upon examination, the new directive, combined with Lord Young's reforms do not pose a particular challenge to the innovative procurement processes that are already embedded within Halton.</p>
	c. Maintain risk based sourcing (RBS) approach for all spend from £1,000 up to EU value thresholds.	<p>The Procurement Division are continuing to drive compliance with Procurement Standing Orders to push all spend above £1000 via the Chest in order to drive transparency and fair and equal opportunity to the business community.</p> <p>This concept is compliant with the new Public Procurement Regulations 2015 and Transparency Code 2014</p>
	d. Ensure we strive to push all spend above £1,000 via The Chest (25% represents £5M of spend via the Chest (low value spend) – this delivers	<p>Category Management has improved visibility of the following:</p> <ul style="list-style-type: none"> • Council Contracts: May 14, 189 published, May 15: 235 published • Contract Extensions

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
	approximately £500K of cost reduction)	
	e. Deploy a Best and Final Offer (BAFO) approach where possible, to ensure we take every opportunity to drive the price down whilst maintaining quality in a controlled and fully auditable environment	<p>We continue to deploy BAFO as part of our procurement practice as and when appropriate.</p> <p>A notable example of success during the last quarter of 14/15 is the Health and Wellbeing for young offenders across Halton and Warrington – 13%</p>
	f. Continue with the scrutiny role by Business Efficiency Board (BEB) and report biannually against this strategy	This report evidences the bi-annual reporting of the strategy for scrutiny by Business Efficiency Board.
3. Demand Management The Council will continue to secure improvement in procurement in engagement by securing full compliance with Standing Orders	a. Continuous review of spend analysis which will aid procurement planning across the organisation	The Procurement Division continues to invest time in maintaining an accurate profile of our spend with the council's finance system, this is influenced by: <ul style="list-style-type: none"> • Accurate Categorisation and Coding • New Supplier Set Up Forms • Contract Register

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
	and with public sector partners to identify opportunities, prioritisation and to secure savings	<ul style="list-style-type: none"> • Category Management • SME Profile – Includes Micro – below 10 employees and local postcode. <p>This allows us to report accurately on our data in terms of Spend, Savings and SME engagement.</p>
	<p>b. Continued development of the capacity and capability of the Procurement Division through training and study Chartered Institute of Purchase and Supply (CIPS) subject to available resources. This will ensure the division is educated and skilled to manage procurement demand</p>	<p>Qualified - October 2014: CIPS Level 6 – 1 qualified CIPS Level 5 – 2 qualified (2 have now left the council – Feb, March 2015) CIPS Level 4 – 1 qualified</p> <p>Studying – October 2014: CIPS Level 6 - 3 working towards CIPS Level 5 - 1 working towards CIPS Level 4 - 2 working towards</p>
	c. Continuation of a communication and education	<p>Further internal workshops are to be planned for the second half of this year to inform Internal Officers of recent changes to:</p> <ul style="list-style-type: none"> • Constitution – Procurement Standing Orders

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
	strategy internally to up-skill and educate the wider workforce	<ul style="list-style-type: none"> • Public Contract Regulations 2015 • Transparency Code 2014 • Social Value Act 2012
<p>4. Market Engagement/Supplier Relationship Review (SRR) Halton will commence a review through a structured approach to developing supplier relationships in order to review overall business relationships, contractual arrangements, specifications, rates and expected outputs in order to mutually agree benefits which will result in savings for the Council as the customer. This will deliver greater value, meet strategic objectives and add Social Value. This will have greater leverage if we work with public sector partners.</p>	<p>a. Development of a work stream to undertake a structured review of SRM across the organisation and where possible with public sector partners</p>	<p>A pilot workstream has been delivered jointly by the Efficiency and Procurement functions.</p> <p>A small number of the Council's external contracts have been selected on a pilot basis to be examined in order to establish the potential for efficiencies within existing contracts.</p> <p>This has led to a process being developed that will be rolled out over the coming months to systematically challenge contracts in-term.</p>
	<p>b. Continuing with SME and Community and Voluntary Sector (CVS) engagement both locally and regionally in order to train, support and develop a 2-</p>	<p>Our relationship with Halton and St Helens VCA continues to grow and we have implemented the 'Star Standard', a pre-qualification process for the sector, applicable to opportunities below the EU Value Threshold. This is designed to eliminate the duplication of resubmitting essential organisational information during the procurement process.</p> <p>A local voluntary Sector Organisation who has achieved the 'Star Standard' has recently been successful in bidding for work using our new process.</p> <p>The Procurement Division have delivered two successful external supplier</p>

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)																				
	<p>way approach where we learn together and to underpin SRM</p>	<p>engagement workshops in the Borough:</p> <p>3rd December 2014 – Runcorn – Attendees 49 12th January 2015 – Widnes – Attendees 46</p> <p>Further supplier workshops are to be planned for the second half of this year to inform suppliers of recent changes to Procurement Rules, Legislation and process:</p> <ul style="list-style-type: none"> • Constitution – Procurement Standing Orders • Public Contract Regulations 2015 • Transparency Code 2014 • Social Value Act 2012 <p>Statistical information:</p> <p>1. The Chest Supplier Registration: May 2015: 914 (327% improvement since July 2010 and recent supplier engagement workshops)</p> <p>2. Local SME Registration – Oct 2014 (*stats only recorded since Sept 2014)</p> <table border="1" data-bbox="1115 1129 2101 1316"> <thead> <tr> <th></th> <th>Oct 2014</th> <th>April 2015</th> <th>% increase</th> </tr> </thead> <tbody> <tr> <td>*Micro – (0 - 10 employees)</td> <td>74</td> <td>82</td> <td>9 %</td> </tr> <tr> <td>Small – (10 – 50 employees)</td> <td>55</td> <td>60</td> <td>9 %</td> </tr> <tr> <td>Medium – (50 – 250 employees)</td> <td>65</td> <td>69</td> <td>0.5 %</td> </tr> <tr> <td>Large – (above 250 employees)</td> <td>63</td> <td>72</td> <td>9 %</td> </tr> </tbody> </table>		Oct 2014	April 2015	% increase	*Micro – (0 - 10 employees)	74	82	9 %	Small – (10 – 50 employees)	55	60	9 %	Medium – (50 – 250 employees)	65	69	0.5 %	Large – (above 250 employees)	63	72	9 %
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Building Block	The What	Progress Update November 2014 (Year 2: mid-year)															
		<p>3. Spend with National SMEs (report run annually) 12/13 - 89% of our influential spend of £74M. 13/14 – 88% of our influential spend of £90M (indicates constant) 14/15 – 87% of our influential spend of £93M</p> <p>4. Breakdown of National SME Suppliers:</p> <table border="0" data-bbox="1120 558 2016 750"> <tr> <td>(Period April to March)</td> <td>2013/14</td> <td>2014/15</td> </tr> <tr> <td>Micro (0- 10 employees) -</td> <td>29 (2%)*</td> <td>230 (10%)</td> </tr> <tr> <td>Small (10 to 50 employees) –</td> <td>1670 (67%)</td> <td>1249 (57%)</td> </tr> <tr> <td>Medium (50 to 250 employees) –</td> <td>482 (20%)</td> <td>441 (20%)</td> </tr> <tr> <td>Large – (above 250 employees) –</td> <td>298 (12%)</td> <td>284 (13%)</td> </tr> </table>	(Period April to March)	2013/14	2014/15	Micro (0- 10 employees) -	29 (2%)*	230 (10%)	Small (10 to 50 employees) –	1670 (67%)	1249 (57%)	Medium (50 to 250 employees) –	482 (20%)	441 (20%)	Large – (above 250 employees) –	298 (12%)	284 (13%)
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	<p>c. Support the Liverpool City Region (LCR) Charter for Employment and Skills through Procurement</p>	<p>Halton continues to use the LCR Charter for Employment, Learning and Skills through Procurement in opportunities, wherever possible or appropriate</p>															
<p>5. Category Management The Council will continue with a Category Management approach to procurement by aligning business requirements across the organisation. It will continue to work with wider public sector partners in order to gain greater</p>	<p>a. Review our relationship with the Merseyside Procurement Partnership (MPP) – Members: Halton; Sefton;</p>	<p>We are continuing to review our regional relationship, particularly now that other organisations are aligning their processes and practices with Halton’s i.e Sefton and Cheshire East.</p> <p>Halton’s Procurement Division have recently worked collaboratively with Manchester CC, Cumbria, Trafford and St. Helens to lead on the re-tender for the North West Regions Electronic Tendering Portal for 41 Local Authorities.</p>															

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
leverage, add value and maximise savings as we are too small to do this alone.	Liverpool; St Helens; Knowsley; Wirral; CW&C; Mersey Travel and Mersey Fire & Rescue. Re-establish with partners the commitment, purpose, accountability of this regional work stream in order to progress a category management approach based around geography rather than organisation.	<p>The incumbent supplier Due North was the successful bidder and has been awarded the contract, which will commence 1st August 2015 for 4 years, with a 4 year extension option.</p> <p>Collaboration with the Merseyside Procurement Partnership has been undertaken for the following contracts:</p> <ul style="list-style-type: none"> • E-Tendering – The Chest
	b. Further strengthen our relationship with Clinical Commissioning Groups to secure future trading relationships	<p>We continue to provide procurement support to Halton Clinical Commissioning Group (HCCG), which is proving successful.</p> <p>We have effectively developed a Provider Assessment Process (PAP) for HCCG, which has replaced the NHS England ‘Any Qualified Provider’ (AQP) online assessment. This has been used for the supply of Ear Nose and Throat Provision achieving exceptional quality providers. As this proved so successful</p>

Building Block	The What	Progress Update November 2014 (Year 2: mid-year)
		<p>we have completed a second PAP for ENT provision at the request of Halton CCG which has led to further income generation for the Council.</p> <p>Following a successful bid, the team has recently completed a PAP for a new Minor Eye Conditions (MEC) service on behalf of St Helens and Halton CCG's. The Council has received positive feedback on the work completed and as above this has generated income.</p>
<p>6. Purchase to Pay/ e Procurement Halton will continue with the development of P2P and e procurement solutions to control compliance within the organisation, improve payment terms to secure a seamless end-to-end process.</p>	<p>a. Review P2P processes to secure full compliance across the organisation</p>	<p>The Procurement Division are working closely with the Councils P2P team to identify suitable suppliers who can pay via Procurement Card. This method removes the traditional paper trail for invoicing and reduces the payment time to SME's.</p> <p>This method has been very successful within our Catering Category with 4 new suppliers set up to make payments via this efficient method.</p> <p>Efficiency savings can be made from reduced resource time processing paper invoices (non-cashable) and savings received from a rebate in line with the value of transactions made via the Procurement Card (cashable).</p>
	<p>b. Support business process improvement to enable early payments to SME's</p>	<p>The new Public Contract Regulations 2015, National Rules now require that all suppliers are paid within 30 days.</p>

REPORT TO: Business Efficiency Board

DATE: 03 June 2015

REPORTING OFFICER: Operational Director - Finance

PORTFOLIO: Resources

SUBJECT: 2014/15 Statement of Accounts Update

WARDS: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To give members an update on the timetable of completing the 2014/15 Statement of Accounts, to review the changes to the accounting policies and to consider the key events that will have a significant impact on the financial statements for 2014/15.

2.0 RECOMMENDATION: That the report be noted

3.0 SUPPORTING INFORMATION

3.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council as at 31st March 2015, which should be prepared to present a true and fair view of the financial statements of the Council. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, also known as The Code. This is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts.

4.0 ACCOUNTING POLICIES

4.1 Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting financial statements.

4.2 Policies will not be applied when the effect of applying them is immaterial. Judgement will be used in developing and applying an accounting policy that results in information that is:

- a) relevant to the decision-making needs of users
- b) reliable in that the financial statements:
 - represent faithfully the financial position, financial performance and cash flows of the authority
 - reflect the economic substance of transactions, other events and conditions and not merely the legal form
 - are neutral and free from bias
 - prudent

- are complete in all material respects.

4.3 A number of changes have been made to the draft accounting policies from those which were included in the 2013/14 Statement of Accounts, they are:

- a) Interest in Companies and Other Entities – The Council has significant interest in Halton Borough Transport Ltd (HBT) and Mersey Gateway Crossing Board Ltd (MGCB) that would require it to prepare group accounts. It is considered for 2014/15 no group accounts will be included within the Statement of Accounts as the transactions relating to HBT and MGCB are not material.

