



**Business Efficiency Board**

**Wednesday, 7 June 2017 at 6.30 p.m.  
Civic Suite, Town Hall, Runcorn**

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

**Chief Executive**

**BOARD MEMBERSHIP**

Councillor Martha Lloyd Jones (Chair)	Labour
Councillor Joe Roberts (Vice-Chair)	Labour
Councillor John Bradshaw	Conservative
Councillor Arthur Cole	Labour
Councillor Chris Loftus	Labour
Councillor Andrew MacManus	Labour
Councillor Tony McDermott	Labour
Councillor Ged Philbin	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](mailto:angela.scott@halton.gov.uk) for further information.*

*The next meeting of the Board is on Wednesday, 27 September 2017*

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

**Part I**

<b>Item No.</b>	<b>Page No.</b>
<b>1. MINUTES</b>	<b>1 - 4</b>
<b>2. DECLARATION OF INTEREST</b>	
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.	
<b>3. HOUSING BENEFIT SUBSIDY CLAIM CERTIFICATION</b>	<b>5 - 9</b>
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## 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

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

**BUSINESS EFFICIENCY BOARD**

*At a meeting of the Business Efficiency Board held on Wednesday, 1 February 2017 at the Civic Suite, Town Hall, Runcorn*

Present: Councillors M. Lloyd Jones (Chair), Joe Roberts (Vice-Chair), J. Bradshaw, Cole, C. Loftus, A. Lowe, MacManus, McDermott, N. Plumpton Walsh and J. Stockton

Apologies for Absence: Councillor Wall

Absence declared on Council business: None

Officers present: E. Dawson, M. Murphy, A. Scott and T. Dean

Also in attendance: Georgia Jones and Mark Heap, Grant Thornton External Auditors

**ITEMS DEALT WITH  
UNDER DUTIES  
EXERCISABLE BY THE BOARD**

**BEB21 MINUTES**

The Minutes of the meeting held on 23 November 2016 were taken as read and signed as a correct record.

**BEB22 EXTERNAL AUDIT UPDATE REPORT**

The Board received a report of the Strategic Director, Enterprise, Community and Resources, which provided an update from Grant Thornton (External Auditors), regarding:

- Progress made in delivering their responsibilities as the Council's External Auditors; and
- A summary of emerging national issues and developments that could be relevant to the work of the Board.

It was noted that from 2017/18, local authorities would need to publish their audited financial statements by 31 July each year, which was earlier than the current deadline of 30 September.

Georgia Jones, Audit Manager and Mark Heap, Engagement Lead from Grant Thornton, attended the

*Action*

meeting to present the report and then dealt with Members' questions.

RESOLVED: That the report be noted.

**BEB23 PROGRESS REPORT FOR THE CORPORATE RISK REGISTER 2016-17**

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which provided a progress update of actions in the Corporate Risk Register 2016/17.

The report outlined actions taken in relation to corporate risks for this year.

The Board reviewed the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements.

RESOLVED: That the progress on actions be noted.

**BEB24 INTERNAL AUDIT PLAN**

The Board considered a report of the Operational Director, Finance, on the planned programme of internal audit work for 2017/18.

A risk based Audit Plan had been prepared, designed to enable internal audit to deliver an overall opinion on the Council's risk management and control and governance arrangements.

A copy of the draft Audit Plan for 2017/18 was attached as an appendix to the report and provided information on the role of internal audit and the factors taken into account in developing the plan.

RESOLVED: That the proposed Internal Audit Plan for 2017/18 be approved.

Operational  
Director - Finance

**BEB25 SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

The Board considered:

- 1) Whether Members of the press and public should be excluded from the meeting of the Board during consideration of the following item of business in

accordance with Section 100A (4) of the Local Government Act 1972 because it was likely that, in view of the nature of the business to be considered, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972; and

- 2) Whether the disclosure of information was in the public interest, whether any relevant exemptions were applicable and whether, when applying the public interest test and exemptions, the public interest in maintaining the exemption outweighed that in disclosing the information.

RESOLVED: That as, in all the circumstances of the case, the public interest in maintaining the exemption outweighed that in disclosing the information, members of the press and public be excluded from the meeting during consideration of the following item of business in accordance with Section 100A(4) of the Local Government Act 1972 because it was likely that, in view of the nature of the business, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972.

*(N.B. The following Councillors declared a Disclosable Other Interest in the following item of business for the reasons stated: Councillor John Stockton was a Governor at St Martin's Primary School; Councillor Norman Plumpton Walsh had a family member with a business connection with Tiny Steps Nursery, which paid rent to St Martin's Primary School)*

BEB26 INTERNAL AUDIT PLAN PROGRESS REPORT - QUARTER 3

The Board considered a report of the Operational Director, Finance, which provided Members with a summary of internal audit work completed since the last progress report in November 2016. The report also provided details of progress against the 2016/17 Internal Audit Plan.

It was noted that a total of fifteen Internal Audit reports had been finalised since the last progress report. An overall assurance opinion was provided for each engagement. In addition a number of follow up audit reviews had been planned for the first quarter of 2017/18.

RESOLVED: That the update on progress against the

Internal Audit Plan 2016/17 be received.

|

*Meeting ended at 7.23 p.m.*

<b>REPORT TO:</b>	Business Efficiency Board
<b>DATE:</b>	7 June 2017
<b>REPORTING OFFICER:</b>	Strategic Director – Enterprise, Community & Resources
<b>PORTFOLIO:</b>	Resources
<b>SUBJECT:</b>	Housing Benefit Subsidy Claim Certification
<b>WARDS:</b>	Borough wide

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

- 1.1 The purpose of the report is for the Council's external auditors, Grant Thornton, to update the Board on their certification of the Council's Housing Benefit Subsidy claim for 2015/16.

### **2.0 RECOMMENDATION: That the report be noted.**

### **3.0 SUPPORTING INFORMATION**

Grant Thornton will attend the meeting to present their certification letter, which is shown in the Appendix.

### **4.0 POLICY IMPLICATIONS**

None

### **5.0 FINANCIAL IMPLICATIONS**

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

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

#### **6.1 Children and Young People in Halton**

None.

#### **6.2 Employment, Learning and Skills in Halton**

None.

#### **6.3 A Healthy Halton**

None.

#### **6.4 A Safer Halton**

None.

#### **6.5 Halton's Urban Renewal**



None.

**7.0 RISK ANALYSIS**

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

**8.0 EQUALITY AND DIVERSITY ISSUES**

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

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

None under the meaning of the Act.



**Grant Thornton**

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20 January 2017

Dear Ed

**Certification work for Halton Borough Council for year ended 31 March 2016**

We are required to certify the Housing Benefit subsidy claim submitted by Halton Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015

We have certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to subsidy claimed of around £53 million. Further details are set out in Appendix A.

There were a small number of errors identified during our initial and extended testing. The financial impact on the claim was insignificant to the total subsidy receivable.

As a result of the errors identified, the claim was amended. We also issued a qualification letter, containing two observations, to the DWP.

The indicative fee for 2015/16 for the Council was based on the final 2013/14 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by the Audit Commission for the Council for 2015/16 was £6,828.

Yours sincerely

Grant Thornton UK LLP

## Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£52,696,530	Yes	£52,696,533	Yes	<p>There was a minor amendment made to the claim for the errors identified.</p> <p>There were two errors found relating to underpaid benefit as a result of incorrect weekly rental figures being used in the assessment of benefit.</p> <p>One error was found relating to an underpayment of benefit arising from incorrect input of a 16/17 standard allowance value to the benefits system.</p> <p>There were two errors found relating to the overpayment of benefit through rent-free weeks.</p> <p>A further error was found relating to a misstatement of the value of uncashed cheques.</p> <p>Where required, we reported the findings of our testing to the Department for Work and Pensions.</p>

## Appendix B: Fees for 2015/16 certification work

Claim or return	2013/14 fee (£)	2015/16 indicative fee (£)	2015/16 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£9,104	£6,828	£6,828	0	
Total	<b>£9,104</b>	<b>£6,828</b>	<b>£6,828</b>	<b>0</b>	

<b>REPORT TO:</b>	Business Efficiency Board
<b>DATE:</b>	7 June 2017
<b>REPORTING OFFICER:</b>	Strategic Director – Enterprise, Community & Resources
<b>PORTFOLIO:</b>	Resources
<b>SUBJECT:</b>	External Audit fee – 2017/18
<b>WARDS:</b>	Borough wide

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

- 1.1 This report provides details of the planned external audit fee for 2017/18. Grant Thornton will attend the meeting to present the report.

### **2.0 RECOMMENDATION: That the 2017/18 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 introduced a new framework for local public audit following closure of the Audit Commission. As a result, the Secretary of State for Communities and Local Government delegated some statutory functions to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.
- 3.2 PSAA will oversee the audit contracts for local government bodies until they end in 2018. The 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 and details of the team from Grant Thornton who will be working on the audit.

