



Business Efficiency Board

**Wednesday, 8 June 2016 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn**

A handwritten signature in black ink, appearing to read 'David W R'.

Chief Executive

BOARD MEMBERSHIP

Councillor Martha Lloyd Jones (Chair)	Labour
Councillor Joe Roberts (Vice-Chair)	Labour
Councillor John Bradshaw	Conservative
Councillor Arthur Cole	Labour
Councillor Chris Loftus	Labour
Councillor Alan Lowe	Labour
Councillor Tony McDermott	Labour
Councillor Andrew MacManus	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor John Stockton	Labour
Councillor Andrea Wall	Labour

Please contact Angela Scott on 0151 511 8670 or e-mail angela.scott@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 28 September 2016

**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. EXTERNAL AUDIT FEE - 2016/17	1 - 6
4. EXTERNAL AUDIT PLAN 2015/16	7 - 30
5. EXTERNAL AUDIT LETTER TO THOSE CHARGED WITH GOVERNANCE	31 - 36
6. PROCUREMENT STRATEGY 2016-19	37 - 54
7. CORPORATE RISK REGISTER 2016/17	55 - 73
8. DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16	74 - 93
9. INTERNAL AUDIT ANNUAL REPORT 2015/16	94 - 105
10. FRAUD AND CORRUPTION UPDATE REPORT	106 - 116
11. 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.

12. INTERNAL AUDIT PROGRESS REPORT

117 - 230

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: 8 June 2016

REPORTING OFFICER: Strategic Director – Community & Resources

PORTFOLIO: Resources

SUBJECT: External Audit Fee – 2016/17

WARDS: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 This report provides details of the planned external audit fee for 2016/17. Grant Thornton will attend the meeting to present the report to the Board.

2.0 RECOMMENDATION: That the 2016/17 audit fee and the scope and timing of the planned external audit work be noted.

3.0 SUPPORTING INFORMATION

3.1 The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

3.2 PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work.

3.3 The attached letter sets out details of the audit fee proposed by PSAA along with the scope and timing of external audit work. Details of the team that will be working on the audit are also provided.

4.0 POLICY IMPLICATIONS

None

5.0 FINANCIAL IMPLICATIONS

- 5.1 The Council's scale fee for 2016/17 has been set at £105,294, which remains unchanged from last year. The Council's indicative grant certification fee has been set at £8,055
- 5.2 Additional fees may also be payable in respect of work undertaken by the auditor in regard to the new measurement requirements for the Highways Network Asset. Any additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process.

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



Ed Dawson
Operational Director, Finance
Halton Borough Council
Municipal Building
Kingsway
Widnes
WA8 7QF

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

T 0161 953 6900

www.grant-thornton.co.uk

7 April 2016

Dear Ed,

Planned audit fee for 2016/17

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process. PSAA expect that 'the additional fees for a highway authority will be in the range of £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use.

PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the

Chartered Accountants

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

Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £105,294.

The audit planning process for 2016/17, 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

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

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 (if applicable).

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider 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.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by PSAA at £8,055. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	26,323
December 2016	26,323
March 2017	26,324
June 2017	26,324
Total	105,294
Grant Certification	
March 2017	8,055

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to April 2017. 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 July 2017 and work on the whole of government accounts return in July 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to April 2017	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	July 2017	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	July 2017	Audit Findings (Report to those charged with governance)	As above

Whole of government accounts	July 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	August to September 2017	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Mark Heap	0161 234 6375	mark.r.heap@uk.gt.com
Engagement Manager	Georgia Jones	0161 214 6383	georgia.s.jones@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, via sarah.howard@uk.gt.com.

Yours sincerely

Mark Heap

Engagement Lead

For Grant Thornton UK LLP

REPORT TO: Business Efficiency Board
DATE: 8 June 2016
REPORTING OFFICER: Strategic Director – Community and Resources
PORTFOLIO: Resources
SUBJECT: External Audit Plan 2015/16
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the 2015/16 Audit Plan presented by the Council's external auditor, Grant Thornton.

2.0 RECOMMENDATION: That the contents of the External Audit Plan for 2015/16, be noted.

3.0 SUPPORTING INFORMATION

3.1 The External Audit Plan for 2015/16, including the results of the interim audit work, is attached to this report and will be presented by Grant Thornton.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 The report contains details of the external audit fees for 2015/16.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children & Young People in Halton**

6.2 **Employment, Learning & Skills in Halton**

6.3 **A Healthy Halton**

6.4 **A Safer Halton**

6.5 Halton's Urban Renewal

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

7.0 RISK ANALYSIS

7.1 The external audit plan is based upon Grant Thornton's risk-based approach to audit planning. The risks that have been considered as part of the opinion planning process are detailed in the attached report.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None identified.

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

9.1 There are none under the meaning of the Act.

The Audit Plan for Halton Borough Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

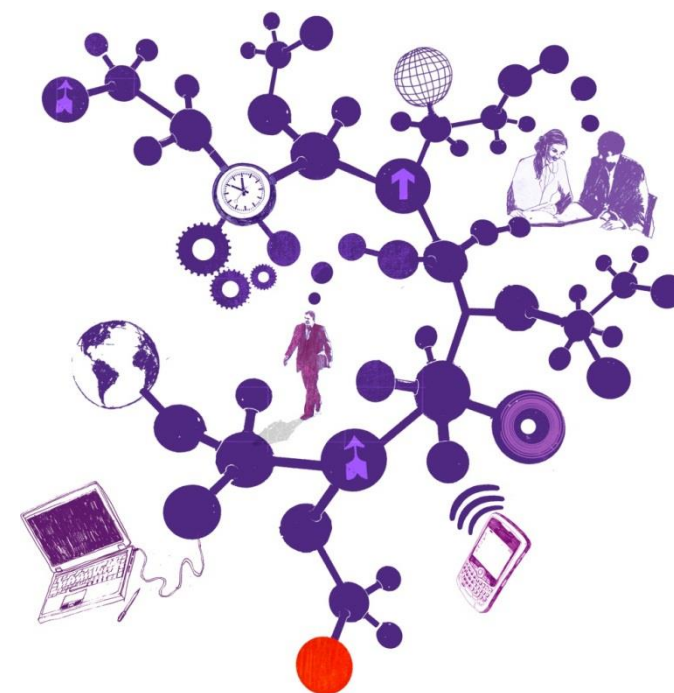
Year ending 31 March 2016

8 June 2016

Mark Heap
Director
T +44 (0)161 234 6375
E mark.r.heap@uk.gt.com

Georgia Jones
Manager
T +44 (0)161 214 6383
E georgia.s.jones@uk.gt.com

John Padfield
Executive
T +44 (0)161 214 6378
E john.padfield@uk.gt.com



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.

Members of the Business Efficiency Board
Halton Borough Council
Municipal Building
Kingsway
Widnes
WA8 7QF

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB
T +44 (0)161 953 6900
www.grant-thornton.co.uk

May 2016

Dear Members of the Business Efficiency Board

Audit Plan for Halton Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Halton Borough Council, the Business Efficiency Board), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Mark Heap
Engagement Lead

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section

- Understanding your business
- Developments and other requirements relevant to the audit
- Our audit approach
- Significant risks identified
- Other risks identified
- Value for Money
- Results of interim audit work
- Key dates
- Fees and independence
- Communication of audit matters with those charged with governance

Understanding your business

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

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.



2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- Halton is a member of the Liverpool City Region Combined Authority together with Liverpool City, Knowsley, Sefton, St.Helens and Wirral Councils.



3. Housing

- The Autumn Statement also included a number of announcements intended to increase the availability and affordability of housing.



4. Integration with health sector

- Developments such as the increased scope of the Better Care Fund and transfer of responsibility for public health to local government are intended to increase integration between health and social care.



5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.



Our response

- We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.

- We will consider your plans in relation to the local devolution agenda as part of our work in reaching our VFM conclusion.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will consider how the Council has reflected government announcements as part of its business planning process.
- We will share our knowledge of how other Councils are responding to these changes.

- We will consider how the Council has reflected changes to its responsibilities in relation to public health and how it is working with partners, as part of our work in reaching our Vfm conclusion.
- We will review the Council's treatment of entries relating to the Better Care Fund in its financial statements.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your financial statements by 31 August 2016 as a 'dry run'

Developments and other requirements relevant to your audit

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

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Highways Network Asset

- Although you are not required to include Highways Network Assets until 2016/17, this will be a significant change to your financial statements and you will need to carry out valuation work this year.

4. Joint arrangements

- Councils are involved in a number of pooled budgets such as the Better Care Fund which they need to account for in their financial statements.

5. Other requirements

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

Our response

- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

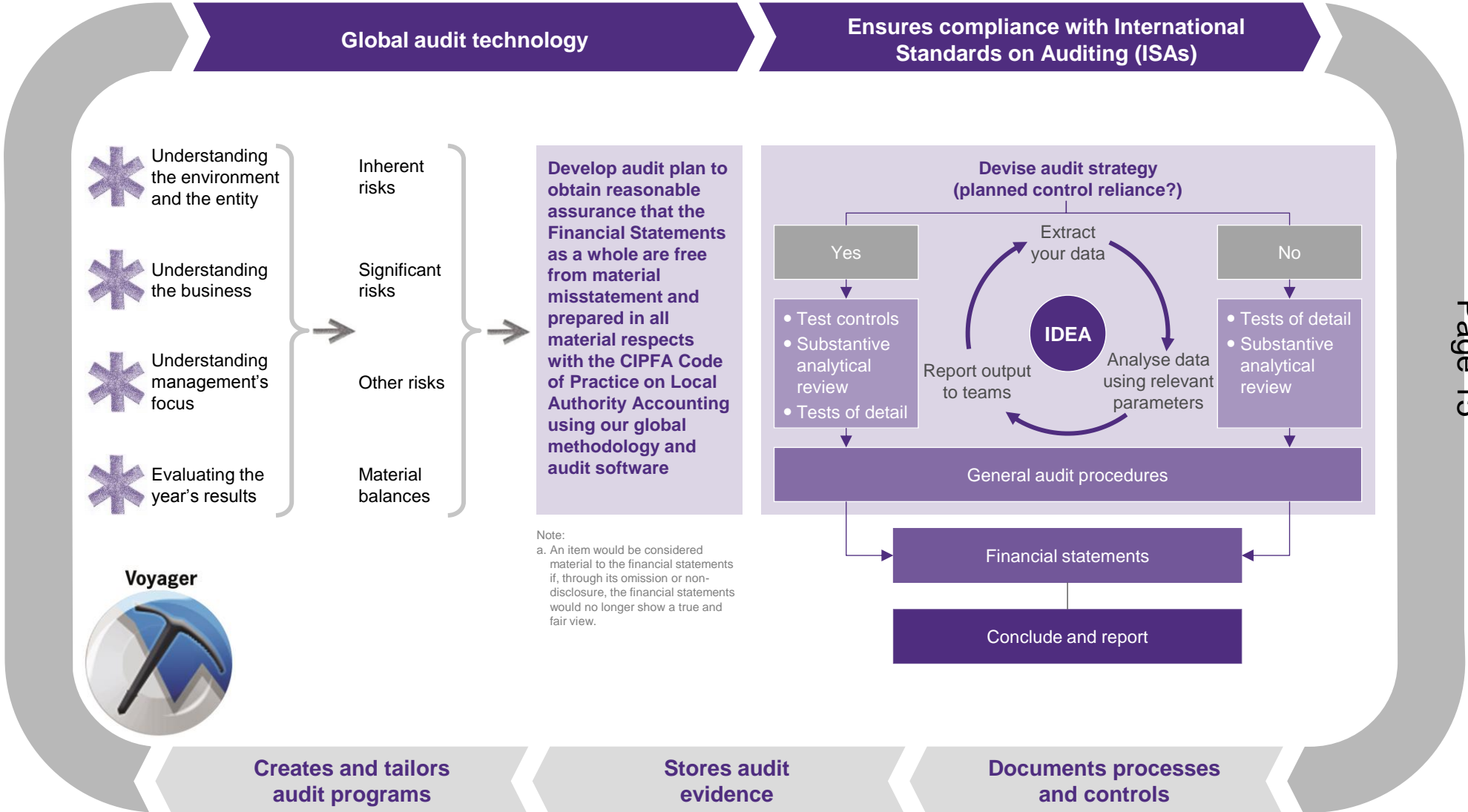
- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will discuss your plans for valuation of the highways network asset at an early stage to gain an understanding of your approach and suggest areas for improvement.