The materiality of the transactions has been assessed based on quantitative and qualitative factors. Activities of HBT and MGCB are not significant to the representation of the operational activities of the Council. In addition the Council does not depend significantly on HBT and MGCB for continued provision of statutory services and grouping the accounts would not provide any more useful disclosures than already included.

Extracts from HBT and MGCB accounts will continue to be shown under the Investments working note to the accounts. Also, the significant value of transactions which flow through the accounts of MGCB will be included within the main financial statements of the Council as the Mersey Gateway Bridge will be included as an asset within the Council's balance sheet.

- b) The Council is no longer required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme; reference to this in the accounting policies has been removed.
- c) The Council is no longer in receipt of any live equal pay claims; reference to treatment of the provision for equal pay has been removed.
- d) Clarity has been added to the Council's policy in recognising non-current assets for voluntary aided and voluntary controlled schools. They make clear the Council is merely using the non-current asset under licence. A licence passes no interest in the non-current asset to the Council and is always revocable, therefore these schools will not form part of the Council's non-current assets.

5.0 SIGNIFICANT EVENTS

5.1 There have been events which will have a significant impact on the financial statements for 2014/15, including:

- a) During the year the Council forward borrowed £108m to support the contribution required towards construction costs of the Mersey Gateway. This will significantly increase the level of long term borrowing on the balance sheet. Conversely as the Council is holding the sum until payment of the costs is due the level of investments will also increase.

- b) In the 2014 Autumn Statement, the Chancellor announced changes to the rules governing alterations to business rates, in which any appeal submitted after 1 April 2015 will not be backdated to the period 2010 to 2015. This has resulted in a large increase in the number of appeals being received by the Valuation Office Agency as at 31st March 2015. If the appeals are upheld the cost to the Council will be 49% of the total backdated amount. This will significantly increase the financial provision held by the Council from 2013/14 which will be reflected within the financial statements.

6.0 STATEMENT OF ACCOUNTS TIMELINE

- 6.1 The draft 2014/15 Statement of Accounts will be certified by the Operational Director – Finance on 30 June 2015 prior to them being passed to the external auditor, Grant Thornton LLP. The final version is required to be approved by the Business Efficiency Board and published by 30 September 2015.
- 6.2 The Statement of Accounts will be available for public inspection from 01 July 2015 to 28 July 2015 when any person may inspect and make copies of them. From 29 July 2015 until the conclusion of the audit a local government elector for the Council or his/her representative may ask the auditor questions about the accounts.
- 6.3 The auditor is required by the Audit Commission Act 1998 to report on the Statement of Accounts before 30 September 2015. The Audit Findings report will be considered by the Business Efficiency Board on 23 September 2015, together with any amendments to the draft Statement of Accounts.

7.0 POLICY IMPLICATIONS

None.

8.0 FINANCIAL IMPLICATIONS

None.

9.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 9.1 **Children and Young People in Halton** – None.
- 9.2 **Employment, Learning and Skills in Halton** – None.
- 9.3 **A Healthy Halton** – None.
- 9.4 **A Safer Halton** – None.
- 9.5 **Halton's Urban Renewal** – None.

10.0 RISK ANALYSIS

10.1 The risks relating to the accurate and timely completion of the Statement of Accounts are mitigated by ensuring professional knowledge and time scales through to the completion of the audit are maintained.

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

Document	Place of Inspection	Contact Officer
Code of Practice on Local Authority Accounting 2014/15	Kingsway House Widnes	Matt Guest
Draft Accounting Policies 2014/15	Kingsway House Widnes	Matt Guest

REPORT TO: Business Efficiency Board

DATE: 3 June 2015

REPORTING OFFICER: Strategic Director Policy and Resources

PORTFOLIO: Resources

SUBJECT: Strategic Risk Register 2015/16

WARDS: Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 To seek the Board's views and comments on a revised Strategic Risk Register that has been developed for the 2015/16 Municipal Year.

2.0 RECOMMENDATION: That:

- (1) the Board receives the comments on the revised register;**
- (2) if satisfied, approves its adoption; and**
- (3) receives a progress report against the actions in the plan in six months' time.**

3.0 SUPPORTING INFORMATION

3.1 In accordance with the Council's Risk Management Policy (previously approved by this Board) an annual review of the Council's Corporate Risk Register takes place. This has been undertaken by the Council's Management Team and is brought to this Board for Members' consideration.

3.2 The Corporate Risk Register is only one element of the Council's overall approach to the management of risk. Each Directorate produces its own risk register and progress on mitigating actions within those registers is reported upon, as part of the performance management process. Also, major projects that the Council is involved in have their own risk registers. The Operational Director for Finance produces a budget risk register, which is regularly reviewed by Management Team. Similarly, a risk register exists to support the delivery of the Council's Efficiency Programme. In addition, reports to Members always have a section of risk within them.

3.3 In considering the revised register it is important to highlight to the Board some of the revised scores which, in particular, relate to the Council's ability to continue to deliver its services to the required or expected level.

3.4 Since the previous Coalition Government's austerity measures commenced, the Council has been working hard to mitigate the effects of those budget reductions on the community by:

- delivery on its Efficiency Programme;
- focusing on its Procurement process;
- working with and sharing services with other authorities;
- pooling budgets
- reducing the number of managers;
- reducing staff numbers and terms and conditions;
- increasing income.

3.5 However, it is felt that the Council's ability to reduce the impact of budget reductions on the quality of frontline services through these initiatives is reaching its conclusion. Therefore, the scores in the risk register which relate to the impact of budget reductions do not show any significant change after the mitigating actions have been taken. What this demonstrates is a belief that subsequent grant reductions will now be felt more acutely on the community and the services it receives. It would be wrong to suggest that through the Council's mitigating actions there will be no pain felt by those who rely on the Council's services. Whilst every effort will continue to be made to protect those most vulnerable in the community and those essential frontline services, given the magnitude of the grant reductions and the aggregation of previous grant losses, this will become more and more difficult to achieve.

4.0 POLICY IMPLICATIONS

4.1 This report has been produced in accordance with the Council's Risk Management Policy.

5.0 FINANCIAL IMPLICATIONS

5.1 There are no direct financial implications associated with this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

The Risk Register plays a vital part in the Council's governance arrangements in ensuring it delivers on its priorities.

6.2 Employment, Learning and Skills in Halton

The Risk Register plays a vital part in the Council's governance arrangements in ensuring it delivers on its priorities.

6.3 A Healthy Halton

The Risk Register plays a vital part in the Council's governance arrangements in ensuring it delivers on its priorities.

6.4 A Safer Halton

The Risk Register plays a vital part in the Council's governance arrangements in ensuring it delivers on its priorities.

6.5 Halton's Urban Renewal

The Risk Register plays a vital part in the Council's governance arrangements in ensuring it delivers on its priorities.

7.0 RISK ANALYSIS

7.1 The regular review of the Council's various risk registers ensures that, as far as possible, the Council identifies and manages its strategic risks.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no direct equality and diversity issues arising from this report.

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

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

Corporate Risk Register

Lead Strategic Director: **Ian Leivesley**

Risk Management Coordinator: **Tony Dean**

Initial Register Completion Date: **November 2011**

Register Review Date: **March 2015**

Progress update:

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BUDGET REDUCTIONS

Item	Identified risk	Impact ¹ (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
1	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 Efficiency

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		

¹ For scoring mechanism see Appendix 'A'

<ul style="list-style-type: none"> • Financial Planning is undertaken to compare available financial resources with spending requirements over the medium term (3 years), resulting in preparation of the Medium Term Financial Strategy which allows overall budget gaps to be identified at an early stage and appropriate plans put in place to tackle them • Effective Business Planning to ensure that appropriate resources are directed towards the Councils key strategic priorities • Budget setting is aligned to the annual Business Planning Cycle in order to ensure that the value of financial resources are maximised • Budget Risk Register works in conjunction with the Budget Setting Cycle to ensure that emerging budget risks are identified together with relevant mitigating measures • Explore the potential for collaboration with neighbouring Local Authorities • Develop iterative processes to ensure that opportunities for partnership working are explored and, where appropriate, embraced 	4	4	16	6 monthly	Strategic Director Policy & Resources (Ian Leivesley)
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CAPACITY AND RESILIENCE

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
2	Inability of the Council to sustain the delivery of services and respond to emergency situations in line with Council Priorities as a result of the impact of budget cuts	4	4	16	Corporate Effectiveness and Efficiency

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Maintain a supportive working environment through shared service organisational ethos, pride and value across Members, staff, management, Unions and partners Focus delivery of performance on the council's corporate vision and key strategic priorities leading to a clearly understood and shared set of priorities Emphasis on management and leadership standards with recognition of the challenges faced by the Authority leading to managers who are able to direct, inform, develop and support staff Maintain a workforce that are skilled, informed, flexible and competent in order to ensure that they deliver efficient and effective services 	4	4	16	6 monthly	All Strategic Directors

SAFEGUARDING CHILDREN AND ADULTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
3	Inability to support and protect children and adults to ensure that they are healthy, safe and have the opportunity to reach their potential	4	4	16	A Healthy Halton / Employment, Learning and Skills / Children and Young People / A Safer Halton

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> • Halton’s Children’s and Adult’s Safeguarding Boards fully operational with appropriate resources and are operating within statutory guidance and towards identified priorities • Representatives from the Children’s and Adult’s Safeguarding Boards to work in partnership through attending corresponding boards • Children’s and Adult’s Safeguarding Board’s to work with strategic groups within the Borough to ensure accountability and effectiveness of safeguarding • In order to provide a multi-agency response to the needs of children at risk of or being sexually exploited, multi agency team initiated overseen by project board • Improve the health and wellbeing of children and adults through early intervention and treatment services delivered in house and externally via a range of providers and partners 	4	3	12	6 monthly	Strategic Directors – Communities (Dwayne Johnson) & Children and Enterprise (Gerald Meehan)

COMMUNITY EXPECTATIONS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
4	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 Efficiency

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> • Consultation and community engagement embedded in the partnership constitution • Utilise recognised mediums to identify, communicate and coordinate community expectations and priorities. These include: <ul style="list-style-type: none"> Surveys; Customer analysis; On line services including consultation finder; Area Forums; Local and social media; Target consultation exercises for specific projects; Engagement through the activities of the specialist Strategic 	3	3	9	6 monthly	All Strategic Directors

<p>Partnerships; Service user groups; Elected member surgeries; and Other meetings</p> <ul style="list-style-type: none"> • Conducting Equality Impact Assessments with new and revised Policies • Honesty and integrity by the Authority in communicating with the public having regard to reducing budgets including promoting a self-help agenda • Any decisions to cease or amend service provision that has a significant impact on communities; early warning of intended actions through direct engagement with relevant communities to invite views 					
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MERSEY GATEWAY

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
5	Lack of effective management of, and adherence to governance arrangements / contractual requirements, which could lead to either delays or increased project costs. In addition these could also lead to adverse publicity and reputational risks to the Council	4	3	12	Environment and Regeneration / Employment, Learning and Skills

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Dedicated company (Mersey Gateway Crossings Board Ltd) now established, with suitably experienced staff and directors, both Executive and Non-executive, and supported by class leading professional advisers. The relationship between Council and MGCB is detailed within a Governance Agreement CEO of the Council is also the acting interim CEO of Mersey Gateway Crossings Board Ltd for two years Routine project assurance monitored through external bodies including specialist non-executive directors and advisers on the Board of Directors of MGCB, external Gateway Reviews (4Ps) Department for Transport and HM Treasury scrutiny at specific project milestones Delivery within the Funding Framework agreed with Government that 	4	1	4	6 monthly	Chief Executive (David Parr)

<p>is reviewed at regular intervals and managed through the Mersey Gateway Crossings Board's Risk Register, which is reviewed regularly by both the Audit Committee and the Board of Directors</p> <ul style="list-style-type: none"> Maintenance of effective relationships with Government Departments (as co funders for MG) maintained by both Department for Transport and HM Treasury being represented on the Board of Directors of MGCB 					
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PARTNERSHIPS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
6	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 / Environment and Regeneration