### **4.0 POLICY IMPLICATIONS**

None

### **5.0 FINANCIAL IMPLICATIONS**

- 5.1 The Council's scale fee for 2017/18 has been set at £105,294, which remains unchanged from last year. There will in addition be a fee for certification of the Housing Benefit Subsidy claim, which has still to be set by the PSAA, but which for last year was £8,055.

- 5.2 Any additional work identified by the Auditors in 2017/18 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**

None.

### **6.2 Employment, Learning and Skills in Halton**

None.

### **6.3 A Healthy Halton**

None.

### **6.4 A Safer Halton**

None.

### **6.5 Halton's Urban Renewal**

None.

## **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.



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30 March 2017

Dear Ed

### **Planned audit fee for 2017/18**

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions 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 Audit 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](#).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

### **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 changes to the overall work programme for local government audited bodies for 2017/18, following the recent CIPFA/LASAAC announcement that their planned introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities in 2017/18 will no longer proceed. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £105,294.

The audit planning process for 2017/18, 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 2017/18 will be undertaken under this Code, on the basis of the [2017/18 work-programme and scales of 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); and
- our work on your whole of government accounts return (if applicable).

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 2016. 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 had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

**Certification of grant claims and returns**

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work has yet to be set by PSAA. We will write to you to confirm the fee when this has been confirmed.

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:

<b>Main Audit fee</b>	<b>£</b>
September 2017	26,323
December 2017	26,323
March 2018	26,324
June 2018	26,324
<b>Total</b>	<b>105,294</b>
<hr/>	
<b>Housing Benefit Certification</b>	<b>TBC</b>



**Outline audit timetable**

We will undertake our audit planning and interim audit procedures in January to March 2018. 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 June and July 2018 and work on the whole of government accounts return in July 2018.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	January to March 2018	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2018	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 2018	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2018	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August 2018	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	September 2018	Grant certification report	A report summarising the findings of our housing benefit certification work

**Our team**

The key members of the audit team for 2017/18 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Mark Heap	0161 234 6375	<a href="mailto:mark.r.heap@uk.gt.com">mark.r.heap@uk.gt.com</a>
Engagement Manager	Georgia Jones	0161 214 6383	<a href="mailto:georgia.s.jones@uk.gt.com">georgia.s.jones@uk.gt.com</a>
In Charge Auditor	John Padfield	0161 214 6378	<a href="mailto:john.padfield@uk.gt.com">john.padfield@uk.gt.com</a>

**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 Haoward, our Public Sector Assurance regional lead partner, via [sarah.howard@uk.gt.com](mailto:sarah.howard@uk.gt.com).

Yours sincerely

Mark Heap

Engagement Lead

For Grant Thornton UK LLP

**REPORT TO:** Business Efficiency Board

**DATE:** 7 June 2017

**REPORTING OFFICER:** Strategic Director – Enterprise, 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 seek an understanding of how those charged with governance within the Council (ie. the Business Efficiency Board) gain assurance regarding management processes and arrangements, in the context of the year-end audit of accounts.

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 31<sup>st</sup> March 2017  
Business Efficiency Board Response**

	<b>Auditor's Question</b>	<b>Response</b>
1.	How does the Business Efficiency Board oversee management's processes in relation to:	
	1.1 Carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error?	<p>The Council has robust arrangements in place for identifying and responding to the risk of fraud.</p> <p>There is an established risk management process and the risk of fraud is considered as part of the Council's planning processes. The Business Efficiency Board receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Register, which also details the measures in place to deter fraud. The Business Efficiency Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>The Business Efficiency Board also has specific responsibilities with 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 &amp; 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 News in Brief fortnightly staff briefing, e-mails to all staff on specific topics 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>Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.</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> <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>
3	<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>

4	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.
5	Are you aware of any actual or potential litigation or claims that would affect the financial statements?	No.
6	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 2017/18 and the approach being adopted to deliver balanced budgets for 2018/19 to 2020/21 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 2016/17 financial statements.
7	How does the Business Efficiency Board provide oversight of the Council's risk management processes.	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.



**REPORT TO:** Business Efficiency Board

**DATE:** 7 June 2017

**REPORTING OFFICER:** Strategic Director – Enterprise, Community & Resources

**PORTFOLIO:** Resources

**SUBJECT:** External Audit Plan - 2016/17 Year-End

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

### **1.0 PURPOSE OF REPORT**

1.1 To consider the Audit Plan relating to the 2016/17 year-end, presented by the Council's external auditor, Grant Thornton.

**2.0 RECOMMENDATION: That the contents of the External Audit Plan for 2016/17 year-end, be noted.**

### **3.0 SUPPORTING INFORMATION**

3.1 The External Audit Plan for 2016/17 year-end, 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 2016/17.

### **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

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**Year ended 31 March 2017**

April 2017

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

April 2017

Dear Members of the Business Efficiency Board

**Audit Plan for Halton Borough Council for the year ending 31 March 2017**

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 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 which give a true and fair view.

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 planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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.

We look forward to working with you during the course of the audit.

Yours sincerely

Mark Heap

Engagement Lead

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**Chartered Accountants**

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# Understanding your business and key developments

## Developments

### Highways network asset (HNA)

On 14 November, 2016 CIPFA/LASAAC announced a deferral of measuring the Highways Network Asset at Depreciated Replacement Cost in local authority financial statements for 2016/17. This deferral was due to delays in obtaining updated central rates for valuations.

CIPFA/LASAAC reviewed this position at its meeting in March 2017 where the Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities.

### Integration with health sector

Wider transfers of responsibility for public health to local government - and more specifically Better Care Fund (BCF) plans and the associated pooled budgets - have been operational since April 2015.

The Council has a section 75 agreement in place with Halton Clinical Commissioning Group. We reviewed the Council's accounting arrangements for the funding in 2015/16 and will carry out testing of transactions as part of our testing of Council expenditure.

## Key challenges

### Autumn Statement

The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities. No plans were announced to increase funding for adult social care. <https://grantthornton.jiveon.com/groups/autumn-statement-2014>

### Devolution

Halton is a member of the Liverpool City Region Combined Authority (CA) together with Liverpool City, Knowsley, Sefton, St.Helens and Wirral Councils.

We will consider your plans in relation to the local devolution agenda as part of our vfm planning work.

We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

## Financial reporting changes

### CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

### Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

We are working with officers to bring forward our audit work this year in anticipation of next year's earlier deadline.

## Our response

- We aim to complete all our substantive audit work of your financial statements before the end of August 2017 in preparation for the earlier closedown in 2017/18.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.

# 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 concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £6,902,000 (being 2% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

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 £250,000.

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 concept is appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of senior manager salaries and allowances	Due to public interest in these disclosures and the statutory requirement for them to be made.	A materiality level of £20,000 has been set.
Related Party transactions	Due to public interest in these disclosures.	A materiality level of £20,000 has been set. However individual mis-statements will also be evaluated with reference to how material they are to the other party.

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

# Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
<p><b>The revenue cycle includes fraudulent transactions</b></p>	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Halton Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Halton Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>We therefore do not consider this to be a significant risk for the Council.</p>
<p><b>Management override of controls</b></p>	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation</li> <li>• Review of unusual significant transactions</li> </ul>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)



## Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
<b>The expenditure cycle includes fraudulent transactions</b>	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.	<b>Work planned:</b> <ul style="list-style-type: none"> <li>• Identification and documentation of the processes and controls in place around expenditure at the Council</li> <li>• Testing of journal entries, control environment review and walkthrough</li> <li>• Testing of non-pay expenditure as set out within 'Operating Expenses' on p8</li> <li>• Review of unusual significant transactions</li> </ul>
<b>Valuation of pension fund net liability</b>	The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	<b>Work planned:</b> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• We will undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• 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.</li> </ul>

## Other risks identified - RPRs

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
<b>Operating expenses</b>	Year end creditors and accruals are understated or not recorded in the correct period.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Identification and documentation of the processes and controls in place around operating expenditure at the Council</li> <li>• Walkthrough of a sample item to confirm our understanding</li> <li>• Compliance testing of key controls within the system</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Substantive testing of a sample of non-pay expenditure</li> <li>• Reconciliation of accounts payable system to financial ledger and financial statements</li> <li>• Review of accruals process and substantive testing of a sample of manual accruals and creditor balances</li> <li>• Sample testing of payments around the year end</li> <li>• Review and testing of other items and disclosures including Minimum Revenue Provision (MRP) and members' allowances</li> </ul>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