- We will review your proposals for accounting for these arrangements against the requirements of the CIPFA Code of Practice.

- 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.

Our audit approach



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £6,173k (being 1.8% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £300k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	We will ensure these disclosures are correctly disclosed subject to rounding and banding classification
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	We will ensure this is correctly stated, subject to rounding.
Related Party Transactions	Due to public interest in these disclosures.	We will determine materiality taking account of the size of the third party.

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
<p>The revenue cycle includes fraudulent transactions</p>	<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>For this Council, we have concluded that the greatest risk of material misstatement relates to the occurrence/existence of other income and receivables.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Halton Borough Council, we have determined that the risk of fraud arising from revenue recognition for income 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 Borough Council, mean that all forms of fraud are seen as unacceptable. <p>We consider the risk for revenue recognition relates to occurrence/existence of expenditure and payables.</p> <p>Work planned:</p> <ul style="list-style-type: none"> • Identification and documentation of the processes and controls in place around expenditure at the Council • Testing of journal entries, control environment review and walkthrough • Testing of non pay expenditure as set out within 'Operating Expenses' on page 11 • Review of unusual significant transactions
<p>Management over-ride of controls</p>	<p>Under ISA 240 it is presumed 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"> • Testing of journal entries (part completed) <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 remainder of the year) • Review of unusual significant transactions

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

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 (UK & Ireland) 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 planned:</p> <ul style="list-style-type: none"> • Identification and documentation of the processes and controls in place around operating expenditure at the Council • Walkthrough of a sample item to confirm our understanding • Substantive testing of a sample of non-pay expenditure • Reconciliation of accounts payable systems to general ledger and financial statements • Review of accruals process and substantive testing of a sample of manual accruals and creditor balances • Sample testing of payments around the year-end • Review and testing of other items of expenditure and disclosures including Minimum Revenue Provision (MRP) and members' allowances
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work planned:</p> <ul style="list-style-type: none"> • Identification and documentation of the processes and controls in place around employee remuneration at the Council • Walkthrough of a sample item to confirm our understanding • Substantive testing of a sample of payroll transactions • Reconciliation of payroll data to general ledger and financial statements • Substantive analytical review of payroll costs for the year • Substantive testing of senior officer remuneration disclosures • Review and testing of other pay disclosures including exit packages notes

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 (UK & Ireland) 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
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>Work planned:</p> <ul style="list-style-type: none"> • Identification and documentation of the processes and controls in place around welfare benefit payments at the Council • Walkthrough of a sample item to confirm our understanding • Substantive testing of claimant eligibility for a sample of welfare benefit payments • Reconciliation between Northgate welfare benefits system, the general ledger and the financial statements and supporting notes • Additional substantive testing on selected welfare benefit sample • Testing of Housing Benefit Subsidy Claim using the Audit Commission HB COUNT approach
Valuation of property, plant and equipment	The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Investments
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

The Code requires us to consider 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.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of good governance Understanding and using appropriate cost and performance information to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Financial outlook The council does not have a history of financial difficulty but the position is beginning to become more challenging. Initially a budget gap of £16m was identified for 16-17. This has now been addressed and savings and efficiencies identified but there remain budget gaps for the following three years.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review budget monitoring reports and updates to the Medium Term Financial Plan. We will discuss with officers plans to address future potential budget gaps and how the Council is identifying, managing and monitoring financial risks. We will continue to review and monitor revenue and capital reports.</p>
<p>Ofsted inspection of children's services The most recent Ofsted report on children's services looked at a number of areas. The overall judgement was that children's services require improvement. This related to children who need help and protection, and leadership, management and governance. The Council did get a score of 'good' for children looked after and achieving permanence (both for adoption performance and experiences and progress of care leavers). Although the main risk would be if the mark was 'inadequate' we still need assurance the council is addressing the recommendations as this is a high profile area.</p>	<p>This links to the Council's arrangements for managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of good governance, and planning, organising and developing the workforce effectively to deliver strategic priorities.</p>	<p>We will review update reports from Ofsted as they become available and take these into account in forming our conclusion.</p>

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Results of interim audit work

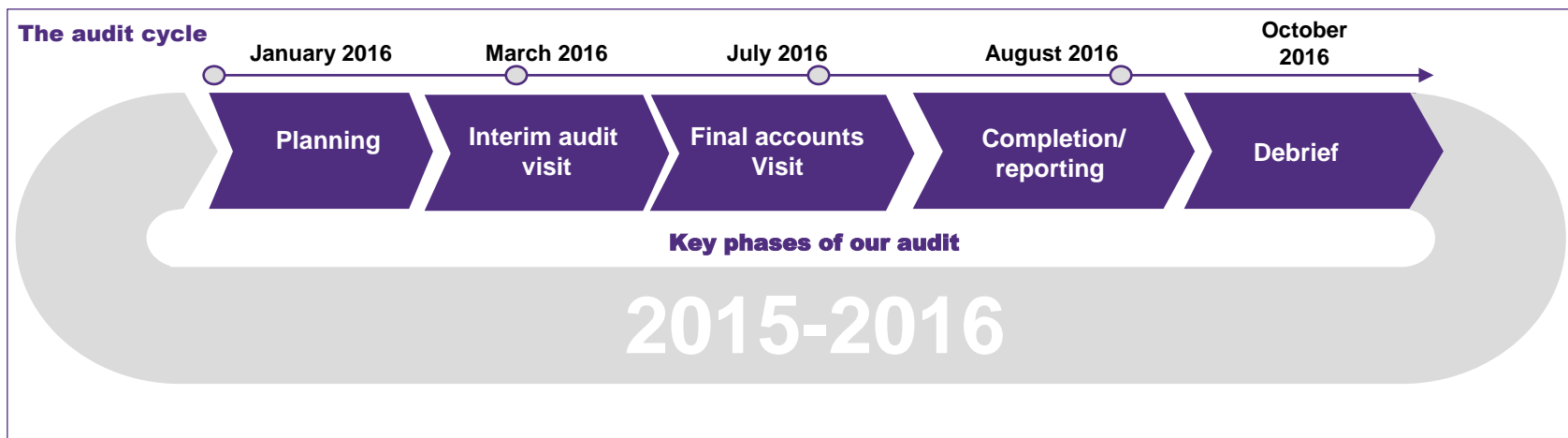
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit 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 impact adversely on the Council's financial statements</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements:</p> <ul style="list-style-type: none"> • Operating Expenses • Employee Remuneration • Welfare benefit • Property Plant and Equipment <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</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 and testing a further sample selection. We have a couple of queries to follow up but on the remainder of the work completed, no issues have been identified that we wish to highlight for your attention</p>	Work completed to date has not identified any significant issues which we need to bring to your attention.
Early substantive testing	<p>We have undertaken early sample testing in a number of areas:</p> <ul style="list-style-type: none"> • Revenues • Testing of property deeds • Employee remuneration • Welfare benefits <p>Work in these areas is on-going but to date we have not identified any issues that we wish to highlight for your attention.</p>	Work completed to date has not identified any significant issues which we need to bring to your attention.

Key dates



Date	Activity
January 2016	Planning
March 2016	Interim site visit
June 2016	Presentation of audit plan to the Business Efficiency Board
July 2016	Year end fieldwork
TBC	Audit findings clearance meeting with Operational Director of Finance
September 2016	Report audit findings to those charged with governance (Business Efficiency Board)
By 30 September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	105,294
Grant certification	6,828
Total audit fees (excluding VAT)	112,122

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.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

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

Fees for other services

Service	Fees £
Audit related services:	
• Independent report on Teachers' Pensions return (PEN)	TBC
• Independent report on Local Transport Plan Major Projects	TBC
Non-audit services	
• VAT reviews (as at quarter 3)	8,625

Fees for other services

Fees for audit related services have still to be agreed with management for 2015/16. We will report fees to the Business Efficiency Board once agreed.

Final fees in relation to VAT reviews will be reported once confirmed.

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 requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (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 Report 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 Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). 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 issues 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		✓



© 2016 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires.

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

REPORT TO: Business Efficiency Board

DATE: 8 June 2016

REPORTING OFFICER: Strategic Director - Community & 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 2016
Business Efficiency Board Response**

	Auditor Question	Response
1.	<p>How does the Business Efficiency Board oversee management's processes in relation to:</p> <p>1.1 Carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error?</p>	<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, business rates reliefs and exemptions, online banking transactions, supplier payment fraud, procurement, grant fraud, insurance claims, payroll, cash collection and banking, schools and personal budgets.</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 2016/17 and the approach being adopted to deliver balanced budgets for 2017/18 to 2019/20 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 2015/16 financial statements.

REPORT TO: Business Efficiency Board

DATE: 8 June 2016

REPORTING OFFICER: Strategic Director – Community and Resources

SUBJECT: Procurement Strategy 2016-19

1.0 PURPOSE OF THE REPORT:

1.1 The purpose of this report is to seek approval to the Council's Procurement Strategy 2016-19.

2.0 RECOMMENDATION: That the Councils Procurement Strategy 2016-19 as presented in Appendix 1, be approved.

3.0 SUPPORTING INFORMATION:

3.1 The Procurement Strategy presented in Appendix 1 has been refreshed following the completion of the period of the previous strategy, which covered 2013-2016. The new Strategy follows the format recommended by Local Government Association's "National Procurement Strategy for Local Government in England 2014". This is underpinned by four key areas:

- Making Savings
- Supporting Local Economies
- Leadership
- Modernising Procurement

3.2 The Strategy is structured around these four key areas, providing a position statement on each as at March 2016, together with the achievements made to date. The Strategy provides an overview of the Purpose, Vision, and Context as well as Key Objectives for the Council's approach to procurement.

3.3 Halton has progressed rapidly over the past few years in terms of ensuring that procurement is recognised as a strategic function. Not only has this been successful but the Council's approach has been recognised nationally.

3.4 The Public Services (Social Value) Act 2012 requires public authorities to have regard to economic, social and environmental wellbeing in connection with public services contracts within the meaning of Public Contract Regulations 2015. Halton has embraced this requirement and taken it even further by commencing a campaign to drive Social Value into all procurement activity where relevant and proportionate.

3.5 In June 2015 the Executive Board approved a Social Value Framework for Procurement, underpinned by a Charter and Policy. This has been utilised to date in seventeen procurement exercises, the outcomes of which are presented in Appendices 2 and 3.

3.6 The Procurement Division has also worked with regional and national public sector organisations providing direct procurement support and training, conducted peer-reviews and has supported certain partners with implementation and leadership of procurement improvement.

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 & Young People in Halton**

6.2 **Employment, Learning & Skills in Halton**

6.3 **A Healthy Halton**

6.4 **A Safer Halton**

6.5 **Halton's Urban Renewal**

The Procurement Strategy is intended to improve procurement practice across the Council and reduce costs, which may affect all of the Council's priorities.