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Halton Strategic Policy Board (HSPB) that facilitates interagency collaboration and cooperation to maximise available resources in the pursuit of agreed strategic goals Service efficiency by strengthening partnership working arrangements with the voluntary community and faith sectors through a shared strategic vision and delivery plan thus enabling and influencing partners to deliver at local levels Maintain financial probity with the 'pool' budgets, as appropriate, with partners through effective governance arrangements Through engagement with communities and partners on service priorities; to identify and design alternative forms of delivery, as appropriate 	2	2	4	6 monthly	Chief Executive (David Parr)

ARCHITECTURAL LANDSCAPES

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
7	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

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Maintain an overview of external influences involving political, economic, social, technological, legislative and environmental factors Maintain an overview of and evaluate changes in legislation that affect Architectural Landscapes at a strategic level to ensure that they are communicated, implemented and ultimately there is coordination and collaboration of services Protect interests by being part of the processes leading to the delivery of new arrangements 	3	1	3	6 monthly	All Strategic Directors

FRAUD

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
8	Inadequate control systems lead to an increase in fraud and financial loss	3	3	9	Corporate Effectiveness and Efficiency

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> • The Business Efficiency Board monitors and reviews the adequacy of the Council's anti-fraud and corruption policies and arrangements <p><u>External</u></p> <ul style="list-style-type: none"> • Dedicated Housing Benefit / Council Tax Reduction Scheme anti-fraud section to investigate and, where necessary, prosecute fraud and corruption • Joint working with other agencies including the Department for Work and Pensions to assist to investigate and detect Housing Benefit and Council Tax fraud • The Council shares a joint resource with the other Cheshire local authorities that is used to undertake proactive forensic analysis, investigation and awareness-raising in areas identified with a high risk of fraud <p><u>Internal</u></p> <ul style="list-style-type: none"> • The Council maintains an effective system of internal control, which includes: <ul style="list-style-type: none"> - Relevant policies and systems, e.g. Procurement Standing Orders, Finance Standing Orders, etc.; 	3	3	9	6 monthly	Strategic Director Policy & Resources (Ian Leivesley)

<ul style="list-style-type: none"> - Rigorous pre-employment checks of new employees; - Whistleblowing arrangements; - Anti-Fraud & Corruption Strategy; - Fraud Response Plan; - Fraud and bribery awareness training; and - A continuous internal audit of the Council's systems and services 					
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FUNDING AND INCOME GENERATION

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
9	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	3	3	9	A Healthy Halton / Employment, Learning and Skills / Children and Young People / A Safer Halton

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> • Continue to identify funding streams and income generating options through horizon scanning alternative untapped funding opportunities and shared partnerships with 3rd sector, private sector, and other public sector bodies • During the budget setting process Directorates to annually identify and prioritise requirements for funding and ensure that there are systems capture and report when funding comes to an end • Commercially focussed through establishing trading and income generation possibilities in order to protect and effectively use funds • Intelligent procurement processes for spending of goods and services that leads to annual savings targets • Corporate procurement practices are consistently utilised 	2	2	4	6 monthly	All Strategic Directors

Version Control Record

Version	Date Created	Date of Amendment:	Nature of Amendment	Date of Next Review:
1.0	13.10.11			
1.1		28.8.12	Progress Commentary	28.3.13
2.0		13.3.13	Reviewed and updated	13.10.13
2.1		20.9.13	Progress Commentary	28.3.14
3.0		31.3.14	Reviewed and updated in line with the Corporate Peer Challenge and the revised Business Planning Process and associated guidance notes	13.10.14
3.1		15.9.14	Progress Commentary	28.3.14
4.0		10.4.15	Reviewed and updated	12.10.15

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
12 - 16	High
6 - 9	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: 3 June 2015

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Resources

SUBJECT: Internal Audit Annual Report – 2014/15

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to deliver an annual audit opinion and report which can be used to inform the Annual Governance Statement. The annual report must provide:

- A conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- A summary of the work that supports the opinion;
- A statement on conformance with the PSIAS.

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.

2.0 RECOMMENDATIONS: That the Board notes and approves:

- (1) The Head of Internal Audit's opinion on the Council's framework of governance, risk management and control;**
- (2) The summary of work that supports the opinion;**
- (3) The statement on conformance with the Public Sector Internal Audit Standards;**
- (4) The outcomes from the Internal Audit Quality Assurance and Improvement Programme;**
- (5) The findings of the annual review of the effectiveness of internal audit.**

3.0 SUPPORTING INFORMATION

Annual Opinion on the Council's framework of governance, risk management and control

- 3.1 Internal audit work completed during the 2014/15 financial year was carried out in accordance with the Internal Audit plan, which was approved by the Business Efficiency Board on 12 March 2014. The plan was designed in such a way to allow Internal Audit to form an overall opinion on the Council's governance, risk management and control processes.
- 3.2 In providing an overall opinion 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 in the year;
 - The amount of audit work undertaken 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.
- 3.3 On the basis of audit work undertaken during the financial year, it is the opinion of the Head of Internal Audit that the Council continues to maintain an adequate framework of governance, risk management and control.
- 3.4 In the course of its work Internal Audit has reported on areas where the Council's governance, risk management and control could be strengthened. The actions that management has agreed to take in response to these issues will, if implemented satisfactorily, resolve them in an appropriate manner.
- 3.5 There are no outstanding issues from the work of Internal Audit that need be disclosed in the 2014/15 Annual Governance Statement.

Summary of work supporting the Annual Opinion

- 3.6 The 2014/15 Internal Audit Plan comprised 1,138 audit days based on an establishment of 6.2 FTE auditors. By year-end Internal Audit had delivered 1,060 audit days (93.1% of the total planned days for the year). The shortfall in the number of audit days achieved was a result of a maternity absence.

- 3.7 The reduction in available resources was managed by prioritising audit coverage and some planned work being deferred to the 2015/16 financial year.
- 3.8 The level of audit coverage achieved during the year is considered sufficient and wide-ranging to ensure that a confident and evidence-based annual opinion can be provided.
- 3.9 A summary of the audit reviews finalised during the year is provided in Appendix 1. Each audit is graded in terms of how well risks are managed in the area under review. Three different assurance levels are used: substantial, adequate and limited.
- 3.10 44 audit reports were finalised and reported to the Board:
- 26 areas received substantial assurance opinions;
 - 16 areas received adequate assurance opinions;
 - Two audits received limited assurance opinions.
- 3.11 17 'follow-up' audits were completed and are listed in Appendix 2. These audits are graded in terms of the progress made by management in addressing the issues raised in the original audit report:
- 12 areas received substantial assurance opinions;
 - Four areas received adequate assurance opinions;
 - One area received a limited assurance opinion.

Statement on conformance with the Public Sector Internal Audit Standards

- 3.12 A common set of Public Sector Internal Audit Standards (PSIAS) was introduced in April 2013. The standards apply to all public sector internal audit providers.
- 3.13 On the basis of a self-assessment completed in 2014, the Council's internal audit arrangements are considered to be substantially compliant with PSIAS. An action plan was agreed and implemented to address those areas where compliance could be strengthened further.
- 3.14 It is a requirement that each internal audit provider is externally assessed against the standards at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 3.15 At its meeting on 11 June 2014 the Business Efficiency Board agreed to the principle that the external assessment would be undertaken through a peer review process facilitated through the North West Chief Audit Executives' Group (NWCAEG).
- 3.16 A methodology for undertaking the external assessment is currently being developed through a sub-group of NWCAEG. The methodology will be piloted in the autumn with a view to the external assessments

being carried out at the member authorities over the following 18 months.

Internal Audit Quality Assurance and Improvement Programme

- 3.17 It is a requirement of PSIAS that the annual report provides a commentary on the results of the internal audit Quality Assurance and Improvement Programme (QAIP). The purpose of a QAIP is to enable an evaluation of the internal audit activity's conformance with professional standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 3.18 The key developments arising from the QAIP in 2014/15 are summarised below:
- Terms of Reference are now issued for all audits setting out the agreed scope, objectives and timescales for each review.
 - A revised and consistent audit methodology has been agreed and implemented.
 - Audit file review procedures have been strengthened.
- 3.19 In 2015/16 a further self-assessment against the PSIAS and the accompanying Local Government Application Note will be undertaken in preparation for the five-yearly external assessment.

Annual review of the effectiveness of internal audit

- 3.20 The Accounts and Audit Regulations 2011 provide a requirement for local authorities to conduct a review of the effectiveness of its internal audit arrangements which should be completed at least once each year.
- 3.21 The Operational Director – Finance has reviewed the Council's internal audit arrangements and considers them 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 Board:
 - Approves the Internal Audit plan;
 - Receives quarterly progress reports against the Audit Plan and the Annual Internal Audit Report;
 - Provides robust challenge on issues identified through the work of Internal Audit and seeks explanations from officers, when considered necessary, on risk and control issues.
 - The Council's internal audit arrangements substantially comply with the PSIAS and the CIPFA Statement on the role of the Head of Internal Audit in public service organisations.

- All employees within the Internal Audit team hold a recognised accountancy and / or internal audit qualification.
- The results of Internal Audit's QAIP demonstrate that the function operates in an efficient and effective manner and seeks continuous improvement.
- Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. The responses received from the questionnaires issued in 2014/15 again demonstrated a high level of client satisfaction with the audit service provided.

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 framework of governance, risk management and control 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 The Public Sector Internal Audit Standards define internal auditing as being 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
- 5.2 Internal Audit therefore supports the Council in achieving all the aims and objectives set out in the Sustainable Community Strategy and the Corporate Plan.

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

<u>Document</u>	<u>Place of Inspection</u>	<u>Contact</u>
Internal Audit Plan 2014/15	1 st Floor,	Merv Murphy
Internal Audit reports	Kingsway House,	
Public Sector Internal Audit Standards 2013	Kingsway,	
Local Government Application Note for the UK Public Sector Internal Audit Standards	Widnes	

Internal Audit reports issued in 2014/15

Audit Area		Level of Assurance		
		Substantial	Adequate	Limited
Children & Enterprise Directorate				
1.	St. Edward's Catholic Primary School			
2.	St. Martin's Catholic Primary School			
3.	Oakfield Primary School			
4.	St. Bede's RC Junior School			
5.	St Bede's RC Infant School			
6.	Weston Primary School			
7.	St. Michael's RC Primary School			
8.	St Gerard's RC Primary & Nursery School			
9.	Windmill Hill Primary School			
10.	Adoption Reform Grant			
11.	DWP Work Programme – Information Security			
12.	Hill View Primary School			
13.	Victoria Road Primary School			
14.	Halton People Into Jobs			
15.	Lunts Heath Primary School			
16.	St John Fisher RC Primary School			
17.	Troubled Families			
18.	KS3 & KS4 Provision for Excluded Pupils			
19.	Expansion of Nursery Provision			

Audit Area		Level of Assurance		
		Substantial	Adequate	Limited
Communities Directorate				
20.	Care Assessments			
21.	Mayrise – Open Spaces System			
22.	Bredon Short Stay Residential Care			
23.	Carers' Breaks			
24.	Complex Care Pool Budget			
Policy & Resources Directorate				
25.	Imprest Accounts			
26.	NNDR			
27.	Accounts Payable			
28.	Budget Setting & Budgetary Control			
29.	Fixed Assets			
30.	Accounts Receivable			
31.	Pre-Employment Screening			
32.	Sickness Management			
33.	Mersey Gateway Land Acquisitions			
34.	Discretionary Housing Payments			
35.	Carbon Reduction Commitment			
36.	Planning Applications			
37.	Appointeeship & Deputyship Scheme			
38.	Local Pinch Point Grant			
39.	Local Transport Fund Grant			

Audit Area		Level of Assurance		
		Substantial	Adequate	Limited
40.	Highways Inspections & Repairs			
41.	Income Control			
42.	Accounting Journal Transfers			
43.	BACS Accreditation			
44.	Loans & Investments			
Total		26	16	2

Key

Assurance Opinion	Explanation
● Limited	A number of key risks are not managed effectively. The control systems in operation are in need of significant improvement.
● Adequate	The control systems in operation are generally sound. However, opportunities exist to improve the management of some risks.
● Substantial	There is a sound system of control in operation to manage risks effectively.