## Other risks identified – RPRs (continued)

Other risks	Description of risk	Audit procedures
<b>Employee Remuneration</b>	Employee remuneration accruals are understated	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Identification and documentation of the processes and controls in place around employee remuneration at the Council</li> <li>• Walkthrough of a sample item to confirm our understanding</li> <li>• Compliance testing of key controls within the system</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Substantive testing of a sample of non-pay expenditure</li> <li>• Reconciliation of payroll data to financial ledger and financial statements</li> <li>• Substantive analytical review of payroll costs for the year</li> <li>• Substantive testing of senior officer remuneration disclosures</li> <li>• Review and testing of other pay disclosures including exit packages notes</li> </ul>
<b>Valuation of Property, Plant and Equipment</b>	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 the current value. This represents a significant estimate by management in the financial statements.	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of management's processes and assumptions for calculation of the estimate</li> <li>• Review of the competence, objectivity and expertise of any management experts used</li> <li>• Review of the instructions issued to valuation experts and the scope of their work</li> <li>• Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions</li> <li>• Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding</li> <li>• Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>• Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied itself that these are not materially different to current value</li> </ul>

# Other risks

Other risks	Description of risk	Audit procedures
<p><b>Changes to the presentation of local authority financial statements</b></p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p><b>Work planned</b></p> <ul style="list-style-type: none"> <li>• Documentation and evaluation of the process for the recording the required financial reporting changes to the 2016/17 financial statements.</li> <li>• Review of the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure.</li> <li>• Review of the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS).</li> <li>• Testing of the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES.</li> <li>• Testing of the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger.</li> <li>• Testing of the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements.</li> <li>• Review of the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>

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# Other risks (continued)

## Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

## 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 sections but will include:

- Investments
- Cash and cash equivalents
- Trade and other receivables
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable 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
- New note disclosures
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

# 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 National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The 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 opposite:

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

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# Value for Money (continued)

## **Risk assessment**

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). 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
- 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 one significant risk which we are required to communicate to you. This is set out overleaf.

## **Reporting**

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

We will include our conclusion in our auditor's report on your financial statements which we will give by 30 September 2017.

## 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><b>Financial outlook</b>            The council does not have a history of financial difficulty but the position is beginning to become more challenging. At the time of writing, the Council is forecasting a year-end outturn overspend position of around £1m against a budget of £98.5m, which it is intended to fund from general reserves. For 2017/18 a budget gap of £11.7m was identified. Savings and efficiencies have now been identified to address this gap, but the Council continues to face a challenging financial position.</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>



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# Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
  - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

# 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:

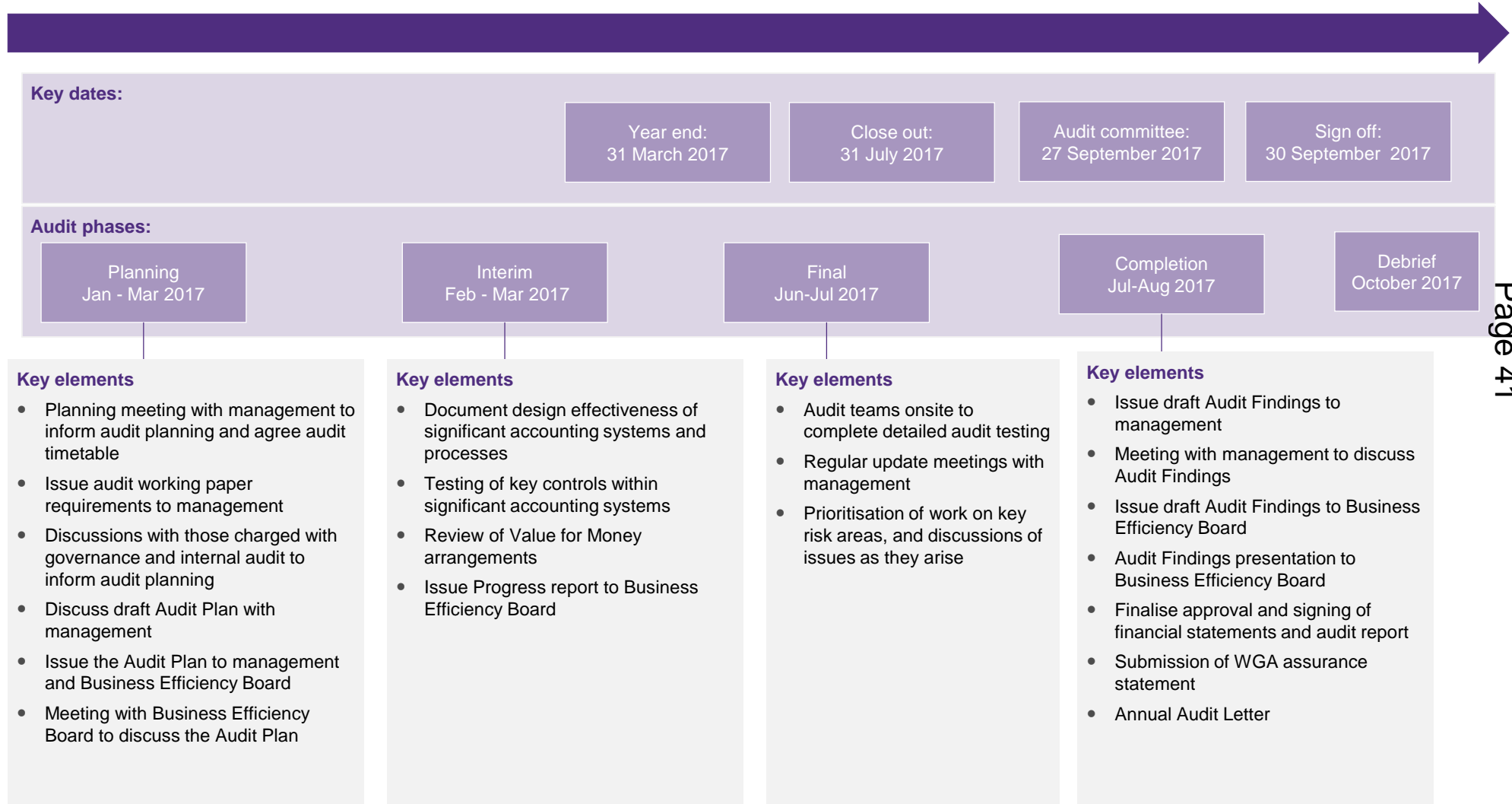
	<b>Work performed</b>	<b>Conclusion</b>
<b>Internal audit</b>	We have completed a high level review of internal audit's overall arrangements. We have also reviewed internal audit's work on the Council's key financial systems to date.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
<b>Entity level controls</b>	<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"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements

## Results of interim audit work (continued)

	<b>Work performed</b>	<b>Conclusion</b>
<b>Walkthrough testing</b>	<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> <p>Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Controls testing</b>	<p>We performed testing of the operating effectiveness of key controls on the following information systems where we had identified a reasonably possible risk of material misstatement to gain assurance about this and to reduce the amount of substantive testing performed on the financial statements. We tested the operation of identified key controls in the following systems:</p> <ul style="list-style-type: none"> <li>• Payroll</li> <li>• Accounts Payable</li> </ul>	<p>Our work identified that the key controls tested in these systems were operating effectively for months 1 to 10. As a result, and subject to satisfactory full year review, we anticipate we will be able to reduce the amount of substantive testing in the related areas of employee remuneration and operating expenses.</p>
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>Post statements testing will include testing of key journals in accordance with our journal entry testing strategy.</p>

# The audit cycle

## The audit timeline



# Audit Fees

## Fees

	£
Council audit	105,294
Grant Certification (Housing Benefit)	8,055
<b>Total audit fees (excluding VAT)</b>	<b>113,349</b>

## 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

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

## What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team
- Regular Audit Committee Progress Reports

# Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence.

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 we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Halton Borough Council. The following audit related and non-audit services were identified for the Council for 2016/17:

## Fees for other services

Service	Fees £	Planned outputs
Non-audit related - VAT	14,250	
Non-audit related - Grants	TBC	

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

# Communication of audit matters with those charged with governance

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

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

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

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and 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.

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.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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	✓	✓



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**REPORT TO:** Business Efficiency Board

**DATE:** 7 June 2017

**REPORTING OFFICER:** Operational Director - Finance

**SUBJECT:** Safeguarding Internal Audit Independence

**WARDS:** Borough-wide

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

- 1.1 Restructuring and rationalisation of the Council's management structures in recent years has resulted in the Head of Internal Audit assuming management roles and responsibilities that fall outside of internal auditing.
- 1.2 The purpose of this report is to provide assurance to the Board that safeguards have been put in place to limit any impairment to independence or objectivity of the internal audit function.