7.0 RISK ANALYSIS

7.1 Given the financial pressures facing the Council, the implementation of this Strategy will assist in reducing costs and balancing the budget, whilst also avoiding the risk of procurement challenge.

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 none under the meaning of the Act.

Halton Borough Council

Procurement Strategy

2016-2019

Procurement Strategy 2016-2019

Foreword

The Council's contracted spend with third parties exceeds £90m per annum. Over three quarters of the Council's suppliers are Small Medium Enterprises (SMEs) and this position has been maintained for the last three financial years.

As well as ensuring the Council delivers value for money when procuring supplies, services and works, it also has a duty to use its purchasing power to help in the delivery of its wider corporate priorities of; A Healthy Halton; Employment, Learning and Skills in Halton; A Safer Halton; Halton's Children and Young People; Environment and Regeneration which is underpinned by our sixth priority; Halton and Corporate Effectiveness and Business Efficiency.

This is delivered through a commitment to transparency, by advertising all procurement opportunities above £1,000 via the Chest (Procurement e-portal). Our processes are risk-based, clear and simple and fully compliant with the 2015 Public Contract Regulations.

Procurement can directly support the Council in adding value, by driving social value into all procurement where relevant and proportionate. To date the Council is seeing significant added benefit by doing this for the Borough.

An effective Procurement Strategy will support the Council's commitment to transform the way it does business. The Strategy will act as a 'vehicle for change' helping the Council to meet the financial challenges it faces. The Strategy sets out how effective procurement has already helped to deliver efficiencies and savings and how we will continue to use procurement to deliver both savings and social value gains.

The Council is committed to further developing collaborative relationships with other public sector partners, particularly in the Liverpool City Region. It recognises that this is the next step to delivering further savings, by becoming a larger buyer and influencing the market together, but without compromising social value.

I support and commend this Strategy as a reflection of the excellent position we are now in, which can be evidenced with national awards received by Halton and continuous business improvement.

I would also like to thank the Business Efficiency Board for the work and support it provides to this very important area of the Council's activities.



Cllr Mike Wharton

Executive Member for Resources

Procurement Strategy 2016-2019

Purpose

The main purpose of the Procurement Strategy is to provide the Council with a structured approach, which will ensure the Council achieves value for money in all of its procurement activity.

The approach will enable the Council to undertake procurement on a commercial basis, in order to maximise savings and cost reductions through embedded, continuously improving procurement processes.

In addition, the Council will develop wider collaboration with public sector partners, in order to deliver benefits from regional economies of scale.

Vision

To continue to secure full internal compliance with the Council's procurement rules and processes; to work together with public sector partners and the business community to develop innovative procurement solutions that deliver quality and value for money from supplies, services, and works and achieving broader social value.

Context

Halton has historically spent over £90 million per annum on third party contracts which deliver services to the residents of the Borough. The significant financial pressures resulting from reductions in Government

funding and rising demand make this strategy a key tool in reducing costs whilst maintaining service levels and quality wherever possible.

The reductions in the Council's funding come at a time when demand for Services has never been greater. With an ageing population and an increasing number of looked after children, social care spend is growing. With funding reductions of this magnitude, it is even more important to use the resources available to the best possible effect.

We will need to rethink the services we deliver; ensuring that they are both cost effective, maintain or improve quality and that they address the needs of the residents of Halton at a time when every pound spent must deliver real value. Effective procurement has therefore never been more important. We need to spend money only on things that deliver real value to the residents of Halton.

The Procurement Strategy will help to deliver the Council's strategic priorities:

- A Healthy Halton
- Employment, Learning and Skills in Halton
- A Safer Halton
- Halton's Children and Young People
- Environment and Regeneration in Halton
- Corporate Effectiveness and Business Efficiency

The overall aim in respect of Corporate Effectiveness and Business Efficiency is

to deliver continued and positive improvement to the quality of life for Halton's residents through efficient use of the Council's resources.

All procurement must comply with the principles of EU law. By demonstrating and maintaining transparency, fairness, and equality of opportunity we will directly support the development of our local economy through business engagement and the successful award of contracts.

This Strategy follows the vision set out in the Local Government Association National Procurement Strategy for Local Government in England 2014.

Key Objectives

The approach to procurement will support the delivery of the Council priorities by adopting the following key objectives:

- Cost reduction/savings;
- Achieve excellent value for money whilst maintaining quality;
- Supporting the local economy, business and voluntary community and social enterprise sector (VCSE) through transparency of opportunity, support and education;
- Driving social value through all procurement where appropriate;
- Collaborating with other public sector organisations to ensure maximum benefit for Halton and the wider region from collaborative procurement and;
- Developing trading opportunities to secure income and by sharing robust practices and delivering

services to other public sector organisations.

Continued Success

Since 2013 Halton has been nationally recognised by Department for Communities and Local Government (DCLG) with the Council being named as one of the 'Best Councils to do Business With'. Halton also received an award for Procurement Excellence from Society of Procurement Officers (SOPO). It was nominated for two further awards in 2016, being a finalist for Government Opportunities Procurement Excellence (Small Business/3rd Sector Engagement) and being shortlisted by the Cabinet Office for a Social Value Organisation award.

Achievements to Date

The Council has maintained;

- Commitment to publishing all procurement opportunities via The Chest (e-tendering portal) from £1,000 upwards;
- A risk-based sourcing approach embedded for all procurement which has significantly simplified the process leading to time and cost efficiencies throughout the whole organisation and for businesses;
- The delivery of a strong range of engagement activities with SMEs and Voluntary Community & Social Enterprises (VCSEs) to show we are 'Open for Business' in order to encourage and support businesses, particularly SME's, leading to successful contract awards.

- Social Value (SV) consideration now sits at the heart of all procurement. Halton has a SV Policy and SV Procurement Framework which commits us to applying social value throughout procurement where appropriate and in a proportionate manner.
- Strengthening regional relationships with other public sector bodies, is now leading to strategic planning of collaborative procurement opportunities across the Liverpool City Region (LCR).
- Support for other public sector partners by undertaking peer reviews; which has led to the creation of implementation plans where Halton procurement officers have delivered a direct support service to partners.

Cost Avoidance	Reductions in costs of around 10% are achieved from sourcing via The Chest
% of Businesses with a contract (SME's)	2012-13: 88% 2013-14: 89% 2014-15: 87% 2015-16: 87%
Social Value Selection & Award Criteria:	In 2015/16 17 procurements were undertaken: <ul style="list-style-type: none"> • Weighting Range applied: 2-20% • Average 6%

The Commercial Approach

Over the next three years we will continue with this commercial approach to our procurement underpinned by the LGA Strategy which commends four key outcomes:

1. Making Savings

Category Management in key areas of spend with the purpose to make savings through maximising the value of spend by:

- Using standard specifications
- Spend and supplier analysis

Partnering and Collaboration by:

- Aggregating spend through effective collaboration
- Influencing the market as 'a larger buyer' delivering economies of scale
- Sharing of procurement services
- Sharing and retaining procurement expertise
- Ensuring consideration of social value in all procurement activities

Achievements to Date at March 2016:

Chest Registration	279 local business registrations July 10 Currently 875 to date from local businesses
Savings/Income:	Annual targets achieved: 2012-13: £1m 2013-14: £1m 2014-15: £1m 2015-16: £1m
Business Engagement	Procurement Workshops delivered in 2013/14 for local businesses building on the work undertaken with them in 2011/12
Internal Workshops	Delivered in 2012/13 and also planned for 2016/17.

Contract Management will be able to:

- Demonstrate the effectiveness in gaining the most value from contracts
- Develop and maintain robust relationship management with the supplier

Performance and Transparency should be:

- Effective by sharing commercial and performance data
- Comply with the Transparency Code
- Open up markets for local, SME's and VCSE's to run services or manage public assets

Risk Management needs to be appropriate in order to:

- Identify and reduce fraudulent procurement practices (pre and post procurement and through the supply chain)

Demand Management is the process of finding alternative ways to meet our needs with the aim of:

reducing overall costs and over-supply, and aligning our needs

2. Supporting Local Economies

Economic, environmental and social value criteria in all contracts; these need to be:

- Embedded in all procurement evaluation matrices where appropriate and proportionate

Improving access for SME's and VCSE's through:

- Chest registration
- Transparency of opportunity
- Innovation
- Supply chains
- KPI monitoring via contract management

3. Leadership

Commitment from the Leadership to demonstrate that procurement has strategic importance.

- Business Efficiency Board
- Provide driver to implement policy

Commissioning cycles must see procurement as a key element by:

- Procurement and commissioners working together and adopting aligned practices

4. Modernising Procurement

Commercialisation and Income Generation will aid the Council's financial pressures and it is key that:

- Officers are even more commercially minded
- Realise benefits from all funding streams
- Income generation from contracts

Supplier Innovation to be developed by using:

- Outcome specifications
- Pre-procurement/market engagement

E-procurement adoption to increase efficiency and productivity:

- Procurement portal
- E-invoicing
- Improved cash flow for suppliers




New EU Directives (2015) to be applied in order to:

- Make processes quicker, simpler and less costly to run

Procurement Strategy 2016-2019



Targets and Measurements against – LGA National Procurement Strategy for Local Government in England 2014 (key areas):

Key Areas:		'RAG' March 2016:	LGA recommendation and/or HBC approach:	Measure as at March 2016	Planned Action and Measures:
Making Savings:	Category Management:	✓	<ul style="list-style-type: none"> Maximising the value of spend Using standard specifications Spend and supplier analysis Holistic approach across the organisation Regional approach across LCR 	<ul style="list-style-type: none"> Full category management approach deployed across the whole team. Maintain this approach by using standard specifications and continue to analyse spend and supplier data. 	<ul style="list-style-type: none"> Maintain
	Partnering and Collaboration:	?	<p>LCR Chief Execs have mandated a 'virtual hub' where partners will work together in a more structured and planned way to secure economies of scale through procuring together as contracts expire for one or more partner.</p> <p>This is a pilot project and will provide evidence of how the concept delivers in order to consider a shared service relationship in the future.</p> <p>The basis of commencement is to ensure:</p> <ul style="list-style-type: none"> Achievement of savings and benefits Deliver economies of scale Maximise opportunities Secure performance Provide functional resilience <p>Which include the consideration of:</p> <ul style="list-style-type: none"> Full category management An overarching strategy Clear defined targets Formal agreement between partners Commitment to 'one way' processes and practices <p>Wider consideration needs to include:</p>	N/A	<ul style="list-style-type: none"> Collaborative activities Savings Process Efficiencies SME, VCSE engagement Social Value gains KPIs/Targets to be set by the project board.