Internal Audit 'follow up' reviews - 2014/15

Audit Area		Level of Assurance		
		Substantial	Adequate	Limited
Children & Enterprise Directorate				
1.	Birchfield Nursery			
2.	St Mary's CE Primary School			
3.	St Chad's Catholic & Church of England High School			
4.	Brookfields Special School			
5.	The Brow Community Primary School			
6.	Ditton Primary School			
7.	Libraries and Bibliographical Services			
8.	Weston Point Primary School			
9.	The Grange School			
10.	Spinney Avenue Primary School			
11.	Fairfield Primary School			
12.	Out of School Clubs			
Communities Directorate				
13.	Social Care Financial Assessments and Charging			
14.	Reablement			
15.	Halton Supported Housing Network			
Policy & Resources Directorate				
16.	Agile working			
17.	Local Land Charges			
Total		12	4	1

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.

REPORT TO:	Business Efficiency Board
DATE:	3 June 2015
REPORTING OFFICER:	Strategic Director – Policy & Resources
PORTFOLIO:	Resources
SUBJECT:	External Audit fee – 2015/16
WARDS:	Borough wide

1.0 PURPOSE OF THE REPORT

1.1 This report provides details of the scale fee, set by the Audit Commission, for the 2014/15 external audit. The report is brought to the Board for information.

2.0 RECOMMENDATION: That the 2015/16 audit fee and the scope and timing of the planned external audit work be noted.

3.0 SUPPORTING INFORMATION

3.1 The Audit Commission published its work programme and scale of fees at the end of March 2015. The attached letter sets out details of the audit fee for the Council along with the scope and timing of external audit work and the team that will be working on the audit.

4.0 POLICY IMPLICATIONS

None

5.0 FINANCIAL IMPLICATIONS

5.1 The Council's scale fee for 2015/16 has been set at £105,294, which compares to the audit fee of £139,322 for 2014/15. The Council's indicative grant certification fee has been set at £6,828.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

There are no specific implications for any of the Council's priorities.

6.2 Employment, Learning and Skills in Halton

See 6.1.

6.3 A Healthy Halton

See 6.1.

6.4 A Safer Halton

See 6.1.

6.5 Halton's Urban Renewal

See 6.1.

7.0 RISK ANALYSIS

There are no risk implications arising from this report.

8.0 EQUALITY AND DIVERSITY ISSUES

There are no equality and diversity issues arising from this report.

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

None under the meaning of the Act.



Grant Thornton

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23 April 2015

Dear David

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for the 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 2015/16 has been set by the Audit Commission at £105,294, which compares to the audit fee of £139,322 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, 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.

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 conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report and a separate report.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by the Audit Commission at £6,828.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2015	26,323
December 2015	26,323
March 2016	26,324
June 2016	26,324
Grant Certification	
December 2016	6,828
Total	112,122

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2015 to February 2016. 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 will be completed in September 2016 and work on the whole of government accounts return in September 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2015-February 2016	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 Sept 2016	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	Jan to Sept 2016	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2016	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2016	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2016	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2015/16 are:

	Name	Phone Number	E-mail
Engagement Lead	Mark Heap	0788 045 6204	mark.r.heap@uk.gt.com
Engagement Manager	Liz Temple-Murray	07880 456 171	liz.m.temple-murray@uk.gt.com
In Charge Auditor	John Padfield	0161 214 6378	john.padfield@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 Public Sector Assurance regional lead partner sarah.howard@uk.gt.com.

Yours sincerely

A handwritten signature in black ink that reads "E Temple - Murray".

pp

Mark Heap
Engagement Lead
For Grant Thornton UK LLP

REPORT TO:	Business Efficiency Board
DATE:	3 June 2015
REPORTING OFFICER:	Strategic Director – Policy & Resources
PORTFOLIO:	Resources
SUBJECT:	External Audit Plan
WARDS:	Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to seek the approval of the Board in respect of the Audit Plan proposed by Grant Thornton.

2.0 RECOMMENDATION: That the External Audit Plan be approved.

3.0 SUPPORTING INFORMATION

- 3.1 The attached report sets out details of Grant Thornton's strategy and plan to deliver the 2014/15 audit of the Council's financial statements. It also provides details of their approach to the value for money (VFM) conclusion.

4.0 POLICY IMPLICATIONS

None

5.0 FINANCIAL IMPLICATIONS

None directly arising from this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

There are no specific implications for any of the Council's priorities.

6.2 Employment, Learning and Skills in Halton

See 6.1.

6.3 A Healthy Halton

See 6.1.

6.4 A Safer Halton

See 6.1.

6.5 Halton's Urban Renewal

See 6.1.

7.0 RISK ANALYSIS

There are no risk implications arising from this report.

8.0 EQUALITY AND DIVERSITY ISSUES

There are no equality and diversity issues arising from this report.

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

None under the meaning of the Act

The Audit Plan for Halton Council

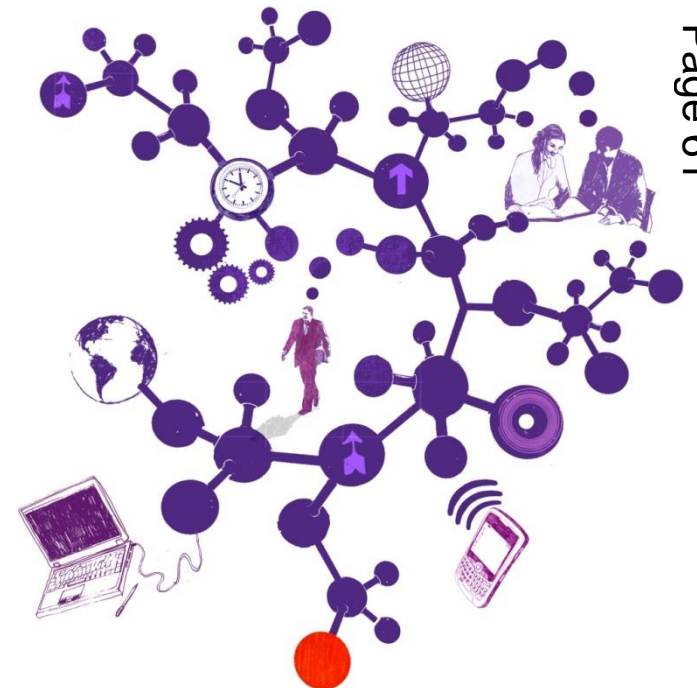
Year ended 31 March 2015

May 2015

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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.

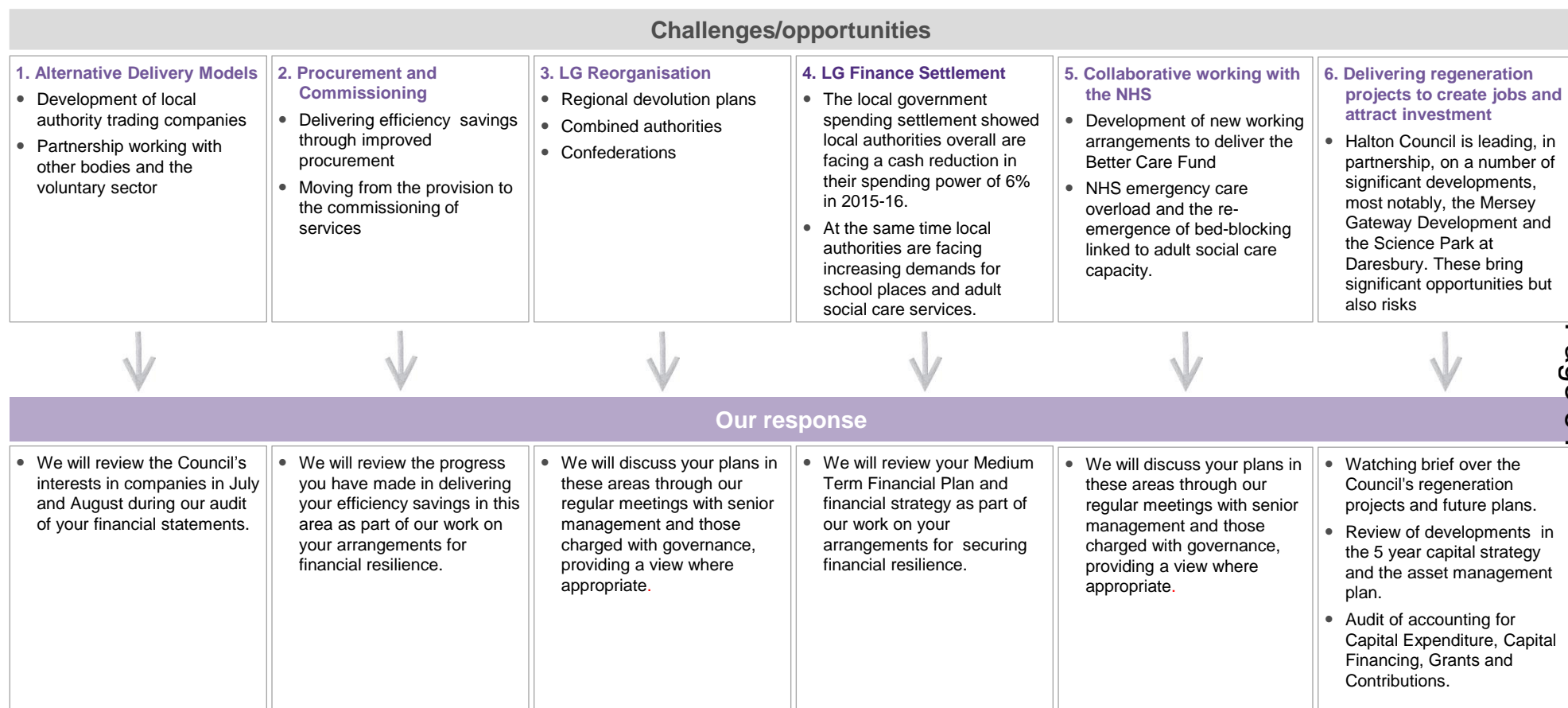
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Understanding your business

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 ('the code') and associated guidance.

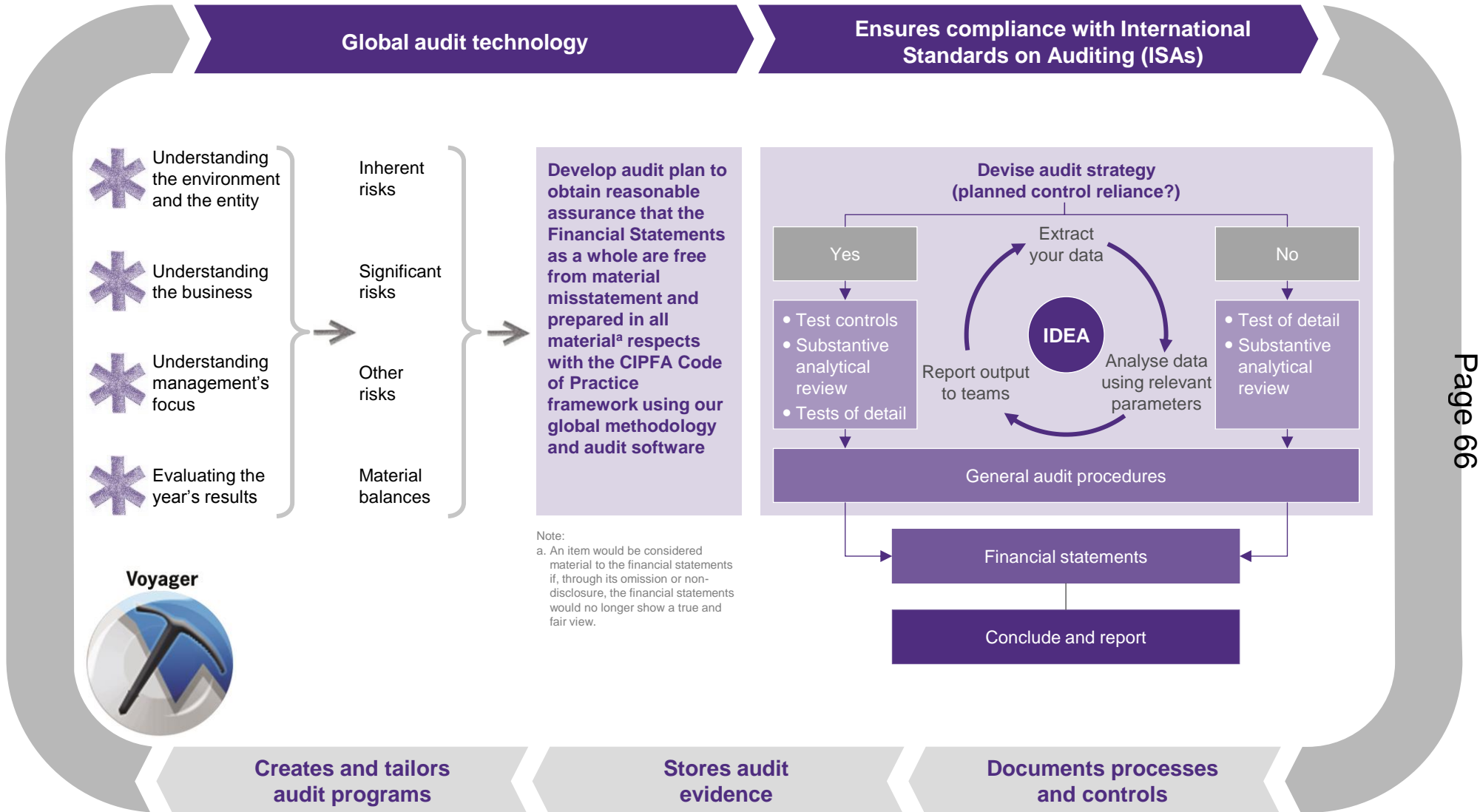
Developments and other requirements

<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Changes to the recognition of school land and buildings on local authority balance sheets • Adoption of new group accounting standards (IFRS 10,11 and 12) 	<p>2. Regional Devolution</p> <ul style="list-style-type: none"> • Nationally there is a move for greater devolution and a push for the agreement of City region devolution deals 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Better Care Fund</p> <ul style="list-style-type: none"> • Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required
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Our response