### **2.0 RECOMMENDATION:**

**That the Business Efficiency Board notes and endorses the safeguards established to limit any impairment to independence or objectivity of the internal audit function.**

### **3.0 SUPPORTING INFORMATION**

- 3.1 The Council's internal audit function sits within the Audit, Procurement and Operational Finance Division under the leadership of a Divisional Manager. The Divisional Manager post is recognised in the Council's Constitution as being the Head of Internal Audit.
- 3.2 Restructuring and rationalisation of the Council's management structures over recent years has resulted in the Council's Head of Internal Audit assuming responsibility for the management of the following functions:
  - Purchase to Pay
  - Procurement
  - Insurance
  - Income Control
  - Client Finance
  - Direct Payments
- 3.3 The Council is also currently consulting with staff on further restructuring of its Finance function. Management's proposals would also see the Head of Internal Audit assume management responsibility for:
  - Income & Assessment
  - Debtors
  - Fraud Investigation

- 3.4 The Public Sector Internal Audit Standards (PSIAS) provide the standards for the Professional Practice of Internal Auditing and are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations.
- 3.5 There are specific provisions within PSIAS that address the issues of independence and objectivity and independence of the internal audit function:
- Standard 1100 relates to the requirement that the internal audit activity must be independent and internal auditors must be objective in performing their work.
  - Standard 1112 states that internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.
  - Standard 1130 requires the Chief Audit Executive to disclose the details of any impairment to independence or objectivity, whether in fact or appearance.
- 3.6 Appendix A to this report sets out how the Council has responded to the requirements of PSIAS and established a range of safeguards to limit any impairment to independence or objectivity of the Council's internal audit function.

#### **4.0 POLICY IMPLICATIONS**

- 4.1 The Council has formally acknowledged in the Internal Audit Charter, which forms part of Finance Standing Orders, that proper practice for internal audit in local government is defined by the Public Sector Internal Audit Standards and that the Council's internal audit activity shall operate to these Standards and any other relevant guidance.
- 4.2 The Internal Audit Charter also states that the Head of Internal Audit shall be responsible for ensuring the organisational independence of internal audit activity and shall report and explain to the Business Efficiency Board how any potential impairment to independence or objectivity will be managed.

#### **5.0 OTHER IMPLICATIONS**

- 5.1 The Council is required to comply with the requirements of the Accounts and Audit Regulations 2015, regarding its "arrangements to 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". Independence and objectivity are important attributes of an adequate and effective internal audit function.
- 5.2 The Council continues to face significant funding pressures and management's restructuring of the finance function in recent years has released significant financial savings whilst maintaining sound financial governance.

5.3 There are also some less tangible benefits from that have helped improve the internal audit function that have resulted from the Head of Internal Audit assuming management responsibilities for other operational functions. These benefits include:

- Improved awareness of the Council's business and planned developments, which helps to inform internal audit planning;
- Improved appreciation of the challenges faced by service managers at a time of reducing resources, which helps to ensure that audit recommendations are proportionate to the risks faced and practical to implement;
- Closer working between the internal audit team and other colleagues in finance, which greatly assists the audit process and provides for earlier intervention by internal audit when issues are identified.

5.4 There are no additional resource implications arising directly from this report.

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

6.1 An effective internal audit function supports the delivery of all the Council's priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds.

## **7.0 RISK ANALYSIS**

7.1 The purpose of this report is to summarise the safeguards that the Council has established manage any perceived risk or impairment to independence or objectivity of the internal audit function.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

None identified.

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

Public Sector Internal Audit Standards.

**Safeguards to limit any impairment to independence or objectivity of the Council's internal audit function**

The arrangements established by management to meet the relevant Public Sector Internal Audit Standards relating to auditor independence and objectivity are set out below:

**Standard 1100 - Internal audit activity must be independent and internal auditors must be objective in performing their work**

- The Council has established a requirement that the Head of Internal Audit must hold a recognised accountancy or internal audit qualification. As a qualified CIPFA member, the Head of Internal Audit is consequently bound by the Statement of Professional Practice on Ethics (SOPP). Adherence to the SOPP is an obligation of membership of the Institute, and all members and students are required to act in accordance with it. As is general practice in all professional bodies, departures from the standard may be subject to disciplinary action. The SOPP contains principles relating to integrity, objectivity, professional competence and due care.

**Standard 1112 - Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest**

- Internal auditors, including the Head of Internal Audit, are required to follow the code of ethics in the Public Sector Internal Audit Standards. All officers involved in delivering internal audit work are therefore required to sign an annual declaration acknowledging those responsibilities and providing a commitment to fully comply with these requirements whilst working for the Council. The declaration also requires internal auditors to declare:
  - any conflicts of interests that could adversely affect their independence and objectivity;
  - any operational responsibilities that they have held within the preceding 18 months;
  - any relatives or close associates who are either employed by the Council or are an elected member of Halton Borough Council;
  - the nature of any involvement they have in organisations that provide goods or services to the Council.
- As employees of Halton Borough Council, internal auditors are also required to comply with the Council's Employee Code of Conduct. The Code acknowledges that the public is entitled to expect the highest standards of conduct from all employees who work for local government and to expect that the conduct of employee should never be influenced by improper motives.
- At an operational level, in planning internal audit assignments there will inevitably be occasions where internal audit work is undertaken relating

to business areas for which the Head of internal Audit is responsible for managing. Potential conflicts of interests are therefore managed by the following arrangements:

- Terms of reference for the review are agreed and shared with the Operational Director – Finance in advance of the audit commencing to ensure that planned audit coverage is appropriate.
- The draft report following the audit review is shared with the Operational Director – Finance at the same time as being presented to Head of Internal Audit for review. This removes the opportunity for the suppression of any audit findings.
- The Principal Auditor has direct right of access to the Operational Director – Finance and therefore has the opportunity to raise any issues or concerns without having to go through the Head of internal Audit.

Standard 1130 – Requirement for the Chief Audit Executive to disclose the details of any impairment to independence or objectivity, whether in fact or appearance

- The Council has established an Internal Audit Charter that forms part of Finance Standing Orders, and explains the Head of Internal Audit's responsibility for ensuring the organisational independence of internal audit activity and reporting and explaining to the Business Efficiency Board how any potential impairment to independence or objectivity will be managed.
- The annual Internal Audit Plan is reviewed by Management Team and approved by the Business Efficiency Board. This ensures that appropriate scrutiny is applied to planned audit coverage. The narrative supporting the Plan also sets out an overview of the arrangements to mitigate any potential impairment to independence and objectivity.

Other safeguards to limit any impairment to independence or objectivity

- Arrangements exist for a five-yearly external assessment of the Council's internal audit activity, which will include a review of the Head of Internal Audit's independence and objectivity. The results from that review will be reported to the Business Efficiency Board later this financial year.
- The business areas for which the Head of Internal Audit has management responsibility form key parts of the Council's finance function and are therefore subject to other forms of assurance in addition to review by internal audit. These arrangements include:
  - Annual external audit review of the key financial systems that provide material disclosures for the financial statements, i.e. creditors, debtors and income collection and reconciliation.

- Annual review of the insurance claims handling arrangements by the Council's insurer.
  - Periodic review of the Council's deputyship arrangements by the Office of the Public Guardian.
  - Periodic review of the Council's VAT accounting arrangements by HMRC.
  - Ongoing scrutiny through the Council's performance management framework.
- As part of the annual audit of the financial statements, the Council's external auditor completes a high-level review of the Council's internal audit arrangements and reports the findings of this review to the Business Efficiency Board.
  - The Head of Internal Audit reports functionally to the Business Efficiency Board. This arrangement includes presenting quarterly progress reports to the Board summarising all internal audit work completed and provides the opportunity for scrutiny and challenge by members.
  - Ongoing line management arrangements for the Head of Internal Audit include regular supervision meetings with the Operational Director – Finance. This provides opportunity to discuss issues, developments and the performance of the internal audit function, in addition to the other business areas for which the Head of Internal Audit is also responsible.

### Conclusion

The combination of all the safeguards described above is considered sufficiently adequate to manage any actual or perceived impairment to the independence or objectivity of the internal audit function arising from the Council's Head of Internal Audit assuming management roles and responsibilities that fall outside of internal auditing.

<b>REPORT TO:</b>	Business Efficiency Board
<b>DATE:</b>	7 June 2017
<b>REPORTING OFFICER:</b>	Operational Director – Finance
<b>PORTFOLIO:</b>	Resources
<b>SUBJECT:</b>	Internal Audit Annual Report – 2016/17
<b>WARD(S):</b>	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 2016/17 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.
- 3.5 It is a requirement of PSIAS that the Internal Audit Annual Report provides a commentary on the results of the internal audit 'Quality Assurance and Improvement Programme' (QAIP). The purpose of a QAIP is to enable an evaluation of the internal audit activity's conformance with professional standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

- 3.6 The results of the QAIP provide assurance that internal audit activity has been undertaken in 2016/17 in accordance with the relevant professional standards. A copy of the QAIP is attached for information.