			<ul style="list-style-type: none"> • SME and VCSE engagement • Contract award to LCR • Social Value gains in LCR 		
	Contract Management:		<ul style="list-style-type: none"> • Define category management roles for Procurement and client departments/checklist • Demonstrate the effectiveness from contracts (T&Cs) • Develop supplier relationships to maximise outputs from contracts • Increase on-contract spend (reduce maverick spend) • Spend visibility • Contract register – contract visibility • Don't 'let and forget' • Commercial procurement approach • Apply Supplier Relationship Review (SRR) – Contract negotiation 	N/A	<ul style="list-style-type: none"> • Checklist established and deployed • Supplier Relationship Review (SRR) impact • KPIs delivery • Added value (rebates gained etc.)
	Performance monitoring and Transparency:		<ul style="list-style-type: none"> • Effective by sharing commercial and performance data • Compliance with the Transparency code • Built in risk and evaluation assessment • Open up markets for local, SMEs and VCSE's to run services or manage public assets 	<ul style="list-style-type: none"> • Compliant with Transparency Code • Commitment to all spend via Chest above £1K 	<ul style="list-style-type: none"> • Maintain compliance with the code • Maintain full transparency of opportunity via Chest
	Risk Management:		<ul style="list-style-type: none"> • Identify and reduce fraudulent procurement practices (pre and post procurement and through supply chain) • Pre procurement controls • Post procurement (contract management) • Supplier relationships • Supply chain 	<p>All procurement over £1K goes via the procurement team and Chest.</p> <ul style="list-style-type: none"> • 'Funnel' in place – captures POs without a contract to allow procurement intervention. • Segregation of role from commissioners/buyers • Proof of Purchase - PO number/audit on Agresso – to complete the procurement process. (Check spend is what we procured/challenge). • Contract register linked 	<ul style="list-style-type: none"> • Maintain this rigour • Identify any weakness and resolve/report.

				<p>to Agresso Y/N contract flag.</p> <ul style="list-style-type: none"> New supplier setup = managed by Procurement. Subjective codes lockdown to contracted supplier/budget code. 	
	Demand Management:	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> Reduce overall costs Reduce oversupply Supply and demand – relevant and proportionate 	<ul style="list-style-type: none"> All procurement via procurement team over £1K and Chest. Procurement part of the commissioning process. Category management in place which allows a direct resource per category to develop review and scrutiny of spend across the whole organisation 	<ul style="list-style-type: none"> Maintain visibility of spend Challenge at pre procurement stage Apply aggregation opportunity Maintain all procurement above £1k via Chest/team
Supporting Local Economies:	Economic, Environmental and social value criteria in all contracts:	<input type="checkbox"/>	<ul style="list-style-type: none"> Drive into all procurement where appropriate and proportionate. Ensure SV features as part of the selection and award criteria. Contract Management function to capture outcomes. 	<ul style="list-style-type: none"> <input type="text" value="17"/> activities undertaken <input type="text" value="6%"/> average weighting applied <input type="text" value="2-20%"/> Weighting range applied <p>Measures as at March 2016.</p>	<ul style="list-style-type: none"> Training for BEB 2016 Further training across the Council 2016 Apply SV to all procurement where appropriate and in a proportionate manner. Capture a sample of SV gains. Measures: <input type="text"/> No. activities undertaken <input type="text"/> Average weighting applied <input type="text"/> Weighting range applied Develop metrics to convert the SV gains/£ (report to BEB cash value)
	Improving access for SME's and VCSE's:	<input checked="" type="checkbox"/> <input type="checkbox"/>	<ul style="list-style-type: none"> Chest registration Transparency of opportunity Innovation 	<ul style="list-style-type: none"> Chest registration: Currently 875 local business registered (279 	<ul style="list-style-type: none"> Continue to support Chest registration for SMEs, VCSE's and Micros

			<ul style="list-style-type: none"> Supply chains KPI monitoring via contract management 	<p>in July 2011)</p> <ul style="list-style-type: none"> SME's with a contract 2014/15: 87% SMEs with a contract 2015/16: 87% 	<ul style="list-style-type: none"> Chest registration for local businesses Contract awards for SME's VCSE's and Micros Halton Local contract awards Local Supply Chain gains KPI monitoring through contract management - gains
Leadership:	Commitment from the top:	✓	Councillor Champion Driver to implement Policy	<ul style="list-style-type: none"> In place (Cllr Wharton – Resources Portfolio Holder) Reporting to BEB Bi-Annually. 	<ul style="list-style-type: none"> Maintain full commitment to procurement as a strategic driver. Bi-Annual report to BEB
	Commissioning:	✓	Procurement and Commissioners working adopting aligned practices	<ul style="list-style-type: none"> Procurement seen as part of the commissioning process 	<ul style="list-style-type: none"> Continue to maintain these relationships
Modernising Procurement:	Commercialisation and Income Generation:	<div style="border: 1px solid black; padding: 2px; display: inline-block;">✓</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">?</div>	<ul style="list-style-type: none"> Commercial training for officers Realise benefits from all funding streams Income generation from contracts 	<ul style="list-style-type: none"> Category management drives aggregation and allows us to maximise benefits from all funding streams – more regional collaborative procurement with partners will enable this on an LCR 'footprint' Contracts are continuing to be 'commercialised' and gains captured and monitored as part of the contract management function. E.g. rebates/shared gains with partners and or contractor. Work in progress. 	<ul style="list-style-type: none"> Training scope being developed (LGA/YPO) Example gains from contract management to be reported
	Supplier Innovation:	?	<ul style="list-style-type: none"> Use more outcome based specifications to allow innovation. Pre-procurement market engagement 	<ul style="list-style-type: none"> A relatively new concept and one which is being developed where appropriate. 	<ul style="list-style-type: none"> Deliver more market engagement at the pre procurement stage. Monitor the impact and gains from this in terms of VFM (price and quality) Report SV gains.

	e-Procurement:		<ul style="list-style-type: none"> • Chest use – open competition • E-invoicing – scan and data capture • Improving early payment options – accelerated payments • Information access – audit trail • Improving cash-flow for suppliers 	<ul style="list-style-type: none"> • We push all spend above £1K through the Chest. We actively encourage and support registration. • We offer e-invoicing through the contract. • Halton has an Early Payment Scheme in place which is delivering in excess of £65K since 2013 (p2p not procurement) 	<ul style="list-style-type: none"> • Maintain.
	New EU Directives (2015):		Ensure the application of PCRs2015 make processes quicker, simpler and less costly to run.	<p>Full compliance in place.</p> <ul style="list-style-type: none"> • Training across the Council planned May 2016. <p>Our processes in Halton BC were streamlined ahead of the PCR 2015. Two ways of working – above EU and below (Risk Based sourcing). Efficiencies have been significantly delivered to date and can be evidenced by the reduction in head-count in the procurement division.</p>	<ul style="list-style-type: none"> • Deliver training – across the Council (Planned June/July 2016)

Appendix 1:

GLOSSARY OF PROCUREMENT TERMS USE IN THIS STRATEGY

Aggregation

The total value p.a. multiplied by the proposed length of contract term including extensions. (You must include partner organisation values).

Agresso

This is Halton's current financial system.

Agreement

The legally binding terms and conditions between the parties, another word for a contract.

Benchmarking

Comparison of performance against other providers of similar services, particularly those recognised as adopting best practice.

Best and Final Offer (BAFO)

Where the Council seeks from participating suppliers a further BAFO on price only. This supersedes the original price submission.

Best Practice

The most effective and desirable method of carrying out a function or process derived from experience rather than theory

Best Value

Arrangements to secure continuous improvement in the exercise of an Authority's functions, having regard to a combination of economy, efficiency and effectiveness as required by the Local Government Act 1999; the relationship between worth and cost.

Contract

A binding agreement made between two or more parties, which is intended to be enforceable at law.

E-Procurement

The use of electronic methods in every stage of the purchasing process from identification of requirement through to payment, and to contract management.

EU Financial Thresholds

The Public Contract Regulations (PCR) 2015 stimulate financial thresholds for goods, works and services where there is a requirement to follow the principles of EU PCR 2015.

KPI

Key Performance Indicator. KPI's are tools that help us to measure the performance of suppliers against their contractual obligations

Pre-Qualification Questionnaire (PQQ)

A questionnaire completed by companies that wish to be considered for a procurement activity. The purpose is to assess the company's general suitability in terms of financial and economic standing,

technical capability and experience, quality assurance, health and safety procedures, environmental issues and equalities considerations.

Quality

The level of fitness for purpose which is specified for or achieved for any goods, works or services

Risk

The probability of an unwanted event occurring and its subsequent impact.

Risk Based Sourcing (RBS)

The process of establishing potential suppliers of specified goods, works or services below EU financial thresholds

SME

Small and Medium Size Enterprise. Used in context, this may indicate navigation away from larger global companies.

Social Value

Public Services (Social Value) Act 2012; requirement for public authorities to have regard to economic, social and environmental wellbeing in connection with public services contracts within the meaning of public contract Regulations 2015.

Soft Market Testing

The process of engaging the open supply market prior to procurement.

Sustainability

The social, economic and environmental issues that could or be considered in a procurement exercise

Whole Life Costs

The systematic consideration of all relevant costs and revenues associated with the acquisition and ownership.

Appendix 2

Procurement Opportunities containing Social Value

April 2016

	Contract	Above EU	Below EU	Annual Value £*	Term	Local Provider	SME	Live	Weighting	Score
1	Property Consultancy	✓		350,000	3+1		✓	✓	3.0%	2.7%
2	Security Services	✓		750,000	3+1	✓		✓	1.8%	1.62%
3	Specialist Youth Treatment Services	✓		195,000	2+3			✓	5.0%	4.0%
4	Floating Support Services	✓		400,000	5		✓	✓	4.0%	4.0%
5	Housing Support Service for Single Homeless People	✓		224,000	3+1+1			✓	4.0%	2.4%
6	Corporate Print and Design Services	✓		60,000	2+2			✓	5.0%	
7	Supported Accommodation for Vulnerable Adults <i>(Framework there will be several providers)</i>	✓		4,500,000	3+1				5.0%	
8	Youth Provision	✓		950,000	3+2			✓	5.0%	3.3%
9	Housing Related Support for Grangeway Court	✓		800,000	5		✓	✓	8.0%	6.4%
10	Housing Related Support for Halton Lodge YMCA	✓		1,400,000	2+1+1		✓	✓	8.0%	6.4%
11	School Nursing Service	✓		1,000,000	4			✓	4.0%	3.5%
12	Level 3 Healthy Weight Management Services	✓		200,000	3+2				5.0%	3.2%
13	Early Help, Employment, Debt and Benefits Advice Service		✓	66,000	3.5	✓	✓	✓	20.0%	20.0%
14	Specialist Substance Misuse Service for Adults	✓		1,500,000	4			✓	4.0%	3.75%
15	Domestic Abuse Service for Children and their Families	✓		160,000	1+1+1			✓	5.0%	4.0%
16	U8 Play Services for Disabled Children		✓	8,500	1	✓	✓	✓	10.0%	8.0%
17	Property Term Maintenance (3 Lots)	✓		1,630,000	3+1				2.0%	
	Average Weighting								6.0%	

*Indicative Values

Appendix 3

Achievements				
Selection of Key Indicators				
Indicators	Nov-15	Jan-16	Apr-16	Totals
Work Placements created including Social Work	6	14	5	25
Employment opportunities created and or secured	13	25	14	52
Work Placement days	232	65	54	351
Apprenticeship Opportunities		2	1	3
Sponsorships provided in the Borough		6	1	7
Individuals with disabilities securing employment	0	2	1	3
Welfare Rights surgeries provided	15	15	0	30
Young people receiving First Aid Training	37	22	61	120
Young people recruited into service providers	8	0	0	8
Local businesses providing either work experience, legal advice and or customer services training		8	12	20
Volunteers in recovery providing support to schools		15	18	33
Activity programmes including lifestyle, housekeeping and service user participation		41	54	95
Volunteer befrienders trained		4	5	9
Additional Income secured for Halton Floating Support Service Users	£73,583	£44,240	£30,848	£148,671
Money deployed for Halton service users from a providers Emergency Fund	£465	£336	£135	£936
Service users benefiting from a providers Emergency Fund	11	87	4	102
Investment Pledge for Halton Communities		£3,007.00	£3,508.89	£6,515.89
Winter Warmth Packs provided**		45		45
Christmas Packs provided**		37		37
Organised Community Events**		1		1
Local schools supported with careers advice and mock interviews	4	0	0	4
Senior staff management hours donated to support local community groups and partnerships		91	72	163
Volunteering opportunities created for parents with young children to increase employability		2	2	4
"Shopping on a Healthier Budget" sessions provided		4	3	7
Additional income secured for Halton families to help reduce child poverty		£78,006	£57,760	£135,766
** Seasonal only				

REPORT TO:	Business Efficiency Board
DATE:	8 th June 2016
REPORTING OFFICER:	Strategic Director, Community & Resources
PORTFOLIO:	Resources
SUBJECT:	Corporate Risk Register 2016/17
WARD(S)	Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 To report on the reviewed and updated Corporate Risk Register for 2016/17.