<p>We will review whether</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing • schools are accounted for correctly and in line with the latest guidance • the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly 	<ul style="list-style-type: none"> • The Liverpool City Region Combined Authority was established on 1 April 2014. We will discuss your plans in these areas through our regular meetings with senior management and those charged with governance, providing a view where appropriate. 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • We will consider whether the BCF is a risk in the context of our VfM conclusion and will carry out further work if required 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VfM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company took over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.
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Our audit approach



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:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Halton Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA 240 the presumption is that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation of journal entry policy and procedures • Testing of journal entries in periods 1 to 9 and review of unusual significant transactions <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries for periods 10 to 12 and closedown • Review of unusual significant transactions

Other risks identified

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).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation of processes and controls in place in the accounts payable system • Walkthrough testing to confirm the operation of controls is in line with our understanding <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of the accruals process, and review and testing of any significant estimates made • Cut-off testing to obtain assurance that creditors have been accounted for in the correct financial year.
Employee remuneration	Employee remuneration and benefit obligations and expenses understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation and identification of the processes and key controls within the employee remuneration cycle. • Walkthrough testing to confirm the operation of controls is in line with our understanding <p>Further work planned:</p> <ul style="list-style-type: none"> • Substantive testing of payments made to employees during the 2014-15 financial year. • Use of analytical techniques to compare expected payroll costs with actual. • Reconciliation of payroll charged in the general ledger to the payroll system.

Value for money

Value for money

The Code 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.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We will carry out a risk assessment to identify areas of risk to our VfM conclusion and then a more detailed risk assessment. We will undertake work in the following areas to address the risks identified:

- performance against financial targets
- arrangements relating to financial governance, strategic financial planning and financial control.
- arrangements for prioritising resources, improving efficiency and productivity.
- proper arrangements to secure economy efficiency and effectiveness, stewardship and governance and reviewing the adequacy of those arrangements

Specifically we will:

- follow-up any issues raised or recommendations made in previous reports issued by the external auditor, including our work last year on the Better Care Fund
- review your Annual Governance Statement
- review the results of other relevant regulatory bodies or inspectorates
- carry out a review of Financial Resilience.

The results of our VfM audit work and the key messages arising 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.

Results of interim audit work

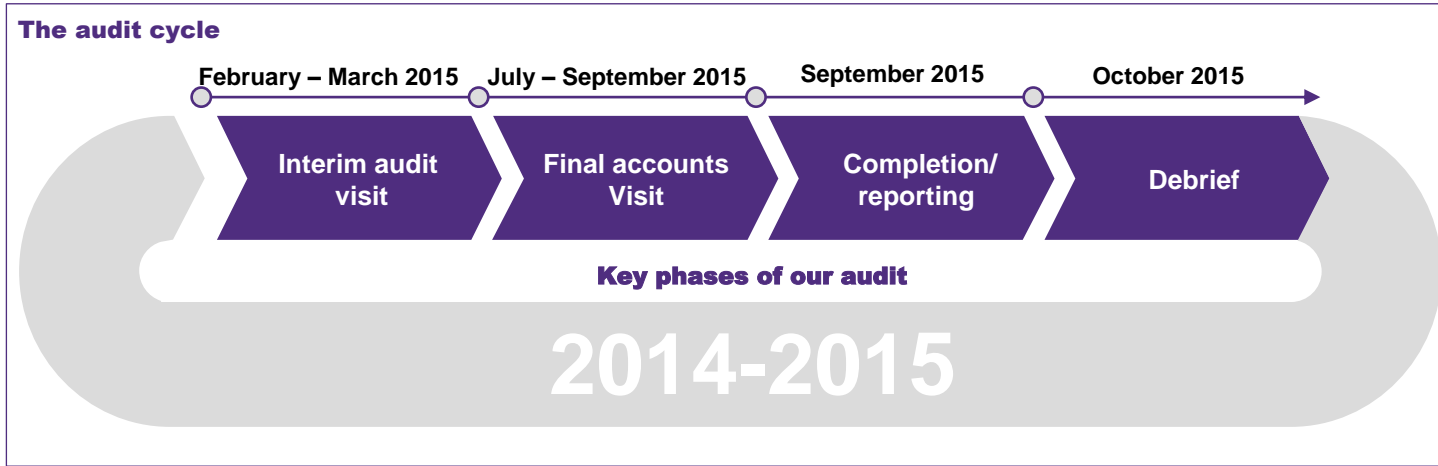
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date.</p>	<p>Our work has not identified any issues which we wish to bring to your attention.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Results of interim audit work cont'd

	Work performed	Conclusion
Review of information technology controls	Our information systems specialist is performing a high level review of the general IT control environment as part of the overall review of the internal controls system.	Our work is still in progress.
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy..</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review.</p>	<p>We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>No issues have been identified that we wish to highlight for your attention.</p> <p>We will review and test journals raised in periods 10-12 and closedown once the annual accounts are prepared.</p>
Judgements and estimates	<p>The CIPFA/LASAAC Code of Practice on Local Authority Accounting for 2014/15 includes new requirements for schools in local authorities. It is likely that the accounting treatment will require significant judgements based on the circumstances of individual schools.</p> <p>The Council has a number of interests in companies and has previously prepared annual group financial statements. It is considering not doing so in 2014/15 on grounds of materiality.</p>	<p>We have discussed the issue with the finance team and shared our assessment of what local authorities need to do to meet the requirements of the Code. It is clear that this is a complex issue involving judgement and we will look to complete our review of your assessment of the accounting treatment of individual schools' assets at our interim audit visit.</p> <p>We have discussed the issue with the finance team and will review the team's key judgements, considering whether the resulting accounts submitted for audit are sufficiently informative in all material respects.</p>

Key dates



Date	Activity
Dec 2014 – Mar 2015	Planning
February – March 2015	Interim site visit
May 2015	Presentation of audit plan to Audit Committee
July – September 2015	Year end fieldwork
September 2015	Audit findings clearance meeting with Operational Director, Financial Management
September 2015	Report audit findings to those charged with governance (Business Efficiency Board)
By 30 September 2015	Sign financial statements opinion

Fees and independence

Fees 2014/15

	£
Council audit	140,392
Grant certification	10,740
Total fees (excluding VAT)	151,132

Our fee assumptions include:

- 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

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services 2014/15

Service	Fees £
Independent report on Teachers' Pensions return (PEN)	4,200
Independent report on Regional Growth Fund claim (RGF)	3,110
Tax (Employee Solutions) work for the Council:	8,750
VAT; agreed fee £25,800 - £27,800	25,800 - £27,800

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required 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: 3 June 2015

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 provide a proposed response to the annual letter to the Board from Grant Thornton, the Council's external auditors, regarding their year-end audit of accounts work.

2.0 RECOMMENDATION: That the proposed response to the Council's external auditors shown in Appendix 1, 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 a proposed response to a number of questions contained in a letter from Grant Thornton to the Chair of the Board. Grant Thornton will attend the meeting and will be able to discuss the questions further with the Board if required.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

There are no implications for any of the Council's priorities listed above.

7.0 RISK ANALYSIS

7.1 The responses to the questions in Appendix 1 set out the arrangements that the Council has in place to manage the risk of fraud and to ensure that the Council complies with relevant laws and regulations.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

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
Financial Statements Year-End 31st March 2015
Business Efficiency Board Response**

	Auditor Question	Response
1.	How does the Business Efficiency Board oversee management's processes in relation to:	
	1.1 Carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error?	<p>The Council has robust arrangements in place for identifying and responding to the risk of fraud.</p> <p>There is an established risk management process and the risk of fraud 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 Register, which also details the measures in place to deter fraud. The Business Efficiency Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>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>Staff responsible for preparing the financial statements are appropriately qualified and experienced and there is a rigorous quality assurance process to ensure the financial statements are free from material error.</p>

<p>1.2 Identifying and responding to the risk of breaches of internal control?</p>	<p>The Council's internal control processes are considered to be robust. Internal Audit assesses the adequacy and operation of internal controls and considers the risk of fraud as part of each audit review. Action plans are put in place to address any significant internal control weaknesses identified through the work of Internal Audit, External Audit or any other assurance providers.</p> <p>The results of each Internal audit review and follow-up reviews, are reported to the Business Efficiency Board.</p> <p>The Business Efficiency Board also reviews and approves the Council's Annual Governance Statement, which considers assurances from various sources with regard to the Council's internal control framework. In addition, the Board receives an annual report on the Council's counter fraud arrangements and activity.</p>
<p>1.3 Identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)?</p>	<p>The Internal Audit Plan approved by the Business Efficiency Board each year is risk based and focuses upon those systems and areas where it is considered there may be a greater risk of fraud. Such systems and areas include; housing benefits, council tax support, council tax discounts and exemptions, procurement, grant fraud, employee fraud, schools, and personal budgets.</p> <p>The Council has a dedicated fraud Investigation team within Revenues and Benefits Division.</p> <p>The risk of fraud is included within the Corporate Risk Register and sets out the actions which management has put in place to mitigate such risks.</p>

	<p>1.4 Communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against codes of conduct)?</p>	<p>Internal audit undertakes periodic initiatives to raise fraud awareness amongst employees and Members.</p> <p>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>Communications on appropriate business practice are made via the Team Brief, team meetings, e-mails to all staff and provision of e-learning on issues such as information governance.</p>
2	<p>What are the Business Efficiency Board's views about the risks of fraud?</p>	<p>The prevention and detection of fraud is extremely important throughout all of the Council's business processes and systems.</p> <p>The risk, prevention and detection of fraud are well managed within Halton and where identified appropriate steps are taken as a matter of urgency.</p>
3	<p>Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.</p>	<p>The Board has received information during the year regarding identified frauds within the annual Fraud and Corruption report, but is not aware of any other such instances.</p>
4	<p>Do you have knowledge of any whistle-blower tips or complaints? If so, please provide details.</p>	<p>The Council has a well established whistle blowing procedure (the Confidential Reporting Code) and has arrangements in place to deal with any complaints received. All complaints received under the Code are investigated. The Board has received information regarding whistle blowing as part of the annual Fraud and Corruption report, but is not aware of any other such instances.</p>

5	How does the Business Efficiency Board gain assurance that all relevant laws and regulations have been complied with?	Through assurances provided by the Council's statutory Section 151 Officer and Monitoring Officer and from the Council's Annual Governance Statement.
6	Are you aware of any actual or potential litigation or claims that would affect the financial statements?	No.
7	How has the Business Efficiency Board satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	From the budget set by the Council for 2015/16 and the approach being adopted to deliver balanced budgets for 2016/17 and 2017/18 in line with the Medium Term Financial Strategy, it is not at this stage envisaged that there will be significant changes in the scale and range of services delivered by the Council over the foreseeable future. On this basis the Business Efficiency Board is satisfied that it is appropriate to adopt the Going Concern basis in preparing the 2014/15 financial statements.