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

- 4.1 Under Regulation 6 of the Accounts & Audit Regulations 2015, 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 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 2016/17 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 2016/17	1 <sup>st</sup> Floor, Kingsway House, Kingsway, Widnes	Merv Murphy
Internal Audit reports		
Public Sector Internal Audit Standards		
Local Government Application Note for the UK Public Sector Internal Audit Standards		

HALTON BOROUGH COUNCIL

# Internal Audit Annual Report

Presented to the Business Efficiency Board on 7 June 2017



2016/2017

# 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 2016/17 Annual Governance Statement.**

## Section Two

### Basis of the opinion

#### 2.1 Planned coverage and output

Internal audit delivered 737 of the 1,061 planned days of audit work during 2016/17. The level of audit coverage achieved was less than planned due to a number of long term sickness absences that reduced the available staffing resource. However, the work completed is considered sufficient and wide-ranging enough to ensure that a confident and evidence-based annual audit opinion can be provided.

As previously reported to the Board, the reduction in available staffing resource necessitated some planned reviews from 2016/17 being deferred and included in the 2017/18 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.

38 audit reports were finalised and reported to the Board:

- 23 areas received substantial assurance opinions;
- Ten areas received adequate assurance opinions;
- Five audits received limited assurance opinions.

#### 2.3 Summary of follow-up audit assignments completed

Nine '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:

- Six areas received substantial assurance opinions;
- Three 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).

## Basis of the opinion (cont.)

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).

The external assessment of Halton Borough Council is due to take place in September 2017. It is to be undertaken by a team made up from St Helens Council and Blackburn with Darwen Council. The results of the inspection and any resulting Action Plan will be reported to the Board at its November 2017 meeting.

### 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 2016/17 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 2016/17 again demonstrated a high level of client satisfaction with the audit service provided.
- The training and development needs of the internal audit team have continued to be met through a combination of on the job training, e-learning and attendance at relevant training events. Two members of the internal audit team are also currently working towards becoming Accredited Counter Fraud Specialists.
- An area for development that has been identified is to review the areas of coverage within school audits. This issue is currently in the process of being addressed.

## 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 November 2016**

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
1.	Troubled Families Programme – Grant Claim	Substantial	0	0	0
2.	Care Financials	Adequate	0	3	0
3.	Weston Primary School	Limited	3	9	3
4.	Saints Peter & Paul Catholic College	Adequate	0	5	7
5.	Accounts Payable	Substantial	0	0	0
6.	Payroll	Substantial	0	0	3
7.	Local Transport Capital Block Funding Grant	Substantial	0	0	0
8.	Bus Subsidy Ring-Fenced (Revenue) Grant	Substantial	0	0	0
9.	Emergency Planning	Adequate	1	7	2
10.	Disciplinary Procedure	Adequate	0	5	1
11.	Street Lighting	Adequate	1	2	0
12.	Local Growth Fund Grant Claim Quarter 2 – Silver Jubilee Bridge	Substantial	0	0	0

## Summary of internal audits completed (cont.)

1 February 2017

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
13.	Local Growth Fund STEP Grant Claim - Quarter 2	Substantial	0	0	0
14.	Local Growth Fund STEP Grant Claim - Quarter 3	Substantial	0	0	0
15.	Contingency Planning for Care Provider Failure	Substantial	0	2	2
16.	Legal Debt Recovery Process	Adequate	0	2	0
17.	Procurement Strategy	Substantial	0	0	3
18.	Cash Security - Ashley Green Residential Housing	Limited	0	3	1
19.	Halton Heritage Partnership - Working Lives Project	Limited	3	0	0
20.	Accounting Journals	Substantial	0	0	0
21.	School Meals Service – Breakfast Clubs	Adequate	0	2	0
22.	Commissioning of Specialist Services	Substantial	0	0	3
23.	Sustainable School Transport	Adequate	0	5	4
24.	Managing the risk of Fraud & Corruption	Substantial	0	0	4
25.	St Martin's Catholic Primary School – Credit Card Expenditure	Limited	5	1	2
26.	Loans & Investments	Substantial	0	1	0
27.	Local Growth Fund Grant Claim Quarter 3 – Silver Jubilee Bridge	Substantial	0	0	0

## Summary of internal audits completed (cont.)

7 June 2017

Assignment		Assurance Rating	Recommendations made		
			High	Medium	Low
28.	Local Growth Fund STEP Grant Claim - Quarter 4	Substantial	0	0	0
29.	Troubled Families Grant Claim	Substantial	0	0	0
30.	Local Growth Fund Grant Claim Quarter 4 - Silver Jubilee Bridge	Substantial	0	0	0
31.	St Basil's Catholic Primary School	Adequate	0	4	4
32.	Windmill Hill Primary School	Limited	2	8	2
33.	DWP Work Programme – Information Security	Substantial	0	0	1
34.	Non-Domestic Rates	Substantial	0	0	0
35.	Property Insurance	Adequate	0	5	3
36.	Council Tax	Substantial	0	0	1
37.	Housing Benefit	Substantial	0	0	0
38.	Remote and agile working	Substantial	0	0	0



## Summary of internal audits completed (cont.)

*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.	Tree Maintenance & Inspection	Substantial	1	2	0	0	23 November 2016
2.	BACS Bureau Accreditation	Adequate	1	1	0	0	23 November 2016
3.	Social Media	Substantial	3	0	0	0	23 November 2016
4.	Spinney Avenue CEVC Primary School	Adequate	4	2	0	2	23 November 2016
5.	Area Forums	Adequate	3	2	0	1	7 June 2017
6.	Ashley School	Substantial	4	4	0	0	7 June 2017
7.	Sickness Management	Substantial	7	0	0	0	7 June 2017
8.	Woodside Primary School	Substantial	6	4	0	0	7 June 2017
9.	Westfield Primary School	Substantial	6	2	0	0	7 June 2017

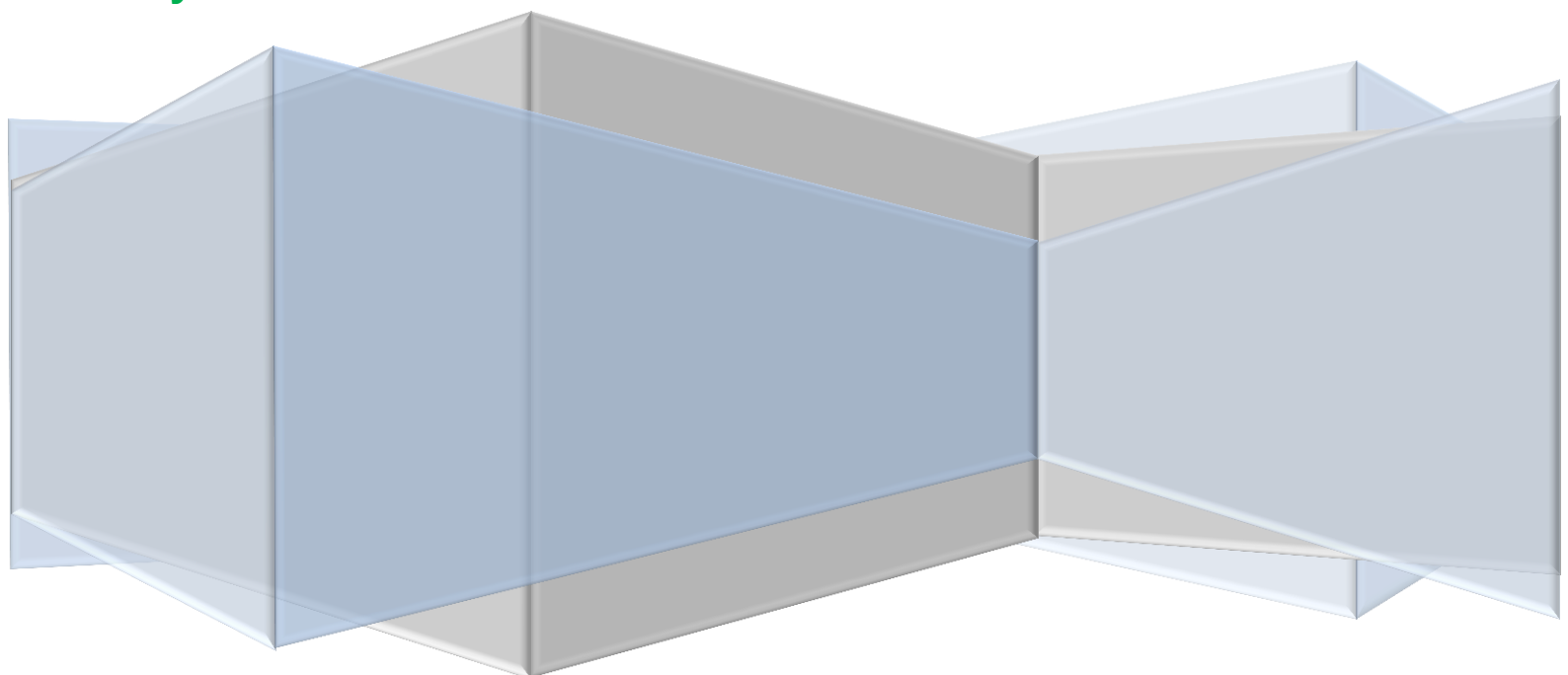
# Halton Borough Council



## Internal Audit

Quality Assurance & Improvement Programme

May 2017



## 1. Purpose

- 1.1 A Quality Assurance and Improvement Programme (QAIP) is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Public Sector Internal Audit Standards (PSIAS) 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.
- 1.2 It is a requirement of the PSIAS that a QAIP includes both internal and external assessments.