2.0 RECOMMENDATION: That:

(1) The robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements are reviewed; and

(2) If deemed necessary, recommendations are made to the Executive Board as is necessary and appropriate.

3.0 SUPPORTING INFORMATION

3.1 The Council recognises that it has a responsibility to manage both internal and external risks as a key component of good corporate governance.

3.2 Risk is defined as being the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk Management is defined as the process by which risks are identified, evaluated and controlled.

3.3 At Directorate level arrangements are in place for the high-risk mitigation measures on the Directorate Risk Registers to be reviewed and updated at mid-year in line with Directorate Business Plans. Progress on these are reported to Management Team and Policy and Performance Boards.

3.4 Directorate Risk Registers together with consultation with internal stakeholders are central to any reviews and updates of the Corporate Risk Register. This ensures that the council maximises its

opportunities whilst minimising and controlling the associated risks in delivering the council's vision and services for Halton.

3.5 The Risk Control Measures have been reviewed and updated in line with current changes within the Authority and as proposed by managers and internal stakeholders.

3.6 The risks have been grouped in order of priority and the scores relate to 'Unmitigated Risk Scores' and then to 'Mitigated Risk Scores'. The headings and scores in order of priority are:

- i. Budget Reductions (16:16);
- ii. Capacity and Resilience (16:16);
- iii. Safeguarding Children and Adults (16:12);
- iv. Changes to Governance Arrangements (16:8);
- v. Community Expectations (12:9);
- vi. Mersey Gateway (12:4);
- vii. Partnerships (12:4);
- viii. Fraud (9:6); and
- ix. Funding and Income Generation (9:4).

4.0 **POLICY IMPLICATIONS**

4.1 To provide a framework through which effectively manages the actual and potential opportunities and threats that may affect the achievement of the Council's strategic priorities and operational objectives.

5.0 **FINANCIAL IMPLICATIONS**

5.1 There are no financial implications.

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

6.1 **Corporate Effectiveness and Business Efficiency**

7.0 **RISK ANALYSIS**

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

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 Within the risk register there are a number of implications for Equality and Diversity issues, e.g. Budget Reductions and Capacity and Resilience.

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

There are no relevant background documents.

Corporate Risk Register

Lead Strategic Director: **Ian Leivesley**

Risk Management Coordinator: **Tony Dean**

Initial Register Completion Date: **November 2011**

Register Review Date: **March 2016**

Progress update:

Table of Contents

- 1. Risk - Budget Reductions 3
- 2. Risk – Capacity and Resilience 5
- 3. Risk – Safeguarding Children and Adults 6
- 4. Risk – Changes to Governance Arrangements 7
- 5. Risk – Community Expectations 8
- 6. Risk – Mersey Gateway 10
- 7. Risk - Partnerships 11
- 8. Risk – Fraud 12
- 9. Risk - Funding and Income Generation 14
- Version Control 15
- Appendix ‘A’ – Scoring Mechanism 16

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)		
<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 	4	4	16	6 monthly	Strategic Director Community & Resources (Ian Leivesley)

¹ For scoring mechanism see Appendix 'A'

<p>with relevant mitigating measures</p> <ul style="list-style-type: none"> • Exploring the potential for collaboration with neighbouring Local Authorities • Developing iterative processes to ensure that opportunities for partnership working are explored and, where appropriate, embraced 					
---	--	--	--	--	--

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"> • Maintaining a supportive working environment through shared service organisational ethos, pride and value across Members, staff, management, Unions and partners • Focusing 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 • Maintaining a workforce that are skilled, informed, flexible and competent in order to ensure that they deliver efficient and effective services • Keeping the ability and capability to respond to emergencies under review 	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 Improving 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 Director People & Economy (Gerald Meehan)

CHANGES TO GOVERNANCE ARRANGEMENTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
4	Changes to Government arrangements and other public sector organisations could potentially lead to a deterioration of local services	4	4	16	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"> Ensuring that the Council plays an active role in the Combined Authority for the Liverpool City Region The potential impact on resources of schools moving to Academy status is being monitored through early engagement to gain an understanding of the level of risk 	4	2	8	6 monthly	Chief Executive (David Parr)

COMMUNITY EXPECTATIONS

COMMUNITY EXPECTATIONS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
5	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 • Utilising 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; Local and social media; Target consultation exercises for specific projects; Engagement through the activities of the specialist Strategic Partnerships; Service user groups; Elected member surgeries; and Other meetings 	3	3	9	6 monthly	All Strategic Directors

<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 					
---	--	--	--	--	--

MERSEY GATEWAY

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
6	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. This provides continuity of knowledge from the inception of the project and also assists with the interface between the Council and Mersey Gateway Crossings Board Ltd 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 	4	1	4	6 monthly	Chief Executive (David Parr)

<ul style="list-style-type: none"> • Delivery within the Funding Framework agreed with Government that 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 • 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 					
--	--	--	--	--	--

PARTNERSHIPS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
7	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"> Having efficient and effective arrangements with external partners through a shared strategic vision and action plans enables and influences partners to deliver at local levels Maintaining financial probity with the 'pool' budgets, as appropriate, with partners through effective governance arrangements Engagement with communities and partners on service priorities in order to identify and design alternative forms of delivery, as appropriate 	2	2	4	6 monthly	Chief Executive (David Parr)

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"> • The Authority is an active participant in the National Fraud Initiative <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.; - 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 	3	2	6	6 monthly	Strategic Director Community & Resources (Ian Leivesley)

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"> • Continuing 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 identify and prioritise funding requirements biannually including ensuring that there are systems to capture and report when funding comes to an end • Corporate Funding Development team has meetings with all Departments to identify funding requirements and signpost to specific funding streams • 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
4.1		10.09.15	Progress Commentary	01.04.16
5.0		01.04.16	Reviewed and updated	01.09.16

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:	8 June 2016
REPORTING OFFICER:	Strategic Director – Community & Resources
SUBJECT:	Draft Annual Governance Statement 2015/16
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 2015/16.

2.0 RECOMMENDATIONS:

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

- (i) Confirm that it accurately reflects the Council's governance arrangements and governance challenges;**
- (ii) 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 is 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 provide a commitment to addressing the issues identified.
- 3.4 The AGS covers the governance framework in place for 2015/16 and up to the date the accounts are signed off by External Audit. The final version of the document will be presented at the September meeting of the Board.

Preparation of the 2015/16 Annual Governance Statement

- 3.5 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 - Community & Resources
- Operational Director - Finance
- Operational Director - Legal & Democratic Services
- Divisional Manager - Audit & Operational Finance

3.6 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.

3.7 The draft AGS for 2015/16 is attached to this report. The document identifies two significant governance challenges for the Council:

Funding pressures

There is a need to maintain capacity and robust governance arrangements in a period of continuing funding pressures.

Liverpool City Region Combined Authority

As the governance arrangements for the Combined Authority continue to be developed the Council needs to consider any potential impact on its own governance arrangements. The Council also needs to ensure that it co-ordinates its efforts and various strands of activity in regard to the developing City Region agenda in order to deliver positive outcomes for Halton.

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 provides a commitment to address the governance challenges faced by the Council.

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.

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 The AGS provides assurance that the Council has a sound system of risk management, control and governance. The document provides a public statement of how the Council directs and controls its functions and relates to its community.

6.2 There are no risks directly arising from this report. However, good governance helps ensure that risks are properly managed.

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		

2015/16

HALTON BOROUGH COUNCIL - ANNUAL GOVERNANCE STATEMENT



What is Governance?

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance leads to:

- effective leadership
- good management
- good performance
- good stewardship of public money
- good public engagement, and
- good outcomes for our citizens and service users.

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Halton Borough Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the [Council Constitution](#) and can be accessed on the Council's website. A summary of the principles upon which it is based can be found later in this document.

The Council's governance framework aims to ensure that in conducting its business it:

- Operates in a lawful, open, inclusive and honest manner;
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
- Has effective arrangements for the management of risk;
- Secures continuous improvements in the way that it operates.

What is the Annual Governance Statement?

The Council is required by the Accounts & Audit (England) Regulations 2015 to prepare and publish an annual governance statement. This is a public document that reports on the extent to which the Council complies with its own code of governance.

In this document the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance;
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement;
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them.

The annual governance statement reports on the governance framework that has been in place at Halton Borough Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

How has the Annual Governance Statement been prepared?

The initial review of the Council's governance framework was carried out by a group of Officers. This group comprised:

- **The Strategic Director – Community & Resources**

This post is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009.

This role involves promoting and supporting the Council's Overview and Scrutiny Committees.

- **The Operational Director – Legal and Democratic Services**

This post is designated as the Council's Monitoring Officer under section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000.

The Monitoring Officer is responsible for ensuring that that the Council acts and operates within the law.

- **The Operational Director – Finance**

This post is designated as the s151 Officer appointed under the 1972 Local Government Act.

The Operational Director – Finance is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council.

- **The Divisional Manager – Audit & Operational Finance**

This post is responsible for the Council's internal audit arrangements, including the development of the internal audit strategy and annual plan and providing an annual audit opinion on the Council's governance, risk management and control processes.

In preparing the annual governance statement the Council has:

- Reviewed the Council's existing governance arrangements against the Local Code of Corporate Governance.
- Updated the Local Code of Corporate Governance where necessary, to reflect changes in the Council's governance arrangements.
- Assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period.

Management Team, which is chaired by the Chief Executive, has also reviewed the annual governance statement and considered the significant governance issues facing the Council.

The Business Efficiency Board, which is designated as the Council's Audit Committee, provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Board reviews and approves the annual governance statement.

What are the key elements of the Council's Governance Framework?

The Council aims to achieve good standards of governance by adhering to six key principles, which form the basis of the Local Code of Corporate Governance:

- 1) Focusing on the Council's purpose and outcomes for the community
- 2) Members and Officers working together to achieve a common purpose with clearly defined functions and roles
- 3) Promoting the Council's values and demonstrating the values of good governance through behaviour
- 4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- 5) Developing the capacity and capability of Members and Officers to be effective
- 6) Engaging with local people and other stakeholders to ensure robust accountability

The following pages provide a summary of key elements of the Council's governance framework and how they relate to the six principles.

Principle 1

Focusing on the Council's purpose and outcomes for the community

Supporting Principles:

Being clear about the Council's purpose and its intended outcomes for citizens and service users

Making sure that service users receive a high quality service

Making sure that taxpayers and service users receive value for money

How we do this:

- The long-term vision for Halton is set out in the Sustainable Community Strategy and the Council's Corporate Plan.
- The Council's Corporate Planning Framework provides a means by which the Council's activities are developed and monitored.
- 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.

- The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under Best Value terms.
- Management arrangements and contract monitoring procedures aim to ensure that services provided are delivered to a high standard.
- The Council has developed business continuity plans to ensure that critical service delivery can be maintained or recovered during an emergency.