REPORT TO:	Business Efficiency Board
DATE:	3 June 2015
REPORTING OFFICER:	Strategic Director – Policy & Resources
SUBJECT:	Draft Annual Governance Statement 2014/15
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

The purpose of this report is to enable Members of the Board to consider and approve the draft Annual Governance Statement for 2014/15.

2.0 RECOMMENDATIONS:

The Board is asked to review the draft Annual Governance Statement (AGS) and:

- (i) Confirm that it accurately reflects the corporate governance arrangements at the Council;**
- (ii) Endorse the action plan;**
- (iii) Approve the draft Annual Governance Statement.**

3.0 SUPPORTING INFORMATION

Background to the Annual Governance Statement

- 3.1 Under the Accounts and Audit Regulations 2015 the Council must produce an AGS which must be approved by the resolution of a committee or members of the authority meeting as a whole. The AGS must also be approved in advance of the Council approving the statement of accounts.
- 3.2 The Council's Constitution delegates the responsibility to review and approve the AGS to the Business Efficiency Board. Once approved, the AGS is signed by the Council Leader and Chief Executive and published on the Council's website.
- 3.3 The AGS is intended to identify any areas where the Council's governance arrangements need to be developed and to set out any action that is proposed to strengthen those arrangements.

Preparation of the 2014/15 Annual Governance Statement

- 3.4 The production of the AGS is co-ordinated by a group of officers who have key roles in the maintenance and development of the Council's governance framework:
- Strategic Director - Policy & Resources
 - Operational Director - Finance
 - Operational Director - Legal & Democratic Services
 - Divisional Manager - Audit & Operational Finance
- 3.5 The statement is developed by considering various sources of assurance over the Council's governance arrangements and identifying any areas where these arrangements require further development. A flowchart summarising the Council's assurance framework is shown in Appendix 1.
- 3.6 In preparing the AGS, assurances have been considered from a number of sources, including:
- Issues raised by the Council's external auditor;
 - Reports from other inspection bodies;
 - The Council's risk and performance management frameworks;
 - The work of internal audit;
 - The work of the Information Governance Group.
- 3.7 The draft AGS for 2014/15 is attached at Appendix 2. The document contains a Development Plan that sets out proposed actions to further develop the Council's governance framework.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

- 4.1 The powers and duties of the Business Efficiency Board include responsibility for considering the Council's corporate governance arrangements and agreeing necessary actions to ensure compliance with best practice. The draft AGS contains an action plan setting out how the Council intends to strengthen its overall governance arrangements.
- 4.2 There are no direct financial implications arising from this report. However, the AGS does make reference to the key financial challenges faced by the Council and how they are being managed.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

Good governance leads to good management, good performance and good stewardship of public money. It therefore enables the Council to implement its vision in accordance with its values and to engage effectively with its citizens and service users and ensure good outcomes for them.

5.2 Employment, Learning and Skills in Halton

See 5.1 above.

5.3 A Healthy Halton

See 5.1 above.

5.4 A Safer Halton

See 5.1 above.

5.5 Halton's Urban Renewal

See 5.1 above.

6.0 RISK ANALYSIS

6.1 Under the Accounts and Audit Regulations 2015 the Council is legally required to 'conduct a review at least once a year of the effectiveness of its system of internal control'. Following the review, the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

6.2 The processes followed in reviewing the system of internal control aim to ensure that an accurate statement can be produced in line with the requirements of the Act. Part of the review process includes consultation with the Business Efficiency Board, which is responsible for ensuring that the Council's governance arrangements comply with best practice.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equalities Act 2010 and related statutes. Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed.

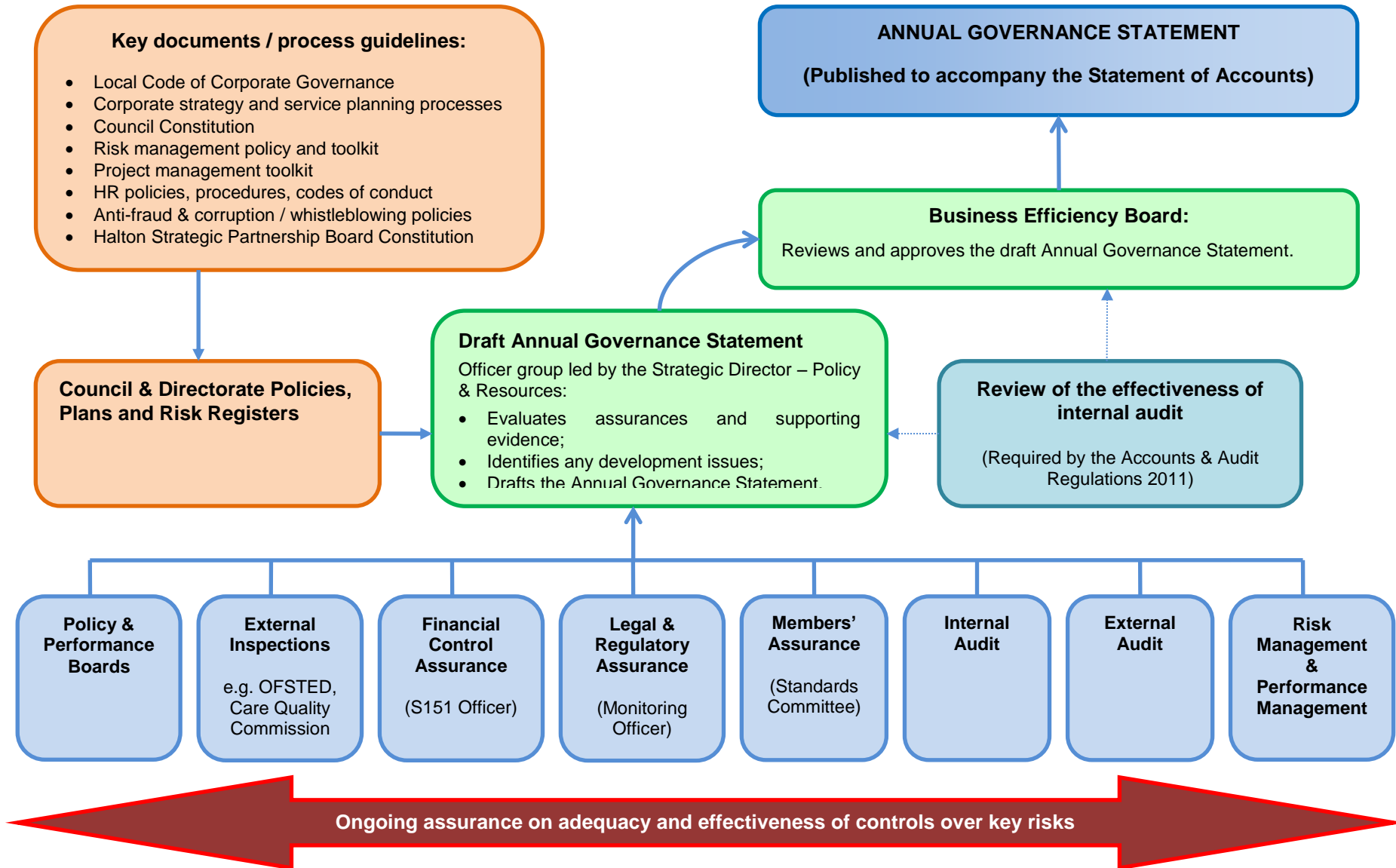
8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2007)	Kingsway House, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government:		

Guidance note for English
authorities (2007)

The Accounts and Audit
(England) Regulations 2015

ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK



HALTON BOROUGH COUNCIL 2014/15 ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 Halton Borough Council is responsible for ensuring that:
- its business is conducted in accordance with the law and proper standards;
 - public money is safeguarded and properly accounted for; and
 - public money is used economically, efficiently and effectively.
- 1.2 Halton Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, Halton Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has adopted a local code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework '*Delivering Good Governance in Local Government*'.
- 1.5 This statement explains how Halton Borough Council has complied with the principles of good governance and has reviewed the effectiveness of its governance arrangements. It also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation of an annual governance statement.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Halton Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Halton Borough Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3. The Council's Governance Framework

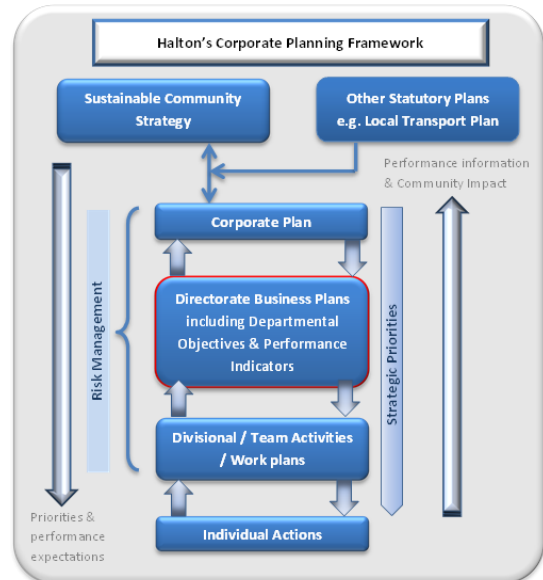
A brief description of the key elements of the Council's governance framework is described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

3.1 Communicating the Council's vision

- a) The long-term vision for Halton is set out in the Sustainable Community Strategy and the Council's own Corporate Plan.
- b) The Sustainable Community Strategy outlines how the Halton Strategic Partnership intends to transform Halton.
- c) The Council's Corporate Plan sets out how the Council will deliver its contribution to achieving the Sustainable Community Strategy. It sets out the following strategic themes that underpin all aspects of the Council's work:
 - A Healthy Halton
 - Environment & Regeneration in Halton
 - Halton's Children & Young People
 - Employment, Learning and Skills in Halton
 - A Safer Halton

- Corporate Effectiveness & Efficiency

d) The Council's Corporate Planning Framework (illustrated opposite), is the primary means by which the Council's activities are developed and monitored. It consists of a hierarchy of plans that are directly aligned to ensure that the corporate priorities and strategic objectives of the Council are cascaded down the organisation through properly outcome-focused targets. Effective risk management forms an integral element of the annual cycle of Business Plan development.



e) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan. Quarterly performance monitoring reports record progress against key business plan objectives and targets. These are reported to the Management Team, to the Executive Board and to the Policy and Performance Boards.

f) The Council seeks to use its resources efficiently and obtains value for money via a number of arrangements. These include:

- A medium term financial strategy, capital programme and annual budget process that ensures that financial resources are directed to the Council's priorities;
- A co-ordinated and structured approach to procurement across the Council;
- The delivery of a well-established Efficiency Programme to identify and implement efficiency savings across the organisation in a systematic and considered manner;
- Partnership working with a range of organisations where there are shared objectives and clear economic benefits from joint working.

3.2 Members and officers working together to achieve a common purpose with clearly defined roles and functions

a) Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Executive Board is the main decision-making body of the Council and is made up of ten members who have responsibility for particular portfolios.

- b) The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.
- c) The Constitution also includes a Member/Officer protocol which describes and regulates the way in which members and officers should interact to work effectively together.
- d) There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities. They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board is designated as the Council's Audit Committee. Its core functions are consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. The Board regularly reviews the resourcing of the internal audit function, the internal audit work programme, the results of internal audit work and management's implementation of audit recommendations.
- f) The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's diverse services, its budget, the work of the Council's employees and the work done for the Council by a variety of agencies and contractors who deliver a wide range of services to the community. The Chief Executive represents the Council and the borough on local and regional partnerships and at regional and national levels. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council following the recommendation of a candidate for the role by the Appointments Committee.
- g) The Operational Director – Finance, as the s151 Officer appointed under the 1972 Local Government Act, is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO overall comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer (CFO) in Local Government (2010).
- h) Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. This role is undertaken by the Operational Director – Legal and Democratic Services, who is responsible for:
 - Ensuring that the Council acts and operates within the law. He or she has a duty to report to the whole Council if the Council has broken or may have broken the law;

- Maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution;
 - Supporting the Council's Standards Committee and helping promote and maintain high standards of conduct by Council members, officers, partners and contractors;
 - Establishing and maintaining a register of interests (including receipts of gifts and hospitality) for elected and co-opted members;
 - Receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.
- i) The Operational Director – Finance and the Operational Director – Legal and Democratic Services are both members of the Council's Management Team. Both officers also have direct access to the Chief Executive.
- j) The Children Act 2004 requires every upper tier local authority to appoint a Director of Children's Services and designate a Lead Member for Children's Services. The Strategic Director – Children and Enterprise is designated as the Council's Director of Children's Services. He or she works together with the Lead Member for Children's Services, who is a member of the Council's Executive Board, to provide strategic leadership for local authority education and social care services for children. The responsibilities of the Director of Children's Services and Lead Member extend to all children receiving services in the borough, irrespective of the type of school they attend, or their home local authority area.
- k) All local authorities with social services responsibility in England are required to appoint an officer as the Director of Adult Social Services. This role has been designated to the Strategic Director – Communities. This statutory role is accountable for the delivery of local authority social services functions listed in Schedule 1 of the Local Authority Social Services Act 1970 (as amended) in respect of adults (other than those services for which the Director of Children's Services is responsible).
- l) The Strategic Director – Policy and Resources is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009. The functions of the Statutory Scrutiny Officer are to:
- Promote the role of the authority's Overview & Scrutiny Committees;
 - Provide support to the authority's Overview & Scrutiny Committees and the members of those committees;
 - Provide support and guidance to Members of the authority, members of the Executive and officers in relation to the functions of the authority's Overview & Scrutiny Committees.
- m) The role of Head of Internal Audit is assigned to the post of the Divisional Manager – Audit & Operational Finance. This role is responsible for the

Council's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The Council's arrangements substantially comply with the CIPFA Statement on the role of the Head of Internal Audit in public service organisations (2010). The post of Divisional Manager – Audit & Operational Finance does however have operational responsibilities assigned to it. To address this issue, alternative assurance and reporting arrangements have been agreed with the Operational Director – Finance for those non-audit functions for which the Divisional Manager – Audit & Operational Finance has managerial responsibility.

- n) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- o) The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process. A Scheme of Members' Allowances has been set by the Council having regard to a report of an Independent Panel made up of non-Councillors. The Council publishes a 'Pay Policy Statement' on an annual basis, which provides transparency with regard to the Council's approach to setting the pay of its employees.

3.3 Promoting values and upholding high standards of conduct and behaviour

- a) The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Monitoring Officer trains and advises them on the Code of Conduct.
- b) Officer behaviour is governed by the Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- c) The Council takes fraud, corruption and maladministration seriously and has established policies and processes which aim to prevent or deal with such occurrences. These include:
 - Anti-Fraud and Anti-Corruption Strategy;
 - Fraud Response Plan;
 - Confidential Reporting Code (Whistleblowing Policy), which was updated and re-launched in 2014;
 - HR policies regarding discipline of staff involved in such incidents.
- d) The Business Efficiency Board is assigned with responsibility to monitor and review the adequacy of the Council's anti-fraud and corruption policies and arrangements. This responsibility is met by the Board receiving regular

reports providing details of developments relating to the Council's counter fraud and corruption arrangements.

- e) A corporate complaints procedure, which was reviewed and updated in 2014, exists to receive and respond to any complaints received.
- f) Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
 - Registers of disclosable pecuniary interests and disclosable other interests;
 - Declarations of disclosable pecuniary interests and disclosable other interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
 - Registers of gifts and hospitality, which were updated into electronic format in 2014;
 - Corporate Equality Scheme (2013-15).

3.4 Taking informed and transparent decisions and managing risk

- a) The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.
- b) The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.
- c) The Council has a Risk Management Policy and Toolkit and regularly reviews its corporate and directorate risk registers. The management of risk is monitored by each of the Council's three Directorates and through the provision of a mid-year monitoring report for all high risks. The Business Efficiency Board also reviews the risk management process and corporate risk register twice yearly. The directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions, and they form the basis of the internal audit planning process.
- d) The Business Efficiency Board approves and reviews the internal audit work programme and oversees management's implementation of audit recommendations.

3.5 Developing the capacity and capability of Members and Officers

- a) The Council recognises that the success of its business is built upon the knowledge, expertise and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council.
- b) The Council has developed a People Plan (2012-2015) to assist the organisation in addressing leadership, skills development and recruitment and retention, in a structured and coordinated way. This will also help the Council plan for the future by providing a framework to assess its current workforce and people management activity and to identify any gaps that need to be filled.
- c) The Council's training and development programme stretches right across the organisation to include members and employees. The Council holds the NW Charter for Elected Member Development Exemplar Level status.
- d) Newly elected members attend a three-day induction programme with follow-up mentoring and all members are offered a personal development interview.
- e) All new employees attend an induction programme with a more detailed programme for new managers.
- f) The Council has established processes to identify the personal development needs of employees. This information is used to inform the design of the corporate training programme and the sourcing of specialised professional training.

3.6 Engagement with local people and other stakeholders to ensure robust public accountability

- a) The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- b) Arrangements for consultation and for gauging local views include both formal and informal arrangements:
 - Formal arrangements include the Halton 2000 Citizens' Panel, the seven Area Forums, and the Youth Cabinet;
 - Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- c) The Executive Board has adopted an approach to locality working, which each Local Area Forum is using to encourage greater participation and involvement.

- d) Information on the democratic running of the Council is routinely published via the Council's website and includes
- The Council's Constitution and agendas and minutes of Council meetings;
 - Allowances and expenses paid to elected members;
 - The Council's senior officer structure including post titles and salary ranges;
 - All financial payments made by the Council that are equal to or greater than £500;
 - Quarterly Directorate and Priority Based Performance Reports through Executive and Policy and Performance Board agendas.
- e) The community and voluntary sector are represented on the Halton Strategic Partnership Board and on all its Specialist Strategic Partnerships (SSPs).
- f) The Halton Strategic Partnership Board (HSPB) brings together key partners to develop and deliver Halton's Sustainable Community Strategy. The Board is supported by five SSPs each of which takes responsibility for delivering on one of the strategic priority areas that comprise the Sustainable Community Strategy. Each SSP manages and monitors progress against key actions and performance measures for their specific area. Each SSP Chair is a Board Member and provides regular feedback on progress during Board meetings.

4. Review of Effectiveness

- 4.1 Halton Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of internal audit and by comments made by the external auditors and other inspection agencies.
- 4.2 The processes applied in maintaining and reviewing the effectiveness of the system of governance include:
- The work of the Business Efficiency Board as the Council's Audit Committee;
 - The work of the Standards Committee;
 - The role of the Policy and Performance Boards in holding the Executive to account;
 - The operation of the Council's risk management and performance management frameworks;
 - The annual review of the effectiveness of the Council's internal audit function by the Operational Director - Finance;

- The work of internal audit as an assurance function that provides an independent and objective opinion to the Council on its control environment;
- The external auditor's opinion report on the Council's financial statements and conclusion on whether the Council has put in place proper arrangements to secure efficiency and effectiveness in its use of resources (the Value for Money conclusion);
- The corporate complaints procedure;
- The roles of the Council's Statutory Officers;
- The work of the Information Governance Group, which provides overall strategic guidance and direction to information governance, security, risks and incidents;
- The Council's arrangements to counter fraud and corruption.

4.3 The Council has implemented the actions agreed in the 2013/14 Annual Governance Statement. A summary of action taken is listed below:

- Funding pressures

In 2014/15 Elected Members were engaged at an early stage via the Budget Working Group and All Member seminars to facilitate early budget planning and to provide additional time to develop budget proposals. Analysis of mandatory and discretionary obligations was provided to assist Members with their decision making. The scale of funding pressures facing the Council was clearly communicated to officers, Members and the public to ensure that the service implications of such were fully understood.

The Efficiency Programme and Procurement have continued to be key tools in helping to identify potential budget savings. Further collaboration and sharing of services has been undertaken with neighbouring councils in order to generate efficiency savings and income.

A balanced budget was set for 2014/15 and spending during the year was contained within the overall budget, despite significant overspending of children in care costs due to rapidly increasing numbers of children in the care of local authority. This has been achieved through having sound governance arrangements in place and a robust control environment.

- Liverpool City Region Combined Authority

The Council has played an active role in the first twelve months of the Combined Authority's life. It has Elected Member representation on the Combined Authority itself (the Leader), the Merseytravel Committee (Councillors Howard and John Stockton) and the Combined Authority Scrutiny Panel (Councillors Wainwright and Woolfall – Councillor Wainwright is Chair of the Panel).

Officers are heavily involved in the supporting structures and preparatory work is taking place around the greater integration of transport functions

and activities. The Operational Director Policy - Planning and Transportation led the work for the City Region on the development of a "Transport for Growth Plan" the Combined Authority's joint strategic framework and delivery plan for transport. The Chief Executive also acts as the Lead Officer for Scrutiny for the Combined Authority and sits on the Combined Authority's Implementation Group.

- Development Control Committee

Regular training and development has taken place with members of the Development Control Committee including the subject matter contained within the Annual Governance Statement Development Plan from 2013/14.

- Local Government Transparency Code 2014

The Council has reviewed the requirements placed on it to comply with the Government's Data Transparency Code. A report on those requirements and the resource implications to the Council of compliance was presented to the Corporate Services Policy and Performance Board. The Council is currently ensuring that it is compliant with the mandatory elements of the code.

4.4 The Business Efficiency Board has been advised on the implications of the review of the effectiveness of the governance framework and a plan to further develop the Council's governance framework is in place.

4.5 The Council proposes over the coming year to take the steps identified in the Development Plan at the end of this document to further enhance its governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

David Parr - Chief Executive

Rob Polhill - Leader of the Council

Governance Arrangements – Development Plan

Issue	Actions	Responsible Officer
<p>1. <u>Funding pressures</u></p> <p>Although the UK economy is starting to show significant signs of improvement, the Government grant settlements for local government look likely to remain very challenging for the coming years, particularly given the backdrop of increasing demand for council services. The Council’s finances will therefore continue to need to be kept under close review, especially Children in Care costs where there are already significant spending pressures. Appropriate action will be taken to ensure that the Council maintains its record of achieving a balanced budget and aligns its resources to corporate objectives and strategic priorities.</p>	<ul style="list-style-type: none"> • Review mandatory and discretionary obligations and prioritise accordingly; • Identify the impact of reduced resources upon the Council’s ability to deliver services; • Communicate the scale of funding challenges and the Council’s priorities to Officers and Members to achieve buy-in; • Engage Members at a very early stage in budget planning and the development of budget proposals; • Communicate to the public the scale of funding challenges facing the Council and the consequent impact upon service delivery; • Maintain the Medium Term Financial Strategy; • Maintain a budget risk register; • Utilise procurement practices to generate budget savings; • Continue the Efficiency Programme to drive efficiencies within all services; • Develop further collaboration and sharing of services with neighbouring local authorities and external partners; • Identify opportunities for income generation where appropriate, through the work of the Fees and Charges Topic Group; • Undertake equality impact assessments; • Closely monitor and report upon spending through the year. 	<p>Strategic Director – Policy & Resources</p>

REPORT TO:	Business Efficiency Board
DATE:	3 June 2015
REPORTING OFFICER:	Strategic Director – Policy & Resources
PORTFOLIO:	Resources
SUBJECT:	External Audit Update Report
WARDS:	Borough wide

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this item is for Grant Thornton to:

- Update the Board on the progress made in delivering their responsibilities as the Council's external auditors;
- Provide a summary of emerging national issues and developments that may be relevant to the work of the Board.

2.0 RECOMMENDATION: That the Board notes the report.

3.0 SUPPORTING INFORMATION

Please see attached report.

4.0 POLICY IMPLICATIONS

None

5.0 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising directly from this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

There are no specific implications for any of the Council's priorities.

6.2 Employment, Learning and Skills in Halton

See 6.1.

6.3 A Healthy Halton

See 6.1.

6.4 A Safer Halton

See 6.1.

6.5 Halton's Urban Renewal

See 6.1.

7.0 RISK ANALYSIS

This report is for information only. There are no risks arising from it.

8.0 EQUALITY AND DIVERSITY ISSUES

There are no equality and diversity issues arising from this report.

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

None under the meaning of the Act

Business Efficiency Board Update

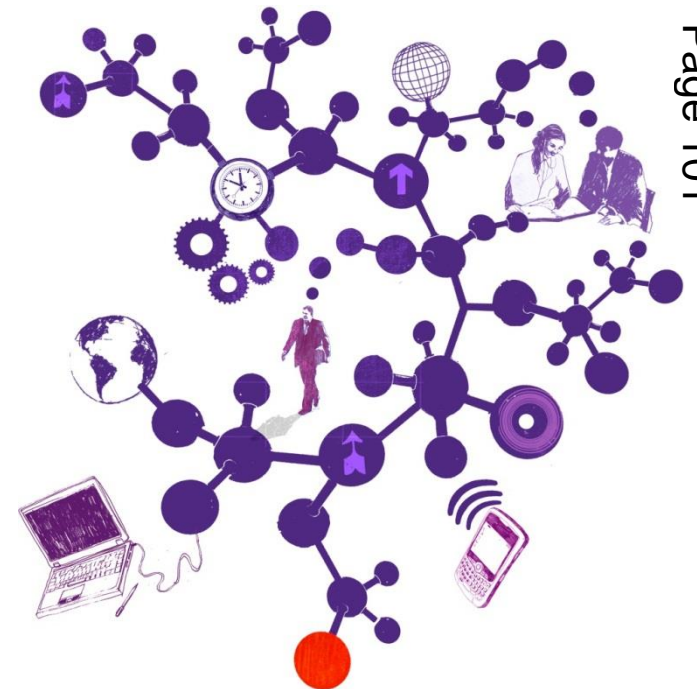
Year ended 31 March 2015

May 2015

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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 your business 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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Introduction

This paper provides the Business Efficiency Board with a report on progress in delivering our responsibilities as your external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Business Efficiency Board can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

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

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Progress at May 2015

Progress against plan

on track

Opinion and VfM conclusion

all planned to be met

Outputs delivered

Fee letter, Progress Reports and Audit Plan delivered to plan

Audit work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	<p>March 2015</p>	<p>Complete</p>	<p>We sent the 'Planned fee letter for 2014/15' to the Council on 24 April 2014 and presented it to the Board on 11 June 2014. The Audit Commission recently confirmed an updated scale fee of £140,392 to take into account a supplementary fee for audit work on business rates.</p> <p>The Audit Plan will be presented to this meeting of the Business Efficiency Board.</p>
<p>Interim accounts audit Our interim fieldwork visit including:</p> <ul style="list-style-type: none"> • updated review of the Council control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	<p>December 2014 to March 2015</p>	<p>In progress</p>	<p>We have built on our knowledge of the Council following the audit last year.</p> <p>We have substantially completed our interim work and issues arising are set out in the Audit Plan presented to this meeting of the Business Efficiency Board.</p>

Progress at May 2015

Audit and certification work	Planned date	Complete?	Comments
<p>2014-15 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements and Whole of Government Accounts (WGA) • proposed opinion on the Council's accounts and WGA • proposed Value for Money conclusion. 	June to September 2015	Not yet started	
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises the two criteria specified by the Audit Commission:</p> <ul style="list-style-type: none"> • The organisation has proper arrangements in place for securing financial resilience. The focus will be on whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. • The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The focus will be on how the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. 	January to September 2015	In progress	<p>The detailed guidance from the Audit Commission has been published on its website for the benefit of auditors and audited bodies. This includes the key areas for consideration that will be reviewed under both the criteria.</p> <p>We have carried out an initial risk assessment to determine our approach and report this in our audit plan.</p>
<p>Other areas of work – certification work under the Audit Commission Regime</p> <ul style="list-style-type: none"> • 2013/14 - Housing Benefit (HB); Two transport (TRA) - Mersey Gateway and Silver Jubilee Bridge • Grant Certification 2014/15 – Housing Benefit; transport claims 	<p>HB 28 November 2014</p> <p>TRA 31 December 2014</p> <p>November and December 2015 respectively</p>	<p>2013/14 complete</p> <p>2014/15 not yet started</p>	<p>The letter reporting the outcome of our certification work 2013/14 was presented to the February 2015 BEB meeting</p> <ul style="list-style-type: none"> • The Housing Benefit claim - certified with no qualification letter and a small amendment. • The Silver Jubilee Bridge and Mersey Gateway Bridge transport claims - certified with no amendment or qualification letters.

Progress at May 2015

Non-audit services work	Planned date	Complete?	Comments
<p>Other activity undertaken* – claims and returns You asked us to provide a report on a number of claims that do not fall under the Audit Commission regime:</p> <ul style="list-style-type: none"> independent report on Teachers' Pensions return (PEN); agreed fee £4,200 independent report on Regional Growth Fund claim (RGF); agreed fee £3,110 	PEN 28 November 2014. RGF Feb 2015 (revised date June 2015)	PEN complete RGF re-scheduled	<ul style="list-style-type: none"> We completed the Teachers' Pensions return by the deadline; there were no amendments and nothing to report by exception. The final fee was the same as the agreed fee of £4,200. The DCLG has recently informed the Council of new deadlines for RGF claims - 15 June 2015 for submission by the Council and 30 June for the auditor's report.
<p>Other activity undertaken* – tax Other service lines within Grant Thornton UK LLP have undertaken Tax (Employee Solutions) work for the Council:</p> <ul style="list-style-type: none"> Tax; agreed fee £8,750 	By March 2015	Substantially complete	Tax work comprises: Construction Industry Scheme training workshop; review of the tax treatment of the Council's salary sacrifice scheme; and advice relating to the Mersey Gateway Crossings project.
<p>Other activity undertaken* – VAT Other service lines within Grant Thornton UK LLP have undertaken VAT advice and Tax (Employee Solutions) work for the Council:</p> <ul style="list-style-type: none"> VAT; agreed fee £25,800 - £27,800 	By March 2015	Substantially complete	VAT work includes advice and queries on: the development of Norton Priory; the pooled budget; option to tax; Runcorn Hill Park Café; the treatment of dilapidations; s106; GPark Widnes; Assist Education.

Note re: Other activity undertaken*

- We are required to disclose in writing to the Council the auditor independence assessment and summary of non-audit services and related safeguards; and that we are independent and the objectivity of the audit partner and audit staff are not impaired. We confirm that we are satisfied that our independence as external auditor to the Council will not be impaired by any of this additional work. The tax and VAT work will be led and undertaken by a team separate from the audit team; our work does not involve making decisions on management's behalf. The certification work is in line with certification work completed under the Audit Commission framework; the scope does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
- We are required to seek specific approval from the Audit Commission for Grant Thornton to undertake additional work over a threshold of 20% of the audit fee. We can confirm that the Audit Commission has noted our arrangements to ensure independence and approved the additional fee work noted above.

Grant Thornton training and publications

Grant Thornton

Accounts workshops for local government officers:

Officers attended our Grant Thornton / CIPFA workshops in March for preparers of accounts at local government bodies.

Grant Thornton workshops for members

Grant Thornton's Midlands Local Government Audit Committee Member Network has published its programme of events for 2015. This included, for example, the February workshop on Governance Challenges and Priorities for 2015 – covering Financial integrity, reinforcing audit quality, improving information quality and focusing on assurance. This programme has been shared with the Chair and Vice Chair. We are planning to run a similar programme of events in the Northwest in the future. Forthcoming workshops are listed below:

- **Fit for Purpose following the Elections:** Undertaking self-assessments and using skills audits to identify gaps for training. This will also include an update on key financial changes to support your review of the draft financial statements. Birmingham - 8 July 2015.
- **The Evolving Local Government Audit Committee Agenda:** Understanding and managing key risks – particularly in relation to saving plans, the assurance framework and alternative delivery models. Birmingham - 21 October 2015

Forthcoming publications:

Grant Thornton is the appointed external auditor to around 40% of local government bodies in England, giving us an excellent insight into the key issues facing the sector and the solutions being adopted across the country. From research, meeting with key people, carrying out presentations and workshops, and attending audit committees, we find that many of the key issues raised and risks faced are common to many authorities. We have a programme of publications for up-to-date insight and analysis from our technical, sector and service teams – such as our December 2014 report 'Rising to the Challenge' on financial health at English local authorities.

Planned publications relevant to local authorities include:

- Welfare Reform (second report)
- Health and Wellbeing Guide (Place Analytics)
- Alternative Delivery Models (2nd report)
- Where Growth Happens (2nd report)

Stronger futures: development of the Local Government Pension Scheme

Grant Thornton

Our second review on governance in local government pensions scheme (LGPS) funds in England and Wales is based on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors and is available at <http://www.grant-thornton.co.uk/Publications/2015/Stronger-futures-development-of-the-LGPS/>

With the LGPS continuing to face significant change and challenge, there is a clear commitment to ensuring its survival and the provision of affordable pension benefits for the future. Following the implementation of a career average pension scheme in 2014, administering authorities are preparing for significant changes in governance arrangements effective from April 2015.

Some of the key messages from the report are:

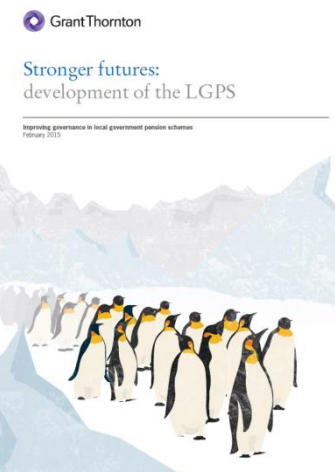
there are increasing strong examples of innovation and increased collaborative working across the LGPS to achieve reduced costs and improved use of specialist skills and knowledge;

implementation of the career average scheme from April 2014 went well and demonstrated good project management and effective communication with members and employers; and

there have been several other positive trends across the LGPS since our 2013 review particularly around the widening scope of reporting to Pension Committees including performance reporting, risk management and internal audit reviews.

However, we saw a wide variation in practice, including a concentration of risk reporting on investment risk, over half of funds have not implemented the CIPFA knowledge and skills framework as part of their member training, 45 per cent of Pension Committees do not receive internal audit reports and 15 per cent do not have specific internal audit coverage, and nearly half of funds have no information around the value of their liabilities in between the triennial valuations.

Hard copies of our report are available from your Engagement Lead or Engagement Manager.



Independent Commission into Local Government Finance

Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.

Inspection into the governance of Rotherham Council

Local government issues

On 4 February 2015 the Secretary of State for Communities and Local Government, Eric Pickles announced the publication of [Louise Casey's report](#). Her inspection of the exercise of functions on governance, children and young people and taxi and private hire licensing states:

"Rotherham Metropolitan Borough Council is not fit for purpose. It is failing in its legal obligation to secure continuous improvement in the way in which it exercises its functions. In particular, it is failing in its duties to protect vulnerable children and young people from harm."

It summarises the following serious failings:

- a council in denial about serious and on-going safeguarding failures
- an archaic culture of sexism, bullying and discomfort around race
- failure to address past weaknesses, in particular in Children's Social Care
- weak and ineffective arrangements for taxi licensing which leave the public at risk
- ineffective leadership and management, including political leadership
- no shared vision, a partial management team and ineffective liaisons with partners
- culture of covering up uncomfortable truths, silencing whistle-blowers and
- paying off staff rather than dealing with difficult issues

The report has had widespread press coverage and in a statement in the House of Commons the Secretary of State confirmed that he is considering exercising his powers of intervention in relation to Rotherham.

Care services for people with learning disabilities and challenging behaviour

Local government issues

The National Audit Office (NAO) published its report, [Care services for people with learning disabilities and challenging behaviour](#) on 4 February 2015. It concludes that the Government has not met its central goal of moving people with learning disabilities and challenging behaviour out of hospital by 1 June 2014, because it underestimated the complexity and level of challenge in meeting the commitments in its action plan.

Following the exposure in May 2011 of abuse of patients at the Winterbourne View Hospital, the Department of Health set out its action plan in the 'Winterbourne View Concordat' for moving people with learning disabilities and challenging behaviour out of hospital and into community care. At September 2014 however there were still 2,600 inpatients with learning disabilities in mental health hospitals, although NHS England's stated ambition is to discharge 50% of these into "more appropriate care settings" by 31 March 2015.

As the NAO also report that there is no financial incentive for local commissioners to bring such patients home. They have to bear the additional costs of expanding local community services to meet the patients' needs, following discharge from hospital, when NHS England had centrally funded patients' care in mental health hospitals



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