## 2. Responsibility

- 2.1. The Divisional Manager – Audit, Procurement & Operational Finance as the Head of Internal Audit (HOIA) is responsible for the QAIP. The results of the QAIP will be reported to the Business Efficiency Board as part of the Internal Audit Annual Report.

## 3. Internal Assessment

### Ongoing monitoring procedures

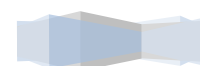
- 3.1 The following ongoing quality assurance and monitoring procedures are applied in regard to the planning, delivery and quality control of internal audit work:

#### Ethics and Independence

- The Council has developed a Code of Ethics for internal auditors, which is designed to promote an ethical, professional culture. Internal auditors are required to sign an annual Code of Ethics and Declaration of Interests statement.
- The HOIA and Principal Auditor monitor the conduct of internal auditors against the Code of Ethics on an ongoing basis.
- The HOIA and Principal Auditor review any interests that are declared and consider any potential impact on the independence and objectivity of audit work.

#### Planning

- The annual internal audit planning process involves consultation with the Operational Director – Finance and each of the Strategic Directors to discuss and agree internal audit coverage for the year ahead.
- The Annual Internal Audit Plan is approved by the Business Efficiency Board. The plan includes a summary of the risk context for each planned audit and the rationale for its inclusion.
- The Principal Auditor allocates assignments to individual auditors taking account of considerations such as the complexity of the audit, the experience of the auditor and the potential for any conflicts of interests.
- A pre-audit meeting is held for each planned audit assignment to agree its scope and to provide for input from the client manager.



### Review procedures

- Terms of Reference (TOR) are issued to the client for each audit specifying the scope of the audit and the target timescales for the audit's completion. Each TOR is reviewed by the Principal Auditor and HOIA.
- The Principal Auditor undertakes quality assurance reviews in regard to internal audit working papers to ensure that:
  - A thorough risk assessment has been undertaken to identify and evaluate risks relevant to the area under review.
  - The system(s) under review is understood and documented.
  - The control environment has been assessed and that an appropriate testing strategy has been devised.
  - The testing programme has been completed and that the conclusions from the work undertaken are supported by evidence.
- The Principal Auditor undertakes a preliminary review of each draft audit report. This will ensure that all significant issues identified during the assignment are recorded and that any outstanding risks that need to be addressed are brought to the attention of management.
- A further review of each draft report is undertaken by the HOIA. This ensures that:
  - The appropriate overall 'assurance level' has been applied;
  - The priority of any outstanding risks that need to be addressed is appropriate;
  - The content, style and wording of each report is of a suitable standard.

### Post-audit questionnaire

- A post-audit questionnaire is issued for each audit assignment to obtain feedback from the client.
- The post-audit questionnaires that are returned are reviewed by the Principal Auditor and HOIA.
- A commentary summarising the results from the post-audit questionnaires is included in the Internal Audit Annual Report to the Business Efficiency Board.

### Supervision

- The Operational Director – Finance meets with the HOIA every six weeks and receives an update on the work of internal audit and any key issues arising.
- The HOIA meets every month with the Principal Auditor to discuss progress against the Internal Audit plan and the workload and status of each assignment allocated to individual auditors.
- The Principal Auditor meets at least fortnightly with each auditor to discuss the progress and status of each audit assignment.

### Learning and development

- The learning and development needs of each auditor are identified through the audit review process and supervision procedures.
- Identified learning and development needs are addressed by a range of means, which include team meetings, on the job training, work shadowing, e-learning and attendance at seminars and training courses.



- The internal audit team attends various regional audit group meetings to keep up to date with key developments and to share best practice.

### **Performance Reporting**

- Key performance indicators and milestones relating to internal audit activity are agreed with the Operational Director – Finance and reported to the Corporate Policy & Performance Board through the Finance Department quarterly monitoring reports.
- Quarterly progress reports against the Internal Audit Plan are reported to the Business Efficiency Board. These reports include details of all audit work completed and the key issues arising.
- An Annual Internal Audit Report is presented to the Business Efficiency Board. This provides an overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The report also includes a summary of the work that supports the opinion, a statement on conformance with the PSIAS and the results of the QAIP.

### **Periodic assessment procedures**

3.2 Periodic assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the PSIAS. The following arrangements are in place regarding periodic assessment:

- An annual self-assessment is undertaken against the PSIAS and CIPFA's Local Government Application Note. An action plan is drawn up to address any areas where it is possible for compliance with the Standards to be strengthened.
- The Council's external auditor completes an annual high level review of internal audit's overall arrangements and work on the Council's key financial systems. The findings from this review are reported to the Business Efficiency Board through the External Audit update reports.

## **4. External Assessment**

4.1 An external assessment will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

4.2 The Business Efficiency Board will agree:

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

## **5. Improvement Programme**

5.1. Timely and appropriate action will be taken and recorded by the HOIA to address any areas of non-conformance with PSIAS and to implement any performance improvement opportunities identified through the internal and external assessment processes.

5.2. The HOIA will report the results of the QAIP to the Business Efficiency Board annually through the Internal Audit annual report.



**REPORT TO:** Business Efficiency Board

**DATE:** 7 June 2017

**REPORTING OFFICER:** Strategic Director – Enterprise, Community & Resources

**SUBJECT:** Draft Annual Governance Statement - 2016/17

**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 2016/17.

### **2.0 RECOMMENDATIONS:**

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

- 1) Confirm that it accurately reflects the Council's governance arrangements and governance challenges;**
- 2) 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, which are due to be presented at the September meeting of the Board.
- 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 covers the governance framework in place for 2016/17 and up to the date the accounts are signed off by the Council's external auditor. A key aspect of the statement is the identification of any areas where the Council's governance arrangements need to be developed and to provide a commitment to addressing those issues.
- 3.4 In April 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) together with the Society of Local Authority Chief Executives and Senior Managers (SOLACE) published a revised framework and guidance notes for delivering good governance in local authority organisations. Internal

Audit is to review these documents against the Council's governance framework during 2017/18 and recommendations will be made, if necessary, to address any areas where the Council's governance arrangements can be further developed.

### **Preparation of the 2016/17 Annual Governance Statement**

3.5 The process followed in producing the AGS is the same as in previous years being led by a group of officers who have key roles in the maintenance and development of the Council's governance framework:

- Strategic Director - Enterprise, Community & Resources
- Operational Director - Finance
- Operational Director - Legal & Democratic Services
- Divisional Manager - Audit, Procurement & 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 2016/17 is attached to this report. The document highlights two ongoing challenges that may impact on the Council's governance arrangements:

#### Funding pressures

The Council recognises the need to continue to deliver high quality services and maintain robust governance arrangements in a period of continuing funding pressures.

#### Liverpool City Region Combined Authority

The Council also recognises the need for Halton's officers and members to be fully conversant with the developing governance arrangements relating to the Mayoral Combined Authority. This will require the Council ensuring it has the capacity to fulfil its role within the LCR, which may in turn mean reviewing some of its own priorities.

3.8 If any amendments are required to the AGS, or if there are any significant developments affecting the Council's governance arrangements that emerge, an updated version of the AGS will be presented to the September meeting of the Board.

### **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 identified by the Council.

4.2 There are no direct financial implications arising from this report, although the AGS makes 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

# 2016/17

## 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 2017 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 – Enterprise, 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, Procurement & 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 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.
- Business continuity plans ensure that critical service delivery can be maintained or recovered during an emergency.
- The Council has a corporate complaints procedure and specific complaints procedures for Adult Social Care, Children's Social Care, schools and complaints relating to elected members.

- 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 customer analytics, residents' surveys, focus groups and stakeholder consultation.

## 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 twice yearly.

- 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 receive 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 across the Halton Strategic Partnership structures.
- The Policy & Performance Boards have the opportunity to scrutinise decisions that have been taken by the Executive Board. There is also a 'call-in' mechanism, which allows an opportunity for further consideration of an issue before a decision 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, social media, 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.