- A medium term financial strategy, capital programme and annual budget process ensure that financial resources are directed to the Council's priorities.
- The Council has a co-ordinated and structured approach to procurement.
- An Efficiency Programme identifies and implements efficiency savings across the organisation in a systematic and considered manner
- The Council works with partner organisations where there are shared objectives and clear economic benefits from joint working.

Principle 2

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

Supporting Principles:

Being clear about the Council's executive and non-executive functions and the roles and responsibilities of the scrutiny function

Ensuring that the responsibilities of Members and Officers are carried out to a high standard

Being clear about relationships between the Council, its partners and the public

How we do this:

- Roles and responsibilities relating to the Council's executive and non-executive functions are defined in the Council's Constitution. This ensures that accountability for decisions made and actions taken is clear.
- 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.

- The Council has a Member/Officer protocol which describes and regulates the way in which members and officers should interact to work effectively together.
- The Council Constitution sets out which Officer posts shall undertake the specific responsibilities and functions attached to roles that are required by statute.
- All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.

- The Council ensures that appropriate governance arrangements are in place for all significant partnerships.
- The Council has developed its vision, strategic plans, priorities and targets through robust mechanisms, and in consultation with the local community and other key stakeholders.
- The Council seeks the view of service users on the quality of services provided through residents' surveys, focus groups, stakeholder consultation and use of citizens' panels.

Principle 3

Promoting the Council's values and demonstrating the values of good governance through behaviour

Supporting Principles:

Ensuring that Members and Officers behave in ways that exemplify high standards of conduct and effective governance

Ensuring that organisational values are put into practice

How we do this:

- The Council has a Standards Committee to promote high standards of member conduct. Elected members must follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Monitoring Officer trains and advises members on the Code of Conduct.
- 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.
- 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)

- The Business Efficiency Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and corruption policies and arrangements.
- A corporate complaints procedure exists to receive and respond to any complaints received.
- Arrangements exist to ensure that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
 - Registers of disclosable pecuniary interests
 - Declarations of disclosable pecuniary interests and disclosable other interests at the start of meetings
 - Registers of gifts and hospitality
 - Corporate Equality Scheme

Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principles:

Being rigorous and transparent about how decisions are taken

Having and using good quality information, advice and support

Ensuring that an effective risk management system is in place

Using legal powers to the full benefit of citizens and communities

How we do this:

- 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.

- The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the policy, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.

- The Council has a Risk Management Policy and Toolkit. 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. The risk registers form the basis of the internal audit planning process.
- The Business Efficiency Board reviews the risk management process and corporate risk register

- The Council actively recognises the limits of lawful activity placed on it and strives to utilise its legal powers for the full benefit of the community.
- One of the functions of the Monitoring Officer is to ensure the lawfulness and fairness of decision-making.
- The executive report template makes provision for the legal implications of any decisions to be considered.

Principle 5

Developing the capacity and capability of Members and Officers to be effective

Supporting Principles:

Making sure that Members and Officers have the skills, knowledge, experience and resources they need to perform well

Developing the capability of people with governance responsibilities and evaluating their performance

Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources

How we do this:

- The Council has developed an Organisational Development Strategy (2016 – 2020), which includes an Organisational Development Charter. The Strategy confirms the Council's commitment to the ethos that, by underpinning everything the Council does, its workforce will be part of the solution to providing excellent services.
- Processes exist 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.

- The Council holds the NW Charter for Elected Member Development Exemplar Level status.
- The Council develops skills to improve performance, including the ability to scrutinise and challenge, and to recognise when outside advice is needed.
- Members of the Business Efficiency Board have received regular training to assist them in their role as the Council's Audit Committee.

- The Council has signed a Declaration of Commitment to the North West Charter for Elected Member Development.
- Newly elected members attend a two-day induction programme with follow-up mentoring.
- Elected members have the opportunity for an annual review to identify their development requirements, which are set out in a Member Action Plan.
- A comprehensive elected member development programme provides a wide range of learning and development opportunities.

Principle 6

Engaging with local people and other stakeholders to ensure robust accountability

Supporting Principles:

Exercising leadership through a robust scrutiny function which effectively engages local people and all other local stakeholders

Taking an active and planned approach to dialogue with, and accountability to, the public

Taking an active and planned approach to dialogue with, and accountability to, the staff

How we do this:

- Elected members are democratically accountable to their local area and this provides a clear leadership role in building sustainable communities.
- Key partners, including the community and voluntary sector, are represented on the Halton Strategic Partnership Board and on all its Specialist Strategic Partnerships (SSPs).
- Elected members have the opportunity to scrutinise decisions that have been taken by the Executive Board through the 'call-in' mechanism. This allows an opportunity for further consideration of the issue before it is implemented.

- The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- Formal public consultation arrangements include the Youth Cabinet. Informal arrangements include contact via the Council's website, Halton Direct Link and magazine-based customer surveys.
- Information on performance, finances and the democratic running of the Council is routinely published on the Council's website.

- The Council has developed and maintained a clear policy on how employees and their representatives are consulted and involved in decision-making. These arrangements include:
 - Trade Unions consultation
 - Staff surveys
 - Chat with the Chief Executive meetings
 - Staff suggestion scheme
 - Online staff forum
 - Digital employee magazine
 - Fortnightly member and employee newsletter

What are the roles of those responsible for developing and maintaining the Governance Framework?

<p>Council</p>	<ul style="list-style-type: none"> - Approves the Corporate Plan - Approves the Constitution - Approves the policy and budgetary framework
<p>Executive Board</p>	<ul style="list-style-type: none"> - The main decision-making body of the Council - Comprises ten members who have responsibility for particular portfolios
<p>Business Efficiency Board</p>	<ul style="list-style-type: none"> - Designated as the Council's Audit Committee - Provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment.
<p>Standards Committee</p>	<ul style="list-style-type: none"> - Promotes high standards of member conduct - Assists members and co-opted members to observe the Council's Member Code of Conduct
<p>Policy & Performance Boards</p>	<ul style="list-style-type: none"> - There are six Policy & Performance Boards 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
<p>Management Team</p>	<ul style="list-style-type: none"> - Implements the policy and budgetary framework set by the Council and provides advice to the Executive Board and the Council on the development of future policy and budgetary issues
<p>Internal Audit</p>	<ul style="list-style-type: none"> - Provides assurance over the Council's governance, risk management and control framework - Delivers an annual programme of audits - Makes recommendations for improvements in the management of risk and value for money
<p>Managers</p>	<ul style="list-style-type: none"> - Responsible for maintaining and developing the Council's governance and control framework - Contribute to the effective corporate management and governance of the Council

How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The key sources of assurance that inform this review are outlined below:



How has the Council addressed the governance issues from 2014/15?

The 2014/15 annual governance statement contained one key improvement area. Details of the issue and how it was addressed are provided below:

What the issue was:

The Council acknowledged that Government grant settlements for local government looked likely to remain very challenging for the coming years, particularly given the backdrop of increasing demand for Council services.

The Council recognised that appropriate action needed to 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.

What we did:

In 2015/16 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 their budget proposals. The scale of the 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 effective procurement practice have continued to be key tools in helping to identify potential budget savings.

From September 2015 the Council's organisational structure was rationalised from three to two Strategic Directors with the creation of the Community & Resources and People & Economy Directorates.

Further collaboration and sharing of services has been undertaken with neighbouring councils in order to generate efficiency savings and income. The Council now provides the Agresso financial system for Sefton Council and is working to develop shared procurement arrangements for the Liverpool City Region. Income generation opportunities were explored during the year by the Fees and Charges Topic Group.

A balanced budget was set for 2015/16 and spending during the year was contained within the overall budget, despite significant overspending on children in care costs due to increasing numbers of children and associated costs. This has been achieved by having sound governance arrangements in place and a robust control environment.

What are the significant governance issues from 2015/16?

The review of the effectiveness of the Council’s governance framework has identified the following significant issues that will need to be addressed during 2016/17.

Issue	Lead Officer	To be delivered by
<p><u>Funding</u></p> <p>The Council continues to face significant funding reductions whilst demand for Council services is increasing. It is forecast that the Council will need to identify £17.5m in savings to be able to set a balanced budget for 2017/18.</p> <p>In light of these financial pressures, a key challenge for the Council is to maintain capacity and robust governance arrangements so that it can continue to deliver its corporate objectives and strategic priorities in 2017/18 and beyond.</p>	<p>Strategic Director – Community & Resources</p>	<p>February 2017</p>
<p><u>Liverpool City Region Combined Authority</u></p> <p>In November 2015 the Council approved the Liverpool City Region Devolution Agreement and agreed to the adoption of a Directly Elected Mayor for the City Region with effect from May 2017. The governance arrangements for the Combined Authority are continuing to be developed and the Council will need to consider any impact on its own governance arrangements.</p> <p>There is also a challenge and opportunity for the Council to ensure positive outcomes for Halton by co-ordinating its efforts and various strands of activity in regard to the developing City Region agenda.</p>	<p>Strategic Director – Community & Resources</p>	<p>Ongoing</p>

Certification

We have been advised on the implications of the review of the effectiveness of the governance framework by the Business Efficiency Board. The review provides good overall assurance that the Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Specific opportunities to maintain or develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Halton Borough Council:

David Parr - Chief Executive

Rob Polhill - Leader of the Council

REPORT TO:	Business Efficiency Board
DATE:	8 June 2016
REPORTING OFFICER:	Operational Director – Finance
PORTFOLIO:	Resources
SUBJECT:	Internal Audit Annual Report – 2015/16
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.
- 1.2 This report summarises the work of internal audit during 2015/16 and presents the Head of Internal Audit's opinion on the effectiveness of the Council's overall risk management, control and governance processes.

2.0 RECOMMENDATION: That the Board notes and approves the Internal Audit Annual report.

3.0 SUPPORTING INFORMATION

- 3.1 This report is presented to the Business Efficiency Board for information and it is one of the sources of assurance that underpins the Council's Annual Governance Statement.
- 3.2 The Annual Internal Audit Report (attached) provides an overall opinion on the Council's risk management, control and governance processes. The report also includes details of the evidence base supporting the overall opinion.
- 3.3 Summary details of the audit assignments and the 'follow-up' audit assignments completed in the year are also provided.
- 3.4 Based upon the work completed in the year, internal audit has been able to conclude that the Council continues to maintain adequate and effective risk management, control and governance processes.

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 There are no direct policy implications arising from this report. However, the Head of Internal Audit's opinion on the Council's risk management, control and governance processes 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 Children and Young People in Halton

Internal audit provides assurance over the Council's risk management, control and governance processes, which help to support the achievement of the aims and objectives set out in the Sustainable Community Strategy and the Corporate Plan.

5.2 Employment, Learning and Skills in Halton

See 5.1

5.3 A Healthy Halton

See 5.1

5.4 A Safer Halton

See 5.1

5.5 Halton's Urban Renewal

See 5.1

6.0 RISK ANALYSIS

The work of internal audit in 2015/16 provides assurance that the Council continues to maintain adequate and effective risk management, control and governance processes. There are therefore no direct risk implications arising from this report.

In the course of its work, internal audit raises issues which have risk implications for the Council. The regular internal audit progress reports to the Business Efficiency Board summarise these issues and provides details of the actions agreed with management to mitigate any risks identified.

7.0 EQUALITY AND DIVERSITY ISSUES

None

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 2015/16	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	

HALTON BOROUGH COUNCIL

Internal Audit Annual Report

Presented to the Business Efficiency Board on 8 June 2016



2015/2016

Section One

Executive summary

1.1 Introduction

In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. This is achieved through delivering a risk-based plan of work (the Internal Audit Plan), which has been agreed with management and approved by the Business Efficiency Board.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. However, it does form one of the sources of assurance that underpins the Council's annual governance statement.