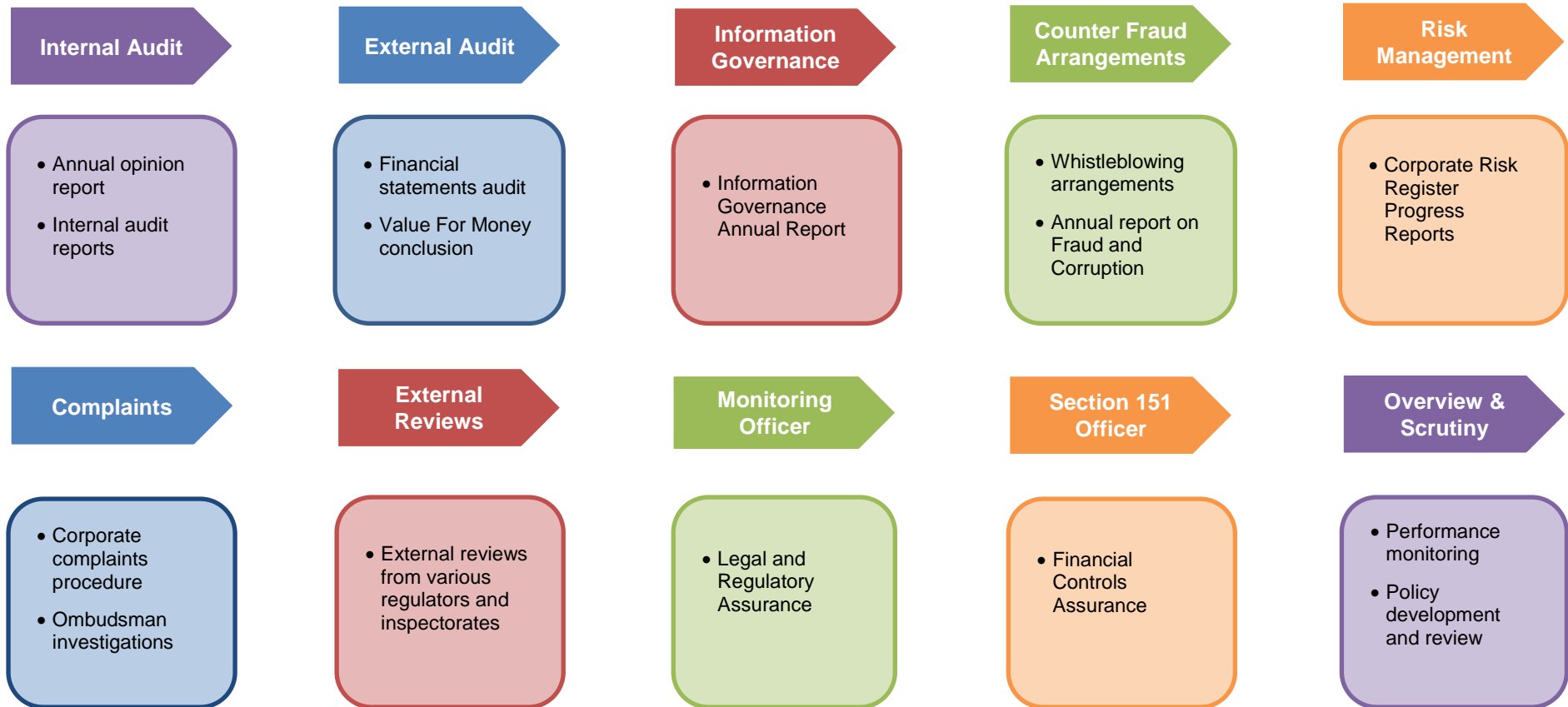
- The Council has developed and maintained a clear policy on how employees and their representatives are consulted and involved in decision-making. These arrangements include:
  - Trade Unions consultation
  - Staff surveys
  - Staff suggestion scheme
  - Online staff forum
  - Digital employee magazine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

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

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

# 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 2015/16?

The 2015/16 annual governance statement contained two key governance issues. Details of these issues and they were addressed are provided below:

## What the issue was:

The Council continued to face significant funding reductions whilst demand for Council services was increasing. It was forecast that the Council needed to identify £17.5m in savings to be able to set a balanced budget for 2017/18.

In light of these financial pressures, the Council acknowledged the need to maintain capacity and robust governance arrangements in order to deliver its corporate objectives and strategic priorities in 2017/18 and beyond.

## What we did:

In 2016/17 Elected Members were engaged at an early stage in the budget process via the Budget Working Group and 'All Member' seminars to facilitate early budget planning and to provide additional time to develop budget proposals. Given the scale of the forecast savings required for 2017/18, the Budget Working Group agreed to "even-out" the savings required over three years at £10m per annum by utilising reserves and including assumptions in the forecast regarding council tax increases. 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.

Further collaboration and sharing of services has been undertaken with neighbouring councils in order to generate efficiency savings and income, including provision of the Agresso financial system for Sefton Council. Consideration is being given to shared service arrangements for a number of services across the Liverpool City Region.

A balanced budget was set for 2017/18 and spending during the year was only marginally above 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 and by maintaining a robust control environment.



### What the issue was:

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 were still in the early stages of development at the time of the 2015/16 Annual Governance Statement and the Council acknowledged that it would need to consider any impact on its own governance arrangements.

The Council also recognised that devolution presented both challenge and opportunity to ensure positive outcomes for Halton by co-ordinating its efforts and various strands of activity in regard to the developing City Region agenda.

### What we did:

Elected Members and Senior Officers have been heavily involved in shaping the Liverpool City Region agenda, along with the other Constituent Authorities in the Region. Work has focused on transforming the Devolution Deal, which was signed in November 2015, into legislation that enables its delivery. This has then had to be translated into the Mayoral Combined Authority's Constitution. The Council, through the Leader and Chief Executive, has played a leading role in this process.

Clear governance arrangements will be crucial to the future success and operation of the Mayoral Combined Authority.

# What are the significant governance issues from 2016/17?

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><b><u>Funding</u></b></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 £10m in savings to be able to set a balanced budget for 2018/19.</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 2018/19 and beyond.</p>	<p>Strategic Director – Enterprise, Community &amp; Resources</p>	<p>February 2018</p>
<p><b><u>Liverpool City Region Combined Authority</u></b></p> <p>4 May 2017 saw the election of the first Liverpool City Region Mayor. The Mayoral Combined Authority will be adopting its revised Constitution at its Annual General Meeting that will put in place the governance arrangements required to deliver its original powers and duties, together with its new powers and duties which have arisen through the Devolution Deal. It will be important for Halton’s Members and Officers to be fully conversant with those powers and duties to ensure that Halton benefits from being within the LCR arrangements.</p> <p>It will also be important to ensure the Council has the capacity to fulfil its role within the LCR, which may in turn mean reviewing some of its own priorities.</p>	<p>Strategic Director – Enterprise, Community &amp; 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**

<b>REPORT TO:</b>	Business Efficiency Board
<b>DATE:</b>	7 June 2017
<b>REPORTING OFFICER:</b>	Strategic Director, Enterprise Community & Resources
<b>PORTFOLIO:</b>	Resources
<b>SUBJECT:</b>	Corporate Risk Register 2017/18
<b>WARD(S)</b>	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 progress of actions are noted;**

**2) the Board review the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements; and**

**3) the Board make such recommendations to the Executive Board as is necessary and appropriate.**

**3.0 SUPPORTING INFORMATION**

3.1 The report contains a progress commentary on the corporate risks for this year and will be taken to the Business Efficiency Board in order to determine the adequacy of arrangements.

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

3.3 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.

3.4 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 is reported to Management Team and Policy and Performance Boards.

- 3.5 Together with consultation with internal stakeholders, Directorate Risk Registers 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.
- 3.6 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.
- 3.7 Two new risks have been included, Delivery of Services to Vulnerable Adults and Making Halton Community Safe.
- 3.8 The risks have been grouped in order of priority and the scores relate to 'Unmitigated Risk Scores' and then to 'Mitigated Risk Scores'. As a result once the mitigation measures have been implemented, it reduces the scores and highlights the remaining 'Residual Risk Scores'.
- 3.9 In particular the risks have been reprioritised so that people, i.e. the community and staff, take priority. The headings and scores in order of priority are:
  - i. Delivery of Services to Vulnerable Adults (16:12);
  - ii. Safeguarding Children and Adults (16:12);
  - iii. Capacity and Resilience (16:12);
  - iv. Budget Reductions (16:12);
  - v. Making Halton Community Safe (12:8)
  - vi. Changes to Government Arrangements (12:8);
  - vii. Community Expectations (12:6);
  - viii. Mersey Gateway (12:4);
  - ix. Partnerships (12:4);
  - x. Fraud (9:6); and
  - xi. 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**

9.1 None under the meaning of the Act.

# Corporate Risk Register

Lead Strategic Director: **Ian Leivesley**

Risk Management Coordinator: **Tony Dean**

Initial Register Completion Date: **November 2011**

Register Review Date: **March 2017**

Progress update:

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## DELIVERY OF SERVICES TO VULNERABLE ADULTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
1	Failure to deliver quality services to vulnerable adults could negatively affect their health and wellbeing	4	4	16	A Healthy Halton / 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"> <li>• Effectively allocating and using available finances and resources in the delivery of services</li> <li>• Integration of Health and Social Care with a view to improving the outcomes for people using the services</li> <li>• Transformation of provider markets so that responsive and sustainable markets in adult social care can be developed and supported</li> <li>• Delivery of prevention and early intervention to vulnerable adults</li> <li>• Effective use of alternative funding streams and community assets</li> </ul>	4	3	12	6 monthly	Strategic Director - People (Milorad Vasic)

## SAFEGUARDING CHILDREN AND ADULTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
2	Failure to support and protect children and adults could adversely impact on their health, safety and 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"> <li>Halton's Children's and Adult's Safeguarding Boards fully operational with appropriate resources and are operating within statutory guidance and towards identified priorities</li> <li>Representatives from the Children's and Adult's Safeguarding Boards to work in partnership through attending corresponding boards</li> <li>Children's and Adult's Safeguarding Board's to work with strategic groups within the Borough to ensure accountability and effectiveness of safeguarding</li> <li>Services regularly audit Children's and Adult's cases for quality and consistency of practices</li> <li>Comprehensive suite of performance reports for Children's and Adult's are reviewed at least monthly and compared with regional and national benchmarks</li> </ul>	4	3	12	6 monthly	Strategic Director - People (Milorad Vasic)
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<ul style="list-style-type: none"> <li>• Progress reports for Children’s and Adult’s are taken to the Board and Members for their attention</li> <li>• Adults Safeguarding board has been restructured with view to enhancing representation, participation and, ultimately, information sharing with partner agencies and stakeholders</li> <li>• 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</li> <li>• 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</li> </ul>					
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## CAPACITY AND RESILIENCE

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
3	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"> <li>Maintaining a supportive working environment through shared service organisational ethos, pride and value across Members, staff, management, Unions and partners</li> <li>Focusing delivery of performance on the council's corporate vision and key strategic priorities leading to a clearly understood and shared set of priorities</li> <li>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</li> <li>Maintaining a workforce that are skilled, informed, flexible and competent in order to ensure that they deliver efficient and effective services</li> </ul>	4	3	12	6 monthly	All Strategic Directors

## BUDGET REDUCTIONS

Item	Identified risk	Impact <sup>1</sup> (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
4	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"> <li>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</li> <li>Effective Business Planning to ensure that appropriate resources are directed towards the Councils key strategic priorities</li> <li>Budget setting is aligned to the annual Business Planning Cycle in order to ensure that the value of financial resources are maximised</li> <li>Budget Risk Register works in conjunction with the Budget Setting Cycle to ensure that emerging budget risks are identified together with relevant mitigating measures</li> </ul>	4	3	12	6 monthly	Strategic Director - Enterprise Community Resources (Ian Leivesley)

<sup>1</sup> For scoring mechanism see Appendix 'A'

<ul style="list-style-type: none"> <li>• Exploring the potential for collaboration with neighbouring Local Authorities</li> <li>• Developing iterative processes to ensure that opportunities for partnership working are explored and, where appropriate, embraced</li> </ul>					
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## MAKING HALTON COMMUNITY SAFE

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
5	A failure to monitor and appropriately manage the risks created by global, national and local events, and how these might impact on local community tensions, could potentially lead to a threat to security and have an adverse effect on the stability of Halton's communities.	4	3	<b>12</b>	A Healthy Halton / Environment and Regeneration / 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"> <li>The Safer Halton Partnership (SHP) involves joint working, clear communications and information sharing across partner agencies, including emergency services, and assists to implement the Sustainable Community Strategy to ensure that there is community cohesion with safe and secure neighbourhood environments</li> <li>Multi agency Community Safety team that addresses anti-social behaviour and crime thus supporting the SHP agenda</li> <li>The Chanel Panel is a multi-agency group which provides support for those who are vulnerable to be drawn into terrorism through a programme of early intervention and diversion</li> <li>Emergency Planning team have developed and tested multi-agency plans in place for all risks within the borough that assist in the response to a Major Incident / Major Incident Standby</li> </ul>	4	2	<b>8</b>	6 monthly	Chief Executive (David Parr)

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"> <li>To respond to 'Major Accident' at Upper Tier COMAH sites; Emergency Planning Officers have tested and validated Emergency Plans</li> <li>Emergency Planning Team work in partnership with the Cheshire Resilience Forum to provide an integrated approach for dealing with emergencies across Cheshire.</li> <li>Critical Incident Management procedures, including 'lockdown', have been developed, communicated and tested for Council buildings and schools</li> <li>Security surveys conducted for main council buildings and schools</li> </ul>				6 monthly	Chief Executive (David Parr)



## CHANGES TO GOVERNMENT ARRANGEMENTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
6	Changes to Government arrangements and other public sector organisations could potentially lead to a deterioration of local services	4	3	12	A Healthy Halton / Employment, learning and skills / Children and Young People / A Safer Halton / Corporate effectiveness and business efficiency

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> <li>Ensuring that both Members and officers from the Council plays an active role in the Combined Authority for the Liverpool City Region</li> <li>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</li> </ul>	4	2	8	6 monthly	Chief Executive (David Parr)

## COMMUNITY EXPECTATIONS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
7	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"> <li>• Consultation and community engagement embedded in the partnership constitution</li> <li>• Utilising recognised mediums to identify, communicate and coordinate community expectations and priorities. These include:                             <ul style="list-style-type: none"> <li>Surveys;</li> <li>Customer analysis;</li> <li>On line services including consultation finder;</li> <li>Local and social media;</li> <li>Target consultation exercises for specific projects;</li> <li>Engagement through the activities of the specialist Strategic Partnerships;</li> <li>Service user groups;</li> <li>Elected member surgeries; and</li> <li>Other meetings</li> </ul> </li> </ul>	3	2	6	6 monthly	All Strategic Directors

<ul style="list-style-type: none"> <li>• Conducting Equality Impact Assessments with new and revised Policies</li> <li>• Honesty and integrity by the Authority in communicating with the public having regard to reducing budgets including promoting a self-help agenda</li> <li>• 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</li> </ul>					
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## MERSEY GATEWAY

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
8	Lack of effective management of and adherence to governance arrangements / contractual requirements or disrupted journeys could lead to 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)		
<u>Demand Management Participation Agreement (DMPA)</u> <ul style="list-style-type: none"> <li>• Base line is realistic and achievable</li> <li>• Agreed contract is designed to incentivise an increase in volumes of traffic</li> <li>• Mersey Gateway Crossings Board has a role in managing the DMPA</li> <li>• Effective publicity around speed and reliability of bridge</li> </ul> <u>Conclusion of Construction Phase to Subsequent Operating Phase</u> <ul style="list-style-type: none"> <li>• 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</li> </ul>	4	1	4	6 monthly	Strategic Director - Enterprise Community Resources (Ian Leivesley)

<ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• 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</li> <li>• 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</li> </ul>					
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## PARTNERSHIPS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
9	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"> <li>• 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</li> <li>• Maintaining financial probity with the 'pool' budgets, as appropriate, with partners through effective governance arrangements</li> <li>• Engagement with communities and partners on service priorities in order to identify and design alternative forms of delivery, as appropriate, maximising opportunities for joint working</li> <li>• Collaborating with partners to identify and address community issues</li> </ul>	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)
10	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"> <li>• The Business Efficiency Board monitors and reviews the adequacy of the Council's anti-fraud and corruption policies and arrangements</li> </ul> <p><u>External</u></p> <ul style="list-style-type: none"> <li>• The Authority is an active participant in the National Fraud Initiative</li> <li>• Fraud team focusses on external fraud committed by users of Council services</li> </ul> <p><u>Internal</u></p> <p>The Council maintains an effective system of internal control, which includes:</p> <ul style="list-style-type: none"> <li>• Relevant policies and systems, e.g. Procurement Standing Orders, Finance Standing Orders, etc.</li> <li>• Rigorous pre-employment checks of new employees</li> <li>• Whistleblowing arrangements</li> <li>• Anti-Fraud &amp; Corruption Strategy</li> <li>• Fraud Response Plan</li> <li>• Fraud and bribery awareness training</li> <li>• A continuous internal audit of the Council's systems and services</li> </ul>	3	2	6	6 monthly	Strategic Director - Enterprise 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)
11	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"> <li>• 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</li> <li>• 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</li> <li>• Corporate Funding Development team has meetings with all Departments to identify funding requirements and signpost to specific funding streams</li> <li>• Commercially focussed through establishing trading and income generation possibilities in order to protect and effectively use funds</li> <li>• Intelligent procurement processes for spending of goods and services that leads to annual savings targets</li> <li>• Corporate procurement practices to be consistently utilised</li> </ul>	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		10.9.15	Progress Commentary	01.4.16
5.0		01.4.16	Reviewed and updated	01.4.17
5.1		10.9.16	Progress Commentary	01.4.16

6.0		01.4.17	Reviewed and updated	01.9.17
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## 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.

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of the Local Government Act 1972.

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