1.2 Overall assurance

In providing an 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 during the year.

In assessing the level of assurance to be given, account is taken of:

- The audits completed during the year;
- Any follow-up action taken in respect of previous audits;
- Any significant recommendations not accepted by management and the resulting risks;
- The extent to which resource constraints prevent Internal Audit from providing assurance over all key risks faced by the Council;
- The outcomes of the Internal Audit Quality Assurance and Improvement Programme.

1.3 Opinion

In the opinion of the Head of Internal Audit, the Council continues to maintain adequate and effective risk management, control and governance processes. There are no outstanding issues from the internal audit work completed during the year that need be disclosed in the 2015/16 Annual Governance Statement.

Section Two

Basis of the opinion

2.1 Planned coverage and output

The Business Efficiency Board approved an Audit Plan comprising 1,231 days for 2015/16. Internal audit delivered 1,197 days of audit work during the year. 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.

As reported to the Board in February 2016, the volume of unplanned work undertaken during the year necessitated some planned reviews from 2015/16 being deferred and included in the 2016/17 Internal Audit Plan.

2.2 Summary of audit assignments completed

A summary of the audit assignments finalised during the year is provided in Section 3. 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.

65 audit reports were finalised and reported to the Board:

- 41 areas received substantial assurance opinions;
- 19 areas received adequate assurance opinions;
- Five audits received limited assurance opinions.

2.3 Summary of follow-up audit assignments completed

14 'follow-up' audit assignments were completed and are listed in Section 4. These audits are graded in terms of the progress made by management in addressing the risks raised in the original audit report:

- 12 areas received substantial assurance opinions;
- Two areas received adequate assurance opinions.

2.4 Conformance with the Public Sector Internal Audit Standards

The methodology employed by internal audit is designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. The Business Efficiency Board has previously given its approval for this assessment to be undertaken through a peer review process facilitated through the North West Chief Audit Executives' Group (NWCAEG).

Basis of the opinion (cont.)

NWCAEG is currently in the process of drawing up a timetable for the review of each participating authority. All the external assessments must be completed by 31 March 2018.

2.5 Quality Assurance and Improvement Programme

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.

The key issues to note from the QAIP in 2015/16 are summarised below:

- The internal monitoring and quality assurance processes outlined in the QAIP have been in operation throughout the year.
- Further work has been undertaken on the self-assessment against the PSIAS and the accompanying Local Government Application Note in preparation for the external assessment of the internal audit service.
- All the internal auditors have signed declarations confirming their compliance with the Code of Ethics.
- 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 2015/16 again demonstrated a high level of client satisfaction with the audit service provided.

Section 3

Summary of internal audits completed

A summary of the audit assignments completed in the year is set out below. Details are provided of the assurance ratings and the number and priority of recommendations from each assignment. The audits are grouped according to the Business Efficiency Board meeting at which they were presented:

23 September 2015

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
1.	Sci-Tech Daresbury Enterprise Zone – Capital Grant Fund	Substantial	0	0	0
2.	Our Lady Mother Of The Saviour RC Primary School	Substantial	0	0	5
3.	Spinney Avenue Primary School	Adequate	1	4	3
4.	Children’s Centres	Substantial	0	3	2
5.	DWP Work Programme - Information Security	Substantial	0	0	0
6.	Liverpool City Region Growth Fund	Substantial	0	0	0
7.	Disabled Facilities Capital Grant	Substantial	0	0	0
8.	Tree Inspection & Management	Limited	1	2	0
9.	Area Forums	Adequate	1	3	2
10.	Records Management Unit	Adequate	0	3	1
11.	Social Media	Substantial	0	2	1
12.	Housing Benefit	Substantial	0	2	1
13.	Council Tax	Substantial	0	1	1
14.	NNDR	Substantial	0	0	1
15.	Accounts Payable (Creditors)	Substantial	0	0	0
16.	Accounts Receivable (Sundry Debtors)	Adequate	0	6	1
17.	Payroll	Substantial	0	1	0

Summary of internal audits completed (cont.)

18 November 2015

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
18.	St John Fisher Catholic Primary School	Substantial	0	2	2
19.	The Bridge School – Agency Workers	Limited	2	1	0
20.	Ashley School	Adequate	0	2	6
21.	Pewithall Primary School	Substantial	0	1	4
22.	Widnes Recreation Site	Substantial	0	0	0
23.	Children with Disabilities – Short Breaks	Adequate	1	4	1
24.	Gypsy & Traveller Sites	Limited	8	2	0
25.	Backup Data Centre	Adequate	1	3	3
26.	Local Code of Corporate Governance	Substantial	0	2	3
27.	Matrix Agency Contract	Limited	4	3	0
28.	Managing the Risk of Fraud and Corruption	Substantial	0	2	0

Summary of internal audits completed (cont.)

24 February 2016

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
29.	Out of Borough and Independent Residential Placements	Adequate	1	6	0
30.	School Admissions	Substantial	0	1	4
31.	Free Early Years Education	Adequate	1	4	0
32.	All Saints Upton Primary School	Limited	3	6	2
33.	Castle View Primary School	Adequate	0	2	4
34.	Moorfield Primary School	Substantial	0	2	4
35.	Gorsewood Primary School	Substantial	0	2	2
36.	Westfield Primary School	Adequate	0	2	6
37.	Halebank CE Primary School	Adequate	0	3	7
38.	Land & Property – Acquisitions & Disposals	Substantial	0	1	1
39.	Local Growth Fund STEP Grant Claim - Quarter 1	Substantial	0	0	0
40.	Local Growth Fund STEP Grant Claim - Quarter 2	Substantial	0	0	0
41.	Local Transport Capital Grants	Substantial	0	0	0
42.	Accounting Journals	Substantial	0	0	1
43.	Housing Benefit	Substantial	0	0	0

Summary of internal audits completed (cont.)

8 June 2016

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
44.	Foster Care and Special Guardianship Orders	Adequate	0	4	1
45.	School Meals Service	Adequate	0	3	4
46.	Troubled Families Programme	Substantial	0	0	0
47.	St Berteline's CE Primary School	Substantial	0	2	3
48.	St Clement's Catholic Primary School	Adequate	0	5	4
49.	Beechwood Primary School	Substantial	0	1	2
50.	Woodside Primary School	Adequate	0	5	5
51.	Local Growth Fund STEP Grant Claim - Quarter 3	Substantial	0	0	0
52.	Local Growth Fund STEP Grant Claim - Quarter 4	Substantial	0	0	0
53.	Performance Reporting	Adequate	0	0	6
54.	Public Health	Adequate	2	4	0
55.	Council Tax	Substantial	0	0	2
56.	Loans & Investment	Substantial	0	0	0
57.	Revenues and Benefits and Customer Services - Systems Team	Substantial	0	0	0
58.	Sundry Debtors	Substantial	0	0	0
59.	NNDR (Business Rates)	Substantial	0	0	0
60.	Non-current Assets	Substantial	0	1	0
61.	Managing the risk of Bribery	Substantial	0	3	0
62.	Agresso	Substantial	0	4	0
63.	Health Improvement Team	Adequate	1	5	1
64.	Debit & Credit Card Refunds	Substantial	0	0	0
65.	Section 106 Agreements	Substantial	0	2	1

Section 4

Summary of ‘follow-up’ audits completed

The Public Sector Internal Audit Standards require the ‘chief audit executive’ to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. This process involves internal audit carrying out work to determine the progress that management has made in implementing recommendations previously agreed. A follow-up audit report is then issued summarising the results of this work.

Each follow-up audit provides an overall assurance opinion, which is based on the extent to which the risks identified in the original audit have been addressed. The following table summarises the results of the follow-up assignments completed during the year:

	Assignment	Assurance Rating	Status of agreed actions				Reported to BEB
			Implemented	Ongoing	Outstanding	No longer relevant	
1.	Oakfield Primary	Substantial	8	0	0	0	23 September 2015
2.	St Gerard’s RC Primary	Substantial	11	0	0	0	23 September 2015
3.	St Martin’s Catholic Primary	Substantial	8	0	0	0	18 November 2015
4.	The Holy Spirit Catholic Primary	Substantial	4	1	0	0	18 November 2015
5.	Runcorn All Saints CE Primary	Substantial	5	1	0	0	18 November 2015
6.	Halton Lodge Primary	Substantial	3	1	0	0	18 November 2015
7.	Weston Primary	Substantial	8	3	0	0	18 November 2015
8.	Lunts Heath Primary	Substantial	6	1	0	0	18 November 2015
9.	Imprest Accounts	Substantial	4	1	0	0	24 February 2016
10.	St. Edward’s Catholic Primary	Substantial	4	1	0	0	24 February 2016
11.	Windmill Hill Primary	Substantial	5	1	0	1	24 February 2016
12.	Victoria Road Primary	Adequate	0	2	4	0	24 February 2016
13.	Appointeeships & Deputyships	Substantial	3	1	0	0	24 February 2016
14.	Sickness Management	Adequate	1	6	0	0	24 February 2016

REPORT TO: Business Efficiency Board

DATE: 8 June 2016

REPORTING OFFICER: Operational Director – Finance

PORTFOLIO: Resources

SUBJECT: Fraud & Corruption Update Report

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The Business Efficiency Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and anti-corruption arrangements. The purpose of this report is to update the Board with details of developments in regard to those arrangements.

2.0 RECOMMENDATION: That;

- (i) The fraud and corruption update be received;**
- (ii) The actions being taken to counter fraud and corruption be endorsed.**

3.0 SUPPORTING INFORMATION

3.1 This report is presented to the Business Efficiency Board for information purposes. It provides an overview of developments in regard to the Council's arrangements to counter fraud and corruption. As such it forms one of the sources of assurance that support the Council's Annual Governance Statement.

3.2 The attached report provides details of:

- Reported fraud and corruption from 2015/16;
- A summary of the results from the 2014/15 National Fraud Initiative;
- Developments in the Council's counter fraud and corruption arrangements.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 The responsibilities of public sector entities in relation to the prevention and detection of fraud and error are set out in statute, standards and other guidance. Local authorities also have a statutory duty to make arrangements for the proper administration of their financial affairs.

4.2 The report provides details of proposals to update the Anti-fraud and Anti-corruption Strategy.

- 4.2 There are no direct financial implications arising from this report. However, the report provides details of the value of fraud identified by the Council in 2015/16.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

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

5.2 Employment, Learning and Skills in Halton

See 5.1

5.3 A Healthy Halton

See 5.1

5.4 A Safer Halton

See 5.1

5.5 Halton's Urban Renewal

See 5.1

6.0 RISK ANALYSIS

This report highlights specific actions that the Council has already taken, and continues to take, to minimise the risk of fraud. Failure to maintain effective counter fraud measures would result in the Council being susceptible to an increased risk of financial loss.

7.0 EQUALITY AND DIVERSITY ISSUES

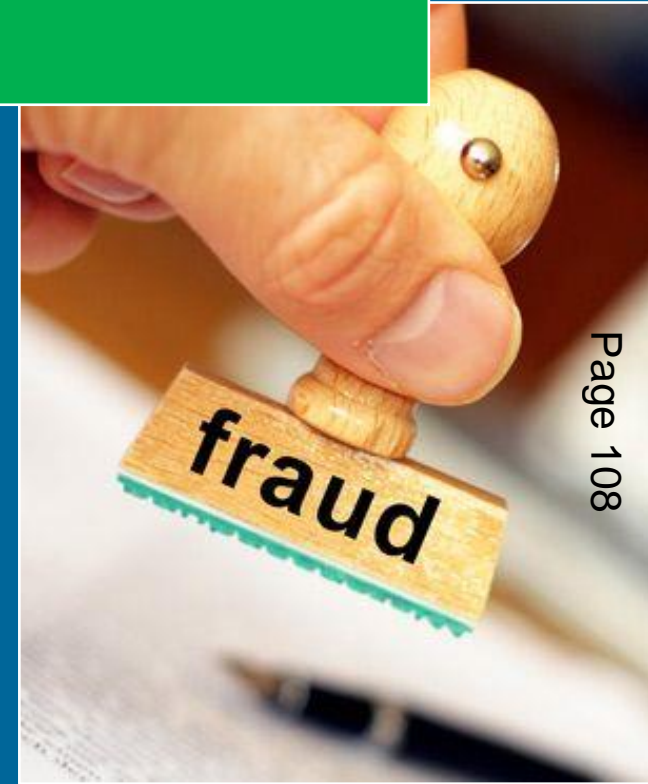
None

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

None

2015/2016

Fraud & Corruption Update Report



Section One

Background

1.1 Responsibilities of the Business Efficiency Board

The Business Efficiency Board has responsibility for overseeing the Council's arrangements to counter the threat of fraud and corruption. As such, it is important that the Board is kept up to date with the latest developments in this area.

This report provides the Board with an update on:

- Reported fraud and corruption from 2015/16;
- A summary of the results from the National Fraud Initiative;
- Developments in the Council's counter fraud and corruption arrangements.

1.2 The risk of fraud

Identified levels of fraud within Halton have traditionally been very low in comparison to other similar sized authorities. However, fraud remains an increasingly significant issue for the United Kingdom. The latest official estimates put the total annual cost of fraud in the UK at £193bn. Public sector fraud is estimated at £37.5bn. Of this figure, it is estimated that the annual cost of local government fraud is £7.3bn.

1.3 The counter fraud and corruption framework

Fraud is highlighted in the Corporate Risk Register as one of the key risks faced by the Council. To mitigate this risk the Council has developed a comprehensive suite of linked policies:

- An Anti-fraud and Anti-corruption Strategy
- Fraud Response Plan
- Whistleblowing Policy

Additionally, the Council has established other wide-ranging measures to counter the risk of fraud and corruption. These include:

- Formal acknowledgement of responsibility for countering fraud and corruption by designating the Business Efficiency Board as the member body responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and anti-corruption policies and arrangements;

- Identification of the risk of corruption and the importance of behaving with integrity in the governance framework. This is evidenced by a suite of related policies and procedures, which include the codes of conduct for employees and members, registers of interests and registers of gifts and hospitality;
- Maintenance of a staffing resource that is dedicated to the investigation of fraud;
- Agreement of protocols to facilitate joint working and data and intelligence sharing to support counter-fraud activity;
- Effective participation in national or sectorial initiatives to detect fraud or prevent fraud, such as the National Fraud Initiative;
- Provision of fraud awareness training to employees and elected members;
- Maintenance of a continuous internal audit service that provides assurance over the Council's risk management, governance and control processes. Internal audit staff are granted unhindered access to the Council's employees, information and other resources as required for investigation purposes;
- Procurement of fidelity guarantee insurance, which will provide financial cover in the event of significant loss sustained as a direct result of acts of fraud, theft or dishonesty by an employee in the course of their employment.

Section Two

Reported fraud and corruption

2.1 Identified fraud & corruption - 2015/16

Each year the Council submits a return to CIPFA providing details of fraud and corruption identified against the authority. A summary of the 2015/16 return is provided below:

Fraud Type	No. of cases	Total Value	Outcome
<u>Procurement</u>			
Invoice	3	£506,460	Attempted fraud prevented
Cheque	2	£47,000	Attempted fraud prevented
<u>Benefits related</u>			
Housing Benefit	63	£235,000	5 successful prosecutions 8 Sanctions (Benefit stopped or reduced)
Council Tax - Single Person Discount	419	£47,000	Single Person Discount removed
<u>Social care</u>			
Direct Payments	1	£5,000	Direct Payment suspended; DWP / Police investigation ongoing
<u>Payroll and employee related</u>			
Falsification of timesheets	2	N/A	1 x resignation; 1 x case ongoing
Working elsewhere when absent sick	1	N/A	Employee dismissed
Unauthorised absence from work	3	N/A	2 x written warning; 1 x resignation

2.2 Whistleblowing

Three whistleblowing complaints were received during the year. All three cases were investigated. Two of the complaints led to the resignation of employees. The investigation into the third case remains ongoing.

Section Three

National Fraud Initiative

3.1 Background

The National Fraud Initiative (NFI) is a sophisticated data matching exercise which matches electronic data within and between participating bodies to prevent and detect fraud. NFI started in 1996 and was conducted under statutory powers by the Audit Commission until it was disbanded in March 2015.

The 2014/15 exercise was completed by the Cabinet Office following the closure of the Audit Commission. The exercise is now undertaken under statutory data matching powers set out in Part 6 of the Local Audit and Accountability Act (LAAA) 2014.

The following datasets were submitted by the Council as part of the 2014/15 exercise:

- Payroll
- Housing Benefit
- Insurance
- Blue Badges
- Concessionary Travel
- Market Traders
- Alcohol Licences
- Taxi Licences
- Private Supported Care Home Patients
- Personal Budgets (Direct Payments)
- Creditors
- Electoral Roll
- Council Tax

3.2 Results from NFI 2014/15

Details of the results from NFI 2014/15 are summarised below:

Matches received and investigated

A total of 4,465 matches were received, of which 3,330 were processed / investigated.

Frauds identified

Two frauds were identified:

- A payroll to payroll fraud (valued at £122)
- A Housing Benefit to Taxi driver records fraud (valued at £1,834)

Errors identified

499 errors were identified. This has led to recoveries being sought totalling £3,377.

Council Tax - Single Person Discount

Checks between the Electoral Register and Council Tax records identified 223 cases where Single Person Discount had been awarded incorrectly. This amounted to a total value of £44,380.

Blue badges

Checks between Blue Badge records and DWP deceased persons records identified 30 deceased persons who were still recorded as being alive on the Blue Badge database

Concessionary travel passes

Checks between Concessionary Travel records and DWP deceased persons records identified 464 persons who were still recorded as being alive on the concessionary travel database

3.3 NFI 2016/17

It is proposed that two additional datasets will become mandatory requirements for the 2016/17 exercise:

- Social Housing Waiting List data;
- Council Tax Reduction Scheme (CTRS) data.

The draft timetable indicates that data matches from the 2016/17 exercise will be made available to the Council from 29 January 2017. The matches will then be investigated over the following 12 months. Summary results from the exercise will then be reported to the Business Efficiency Board.

Section Four

Developments in the counter fraud and corruption framework

4.1 Fraud investigation resource

The Government created the Single Fraud Investigation Service (SFIS) as a body to cover the totality of welfare benefit fraud. The introduction of SFIS consequently transferred responsibility for Housing Benefit fraud investigation work from local authorities to the DWP. As such, on 1 September 2015 the Council transferred 4.0 FTE benefit fraud investigator posts to SFIS. Since that date the Council has directed all benefit related fraud referrals to SFIS.

In order to ensure that the Council maintained capacity to investigate fraud, two new Investigation Officer posts have been created. The posts are based in the Revenues & Benefits & Customer Services Division. The focus of their work primarily relates to Single Person Discounts and Council Tax Reduction Scheme.

4.2 Cheshire authorities – Fraud Analyst

As a result of a successful funding bid to the DCLG, a Fraud Analyst was appointed on a temporary 18 month contract to work across the four Cheshire local authorities.

The Fraud Analyst has completed a review of the risk of fraud within the procurement and insurance functions across all four councils. The outcome of this work provides assurance that Halton Borough Council has effective controls in place, which help to design out fraud risks within these areas. Some of the practices employed by Halton have been put forward as best practice to be adopted by the other Cheshire authorities.

A further project is underway to identify potentially incorrect supplier VAT registration numbers held in the Council's creditor payments system. Each VAT number is checked using an algorithm to confirm its accuracy. 4,000 supplier records have been checked and the preliminary results have identified that 35 VAT numbers were not the correct length. An additional 363 VAT numbers require further checks against an EU database to confirm their accuracy.

An information-sharing agreement between the four Cheshire local authorities is being developed. Once in place a data matching exercise will be undertaken across the four councils to identify potential fraudulent activity relating to procurement and insurance.

4.3 Counter Fraud App

The Council was also part of a bid led by the Royal Borough of Greenwich to develop a 'Counter Fraud App' for smart phones and tablets. The 'app' has now been fully developed and the developers are in the process of rolling it out across all the authorities involved in the bid.

Once the application is launched, the Council will have the facility to:

- Provide updates to the public on fraud threats and advise on how to spot fraudsters;
- Publicise successful prosecution stories;
- Provide a means for the public to report suspected fraud;
- Share important service information, such as office locations and opening times.

4.4 The CIPFA Code of Practice

The CIPFA Code of Practice and guidance notes on 'Managing the Risk of Fraud and Corruption' (published 2014) represent best practice for public service organisations in tackling fraud and corruption. In 2015/16 Internal Audit reviewed the Council's arrangements against the Code of Practice. The audit found that the Council's arrangements were substantially compliant with best practice. Two areas for development were identified, which are to be addressed in 2016/17:

- A detailed fraud and corruption risk assessment is to be developed. This will ensure that the Council's specific fraud and corruption risks are fully documented and considered. The risk mitigation measures and controls for each fraud risk will then be used to inform an update of the Council's Anti-fraud and Anti-corruption Strategy.
- The Anti-fraud and Anti-corruption Strategy is to be updated to reflect recent developments in the Council's anti-fraud and anti-corruption framework. The document will explain in detail the specific measures being taken as part of the Council's ongoing fraud risk management. The updated strategy will contain tangible objectives and milestones which can be reported against.

4.5 Anti-bribery arrangements

The Bribery Act 2010 was introduced to update and enhance UK law on bribery including foreign bribery in order to address better the requirements of the 1997 Organisation for Economic Co-operation and Development (OECD) anti-bribery Convention. It is now among the strictest legislation internationally on bribery.

Transparency International UK has published a checklist to be used by organisations and businesses to review their anti-bribery arrangements. Internal audit has used this checklist and completed a self-assessment of the Council's arrangements to prevent bribery.

The outcome of the self-assessment provides assurance that the Council has a robust framework of policies and procedures to counter the risk of bribery. An action plan has however been developed to address those areas where the Council can further strengthen its arrangements. The key areas for action are summarised below:

- There is an opportunity to strengthen the Council's resilience to bribery and corruption by developing a detailed bribery risk assessment. This will ensure that the Council's specific bribery risks are fully documented and considered. The risk mitigation measures and controls for each risk will then be used to inform an update of the existing Anti-fraud & Anti-corruption strategy.
- The update of the Anti-fraud & Anti-corruption Strategy will include the development of a specific section on bribery. This will provide an opportunity for the Council to make a more explicit statement on its commitment to managing the risk of bribery. The updated document will also include a description of the existing control measures in place to combat bribery and details of any further action(s) planned.
- Training is one of the key elements in demonstrating that an organisation has adequate procedures to combat bribery. It is therefore important that the Council reviews its arrangements to provide training to those employees whose duties may place them at risk of receiving offers of bribery. A targeted bribery awareness training programme will therefore be developed following the completion of the bribery risk assessment.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted