

Public Document Pack



Business Efficiency Board

Wednesday, 23 September 2020 at 6.30 p.m.

Via Public Remote Access (please contact the Clerk named below for instructions)

A handwritten signature in black ink that reads 'David Wall'.

Chief Executive

BOARD MEMBERSHIP

Councillor Martha Lloyd Jones (Chair)	Labour
Councillor Andrea Wall (Vice-Chair)	Labour
Councillor Ellen Cargill	Labour
Councillor Alan Lowe	Labour
Councillor Andrew MacManus	Labour
Councillor Tony McDermott	Labour
Councillor Ged Philbin	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor Joe Roberts	Labour
Councillor Gareth Stockton	Liberal Democrats
Councillor John Stockton	Labour

*Please contact Gill Ferguson on 0151 511 8059
gill.ferguson@halton.gov.uk or Ann Jones on 0151 511 8276
ann.jones@halton.gov.uk for further information.*

The next meeting of the Board is on Wednesday, 18 November 2020

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

Part I

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1. MINUTES	1 - 6
2. DECLARATION OF INTEREST	
Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item.	
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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 Tuesday, 21 July 2020 Via Public Remote Access

Present: Councillors M. Lloyd Jones (Chair), Wall (Vice-Chair), E. Cargill, A. Lowe, MacManus, McDermott, Philbin, N. Plumpton Walsh, Joe Roberts, G. Stockton and J. Stockton

Apologies for Absence: None

Absence declared on Council business: None

Officers present: E. Dawson, I. Leivesley, M. Murphy and G. Ferguson

Also in attendance: One member of the press. Councillor Wharton under Standing Order 33, M. Heap and M. Green – Grant Thornton.

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

	<i>Action</i>
<p>BEB1 MINUTES</p> <p>The Minutes of the meeting held on 24th February 2020 were taken as read and signed as a correct record.</p> <p><i>N.B.Councillor John Stockton declared a disclosable other interest in the following item of business as he is a governor of St Martins RC Primary School.</i></p>	
<p>BEB2 AUDIT PROGRESS 2018/19 FINAL ACCOUNTS</p> <p>The Board considered a report of the Operational Director, Finance, on the latest position regarding the external audit of the Council's 2018/19 Statement of Accounts.</p> <p>The Board was advised that the Statement of Accounts set out the Council's financial performance for the year in terms of revenue and capital spending. It presented the year-end financial position as reflected in the balance sheet.</p> <p>It was reported that due to a number of technical accounting issues, the external auditor was not in a position to publish the audit certificate or opinion on the 2018/19</p>	

Statement of Accounts.

It was reported that the Council had published a notice on 31 July 2019 stating the reasons why it had not been able to publish the final Statement of Accounts. The final audited Statement of Accounts would be reported to the Board once the audit was complete, along with the Audit Findings report.

A Member queried the impact of Covid19 on internal audits and Officers advised that Covid19 had delayed certain internal audits such as those involving catering and bars.

In response to a Member query regarding how resilient were the Council's finances, the Board was advised that Covid19 had impacted on the Council's finances and created budget pressures. It was anticipated that it would continue to impact on the future Council budget setting process.

RESOLVED: That the external auditor's verbal update on progress be noted.

BEB3 INTERNAL AUDIT ANNUAL REPORT - 2019/20

The Board considered a report of the Divisional Manager, Audit, Procurement and Operational Finance, which summarised the work of Internal Audit during 2019/20 and presented an opinion on the effectiveness of the Council's overall risk management, control and governance processes.

It was noted that the Public Sector Internal Audit Standards (PSIAS) required the Head of Internal Audit to deliver an annual audit opinion and report which could be used to inform the Annual Governance Statement. In providing an overall opinion, account had also been taken of the unprecedented challenges faced by the Council in responding to Covid19. This inevitability continued to impact on the structure of the Council's risk management, control and governance processes both in terms of the Council response to the Pandemic and also in regard to the reset arrangements.

RESOLVED: That the Board notes and approves the Internal Audit Annual Report 2019/20.

BEB4 ANNUAL REVIEW OF THE CORPORATE RISK REGISTER
2020/21

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, on the updated Corporate Risk Register for 2020/21.

The Board was advised that the Council recognised its responsibility to manage both internal and external risks as a key component of good corporate governance.

It was reported that the Risk Control Measures had been reviewed and updated in line with current changes within the Authority and as proposed by managers and stakeholders. The risks had been grouped in order of priority, as set out in the report. The priority had been given to risks around people.

RESOLVED: That the update of actions be noted.

BEB5 REVIEW OF THE EXTERNAL AUDIT MARKET AND
2020/21 EXTERNAL AUDIT FEES

The Board considered a report which outlined a review of the external audit market commission by Public Sector Audit Appointments Limited (PSAA).

The Local Audit and Accountability Act 2014 abolished the Audit Commission, following which the Council's external audit contract was now procured and managed by Public Sector Audit Appointments Limited (PSAA). PSAA was an independent, not-for-profit company limited by guarantee, established by the Local Government Association to procure and manage external audit contracts for nearly 500 councils. The Council's contract with Grant Thornton for the provision of external audit service was for five years until 31st March 2023.

Since the new contracts were let in 2018, there had been increasing concerns raised by the nine approved firms regarding the higher assurance levels which they were now required to provide by the audit regulators, compared with the resources they had available to undertake such work based upon the level of fees which could be charged. In addition, the National Audit Office has introduced a new Code of Audit Practice from 2020/21, which would further increase audit assurance requirements.

As a result of these concerns, PSAA commissioned a review of the sustainability of the external audit market and

the prospects for any future audit procurement. The report presenting the outcomes of this review was shown in Appendix 1.

In addition, the report also detailed the Council's external audit scale fee for 2020/21. The fee would be £81,076 which was the same as the level set for the previous year. In a letter from the PSAA to the Chair of the Board and the Operational Director, Finance, it was highlighted that with so much turbulence currently in the external audit environment, additional fees were likely to arise for most if not all audit bodies. Any variations in fees however, would be discussed with the Council at an early stage and were then required to be approved by the PSSA.

Arising from the discussion, the Board was advised that work was ongoing to set the Council 2021/22 budget and it was anticipated that there would be a shortfall in Government Covid19 funding which would bring added pressures.

RESOLVED: That

1. the outcomes of the review of the external audit market commissioned by Public Sector Audit Appointments Limited (PSAA) be noted; and
2. the Council's external audit scale fee for 2020/21 of £81,076 be noted.

BEB6 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. Councillor John Stockton declared a disclosable other interest in the following item of business as he is a governor of St Martins RC Primary School.

COUNCILLOR WALL, VICE CHAIR IN THE CHAIR

BEB7 INTERNAL AUDIT PROGRESS REPORT

The Board considered a report of the Divisional Manager, Audit, Procurement and Operational Finance, which provided Members with a summary of internal audit work completed since the last progress report on 24 February 2020. The report also highlighted matters relevant to the Board's responsibilities as the Council's Audit Committee.

The 2019/20 Internal Audit Plan was approved by the Business Efficiency Board on 27 March 2019. The plan comprised a total of 895 days of audit work based on a forecast staffing establishment of 5.21 FTE staff.

At year-end, 684 days of audit work had been completed. This represented 76.4% of the total planned days for the year. The Board was kept informed throughout the year as to the reasons why all planned work would not be achieved by year-end. In order to manage the situation, the Board agreed to defer some planned work to the 2020/21 Audit Plan.

Most work relating to the 2019/20 Audit Plan was now complete and the remaining work would be completed as soon as possible. It had been necessary to delay some work that was in progress due to the Covid19 Pandemic. As part of the Council's business continuity arrangements members of the audit team have been seconded to other business areas to support the Council's response to

Covid19

It was noted that a total of 17 Internal Audit reports had been finalised since the last progress report. An overall assurance opinion was provided for each audit engagement. It was reported that there had been no follow-up audit reviews completed since the last progress report with the main focus of activity being supporting the Council's response to the Covid19 Pandemic and completing as many reviews as possible from the 2019/20 Internal Audit Plan.

RESOLVED: That the report be noted.

Meeting ended at 6.45 p.m.

REPORT TO: Business Efficiency Board

DATE: 23 September 2020

REPORTING OFFICER: Operational Director - Finance

PORTFOLIO: Resources

SUBJECT: Anti-Fraud & Corruption Update

WARD (S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 The Business Efficiency Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and corruption arrangements, which is a key aspect of the Council's risk management, control and governance framework.
- 1.2 This annual report updates the Board on developments in regard to the Council's anti-fraud and corruption activity. It consequently forms one of the sources of assurance supporting the Annual Governance Statement.

2.0 RECOMMENDATION: That the Board

- (i) Considers the annual update on anti-fraud and corruption related activity;**
- (ii) Notes the suite of anti-fraud related plans and policies; and**
- (iii) Endorses the draft Anti-facilitation of Tax Evasion Policy and recommends its adoption by the Council.**

3.0 SUPPORTING INFORMATION

- 3.1 This report provides:
- A commentary on the fraud risk landscape;
 - Details of a restructure of the Council's fraud investigation resource;
 - A summary of reported fraud and corruption activity from 2019/20;
 - Details of fraud investigation related information reported under the Transparency Code;
 - A summary of the whistleblowing complaints received and action taken;
 - An update on the National Fraud Initiative;
 - Details of ongoing and planned anti-fraud work;
 - Details of the review of the Council's suite of anti-fraud related plans and policies;

- A new draft Council policy relating to the anti-facilitation of tax evasion.

4.0 FRAUD RISK LANDSCAPE

- 4.1 All public bodies are at risk from fraud in one form or another. Acknowledging this fact is vital in developing and maintaining an effective anti-fraud response.
- 4.2 Whilst it is inherently difficult to quantify the level of fraud nationally, the Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million, constituting a third of all crimes in the UK.
- 4.3 As a unitary authority, the Council faces similar fraud risks to other local authorities providing the same services. Particular areas at risk of fraud and corruption are recognised as being:
- Insurance claims against the Council
 - Procurement
 - Supplier invoices
 - Council Tax – Single Person Discounts
 - Council Tax Reduction Scheme
 - Business Rates
 - Payroll & Pensions
 - Recruitment
 - Electoral fraud
 - School admission application fraud
 - Direct Payments
 - Adult Social Care – Financial Assessments
 - Financial abuse of vulnerable persons
 - Grants to individuals or organisations
 - Development control
 - Cash handling
 - Expenses
 - Blue badges and concessionary travel
- 4.4 Fraudsters continually revise their techniques and look for new opportunities to commit fraud. It is widely acknowledged that the COVID-19 pandemic has provided such an opportunity for criminals who wish to try and take advantage of the situation.
- 4.5 Since the start of the pandemic, the risk of fraud and error has increased as public sector organisations become stretched, and controls and governance arrangements have needed to adapt. These risks are increasing for a range of reasons, which include:
- Public-sector staff working remotely and under extreme pressure.
 - An increase in phishing emails and scams, which try to get staff to click on links allowing fraudsters to access public-sector systems.

- Government stimulus packages to support individuals and businesses being provided quickly, possibly with a lower level of scrutiny and due diligence than would normally be in place.
- Massively increased demand for items such as PPE and hand sanitiser, which has seen new suppliers setting up, increasing the risk of procurement fraud.

4.6 It is recognised that the fraud threat posed during emergency situations is higher than at other times, and it is therefore important that the Council remains attuned to the changing fraud risk landscape.

4.7 In order to keep abreast of the ever-evolving fraud risks, and to support the wider Council, the Investigations Team has continued to share intelligence and best practice with other local authorities and the regional fraud groups. The team also continues to receive fraud updates and bulletins from a range of sources, which include:

- National Anti-Fraud Network
- Action Fraud
- Cabinet Office
- The Chartered Institute of Public Finance and Accountancy
- Institute of Internal Auditors
- iCAN (Consumer Alert Network)

4.8 In support of the Council's response to COVID-19, the Investigations Team recently completed a fraud risk assessment relating to the business support grants paid in response to the pandemic. Additionally, the team completed over 1,400 post payment verification checks on the grant payments.

5.0 INVESTIGATIONS TEAM

5.1 A minor restructure of the Council's investigations team was implemented during 2019/20. The previous structure comprised two Fraud Investigation Officers and one Human Resources Investigating Officer. The revised structure has established three generic posts that have responsibility for undertaking both fraud investigation work and employee relations investigations. The posts are based in the Audit & Investigations Team and report to the Audit & Investigations Manager.

5.2 The restructure has been very successful. The main benefit of the revised structure has been the ability to distribute the team's workload across all three officers, thereby creating more flexibility to prioritise work and to allocate resources as required. This has improved the capacity of the service enabling investigations to be concluded more quickly. In terms of employee related investigations, this reduces the time that a person is under investigation and minimises the impact on that person's welfare. More timely completion of employee related investigations can also reduce the cost to the Council where an employee is suspended, in addition to reducing the impact of their absence on Council business. Sharing the

workload across the whole team has also enabled the service to become more resilient.

6.0 FRAUD & CORRUPTION IN 2019/20

6.1 A summary of the outcomes from the fraud investigation work completed in 2019/20 is shown in the following table:

Fraud Type	No.	Value £	Outcome
Council Tax	138	52,577	Council tax bills amended and sums owed being recovered
Direct Payments	1	4,916	Error on Direct Payments account – A client moved out of the Halton area and their services continued to be funded by Halton. The error was identified and the client's care is now correctly funded by the local authority where the client now resides.
	1	262,655	A social care client feigned disabilities in order to obtain Direct Payments from Halton and another local authority. The investigation resulted in a successful criminal prosecution and custodial sentence.
Total	140	£320,148	

NB – Council Tax frauds include:

- Council Tax Reduction incorrectly claimed
- Single Person Discount incorrectly claimed
- Council Tax evasion

6.2 There was an increase in the number of Council Tax investigations that resulted in fraud or error being identified in 2019/20 when compared to the previous year, which totalled £33,395. The figures for 2019/20 are however, comparable to 2017/18, when there was 148 cases with a value of £44,540. It is not unusual for the level of fraud to fluctuate year to year.

6.3 The largest fraud from 2019/20 was a complex Direct Payment fraud, which involved multiple claims, multiple fake identities and counterfeit documents. The fraud was ongoing for a number of years before it was identified and stopped by the Council's Direct Payments team.

6.4 The victims of the fraud were all public sector organisations. The investigation was commenced and led by Halton, working closely with the DWP's Serious and Organised Crime Unit.

6.5 The perpetrator was originally arrested in December 2017 and then again in January 2020. Due to the size and complexity of this fraud securing a prosecution

was a lengthy process. The perpetrator entered a guilty plea for 34 of 36 charges laid against her, with her daughter a co-defendant entering a guilty plea for one of three charges against her.

- 6.6 The total loss to the public purse was £1,010,090 with the Council's share being £262,654. The perpetrator received a custodial sentence of three years and eight months. Her daughter, the co-defendant, received an 18 month sentence suspended for two years with a requirement to also conduct 155 hours of unpaid work.
- 6.7 During the year, the Investigation Team has made significant use of the Fraud Sanction and Prosecution Policy, which was previously approved by the Board. The policy allows the Council to impose a financial penalty where a person has supplied incorrect information, failed to notify the Council of a change of circumstances, or failed to provide information when asked in regard to their Council Tax. It also allows the option to offer a financial penalty as an alternative to prosecution. During the year 158 penalties were issued, totalling over £18,830.

7.0 TRANSPARENCY CODE REPORTING REQUIREMENTS

- 7.1 The Local Government Transparency Code requires the Council to publish data regarding its fraud arrangements. The following table is a summary of these requirements together with the corresponding information on the Council's fraud arrangements. This information is also published on the Council's website.

Reporting requirement		HBC Arrangements
1.	Number of occasions the Council have used the powers under the Prevention of Social Housing Fraud Regulations 2014 or similar powers.	Nil
2.	Number (absolute and FTE) of employees undertaking investigations and prosecutions of fraud	Three
3.	Number (absolute and FTE) of professionally accredited counter fraud specialists	Four
4.	Total amount spent by the authority on the investigation and prosecution of fraud	£87,749
5.	Total number of fraud cases investigated	140

8.0 WHISTLEBLOWING

- 8.1 The Council operates a Whistleblowing Policy (the Confidential Reporting Code) that allows employees, agency workers and contractors to raise any concerns confidentially through a variety of channels. All complaints received are assessed and further investigations undertaken where appropriate.

- 8.2 Three whistleblowing complaints were received during 2019/20, which is the same number as in 2018/19. The following table summarises the nature of the complaints, the action taken and the outcome.

Allegation	Action taken	Outcome
Issues regarding conduct at a Nursing Home owned by HBC	Reviewed internally by service area	Established no further action was required
Issues regarding the conduct at a Nursing Home owned by HBC	Reviewed internally by service area	Established no further action was required
Personal use of the Council's ICT equipment within working hours without management consent	Disciplinary investigation	Employee resigned

- 8.3 The Council also operates a confidential reporting system through which members of the public can submit any concerns relating to fraud, misconduct or other issues. This is actively promoted through the Council's fraud awareness activities.
- 8.4 In 2019/20, 75 referrals were received, which is a reduction on the 129 referrals received in 2018/19.
- 8.5 A summary of the referrals received is provided below:

Service / Function	No.
Council Tax / Council Tax Reduction	43
Housing Benefit / Disability Living Allowance / Universal Credit / Working Tax Credits *	9
Blue Badges	8
Business Rates	3
Employment relations	1
Insurance	1
Trading Standards	1
Mersey Gateway	1
Issues relating to other organisations	8
Total	75

* These were referred to the DWP Single Fraud Investigation Service (SFIS) for investigation

8.6 All referrals received are assessed and investigations undertaken where sufficient information is provided. The outcomes of these investigations have been included in the 2019/20 fraud figures provided earlier in this report, where appropriate.

9.0 NATIONAL FRAUD INITIATIVE

9.1 The National Fraud Initiative (NFI) is a sophisticated data matching exercise which matches electronic data within and between participating bodies to prevent and detect fraud. NFI is managed by the Cabinet Office.

9.2 It is important to note that the data matches received from NFI only indicate that there is a possibility of fraud or error. Each data match identified as part of the NFI is assessed and investigated if there is an indication that fraud has been committed.

9.3 The Council is currently in the process of completing the final review of the data matches received from the 2018/19 NFI exercise. The exercise produced 4,400 matches to be investigated, which has resulted in the identification of just 13 instances of fraud or error, totalling £14,854. Whilst the return from NFI 2018/19 was relatively modest, this can be viewed positively. It may be an indication of generally low levels of fraud within Halton. It may also indicate that the Council operates strong systems of control in the areas covered by the exercise.

9.4 Work has also now commenced preparing the data submissions required for the 2020/21 exercise. The data is required to be submitted in November 2020, with the results of the matching being received by the Council in February or March 2021.

The data sets included in NFI 2020/21 cover the following areas:

- Blue badges
- Creditors history
- Concessionary travel passes
- Creditors standing
- Council tax reduction scheme
- Housing benefit claimants (provided by the DWP)
- Personal budgets (direct payments)
- Personal alcohol licence
- Payroll
- Private residential care homes
- Waiting lists
- Council Tax
- Electoral register
- Pensions
- Housing tenants
- Right to buy
- Students eligible for a loan (data provided by the Student Loans Company)

9.5 The cost to the Council of participating in NFI 2020/21 is £3,900. Participation for the Council is mandatory.

10.0 ONGOING ANTI-FRAUD WORK

10.1 In July 2019, the Board was informed of an ongoing plan of work for the fraud team, which included:

- Development of the functionality of the fraud management system to assist further in the delivery of fraud investigations;
- Continued development of the joint working arrangement with the DWP;
- Completion of an internal data matching exercise with the intention of identifying potential fraud;
- Completion of the review of the matches received from both the National Fraud Initiative and the Business Rates data-matching pilot;
- Continued promotion of the anti-fraud campaign ('Stamp Out Fraud');
- Responding to all fraud referrals received.

10.2 All planned activities for 2019/20 have either been completed or commenced as planned. The Investigation Officers continue to use and develop the functionality of the case management system. By doing this the service has been able to eliminate the use of paper investigation files. This is more efficient and has enabled the investigators to continue to work on investigations from home as part of new working arrangements due to COVID-19.

10.3 The Council has been working with the DWP in jointly investigating frauds that involve DWP benefits and Council Tax relief. However, this arrangement has temporarily been put on hold, as the DWP stopped all local anti-fraud activities due to the pandemic. This is because the DWP has re-assigned its local investigators to help process benefit applications. When the DWP re-commences local fraud investigations, the Council will seek to start joint working again.

10.4 The team has continued to promote the 'Stamp out Fraud' campaign, and is developing a new e-learning fraud awareness package for all staff and elected members.

10.5 Work has also commenced with Merseyflow collecting data to enable a data matching exercise to be completed. This is intended to identify potential single person discount fraud and / or fraudulent applications for local user discount permits.

10.6 The ongoing plan of work for 2020/21 includes:

- Further development of the functionality of the fraud management system to assist the delivery of fraud investigations;

- Recommencement of joint working arrangements with the DWP and further development of that working relationship;
- Completion of the data matching exercise with Merseyflow;
- Completion of a data matching exercise with our neighbouring authorities in regard to Business Support Grant payments. The objective is to identify potential cross-border fraud;
- Launching a new e-learning fraud awareness package for all staff and elected members;
- Responding to all fraud referrals received;
- Reviewing the Council's arrangements for tackling fraud and corruption against the requirements of the new Fighting Fraud and Corruption Locally 2020, which is the updated counter fraud and corruption strategy for local government.

11.0 FRAUD RELATED POLICIES

- 11.1 Fraud is highlighted in the Corporate Risk Register as one of the key risks faced by the Council. To mitigate this risk the Council has developed a comprehensive suite of linked policies, which include:
- Anti-Fraud, Bribery and Corruption Policy
 - Fraud Response Plan
 - Fraud Sanction and Prosecution Policy
- 11.2 These policies were last presented to the Business Efficiency Board for approval in July 2019. The documents have been reviewed and are still considered fit for purpose. As such, no changes are proposed. For information purposes, copies of the documents are attached at Appendices A, B and C.
- 11.3 To complement the existing suite of policies, a new Anti-facilitation of Tax Evasion Policy has been developed. This policy is in response to Part 3 of the Criminal Finances Act 2017, which creates a new corporate criminal offence where a corporate entity fails to prevent the facilitation of tax evasion by its staff, agents or contractual associates.
- 11.4 The policy reaffirms the Council's commitment to conducting all of its business in an honest and ethical manner. It also sets out the Council's zero-tolerance approach to the facilitation of tax evasion, whether under UK law or under the law of any foreign country.
- 11.5 The policy explains that employees of the Council, its agents and contractual associates must not undertake any transactions which:
- Cause the Council to commit a tax evasion offence; or
 - Facilitate a tax evasion offence by a third party.

- 11.6 Work has commenced on developing an e-learning training package that will be rolled out to all key officers to raise awareness of the policy once it has been approved. The draft policy is attached at Appendix D.

12.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

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

- 12.2 There are no direct financial implications arising from this report.

13.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

13.1 Children and Young People in Halton

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

13.2 Employment, Learning and Skills in Halton

See 13.1

13.3 A Healthy Halton

See 13.1

13.4 A Safer Halton

See 13.1

13.5 Halton's Urban Renewal

See 13.1

14.0 RISK ANALYSIS

The Council, as a large organisation providing many services, is at risk of loss due to fraud and corruption. The impact of fraud on the Council can have consequences that are serious and potentially far reaching. Financial loss is the obvious key risk but fraud and corruption can also undermine public confidence and cause significant reputational damage. In order to mitigate this risk the Council needs to maintain robust arrangements to prevent and detect fraud.

15.0 EQUALITY AND DIVERSITY ISSUES

None

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

None

Fraud Response Plan

1. Introduction

- 1.1 Halton Borough Council is committed to the highest possible standards of propriety and accountability in all its affairs. It is determined to develop a culture of honesty and opposition to fraud and corruption.
- 1.2 In line with this commitment, the Anti-Fraud, Bribery & Corruption Policy outlines the principles the Council is committed to in relation to preventing, reporting and managing fraud and corruption.
- 1.3 The Fraud Response Plan reinforces the Authority's approach by:
 - Defining the types of activity that would require the implementation of this plan;
 - Setting out how employees or members of the public can voice their concerns about suspected fraud and corruption;
 - Outlining how the Council will deal with such complaints.
- 1.4 This Plan is one of a suite of documents that collectively constitute the policies of the Council in relation to anti-fraud and anti-corruption. The other key documents include:
 - Anti-Fraud, Bribery & Corruption Policy
 - Local Code of Corporate Governance
 - Finance Standing Orders
 - Procurement Standing Orders
 - Member Code of Conduct
 - Employee Code of Conduct
 - Confidential Reporting Code (Whistleblowing Policy)
 - Fraud Sanction and Prosecution Policy

2. Defining Fraud and Corruption

- 2.1 The Fraud Response Plan is intended to be implemented where suspicions of fraud or corruption have been raised:

Fraud is defined as:

Acting dishonestly with the intention of making a personal gain or a gain for another, or inflicting a loss (or a risk of loss) on another; this includes but is not limited to:

- *Dishonestly making a false representation*
- *Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose*
- *Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006.*

Corruption is defined as:

The offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person.

2.2 Fraudulent or corrupt acts may therefore include:

Financial issues

Where individuals or organisations fraudulently obtain money or a financial gain from the Council, (e.g. insurance claims, Council Tax Single Person Discounts)

Asset issues

Where Council assets are misappropriated or used for personal use (e.g. theft of Council equipment, information or materials)

Accounting issues

Where employees falsify or alter accounting or other records (e.g. unauthorised amendment of financial records or timesheets)

Other issues

Activities undertaken by officers or elected members which may:

- Be unlawful;
- Contravene Standing Orders or Council policies,
- Fall below established standards or practices, or amount to improper conduct.

2.3 This is not an exhaustive list. Advice regarding the seriousness of any concerns can be obtained from the Divisional Manager – Audit, Procurement & Operational Finance.

3. Reporting suspected fraud and corruption

3.1 Any officer shall immediately report to the Divisional Manager – Audit, Procurement & Operational Finance, either directly or through line management, or via the Council's Confidential Reporting Code, any circumstances which suggest the possibility of financial irregularity or loss. The circumstances will be reviewed and the necessary action will be taken by way of investigation, report, sanction and recovery.

3.2 The Council's Confidential Reporting Code is intended to encourage and enable employees to raise serious concerns within the Council. This policy document makes it clear that concerns may be raised without fear of victimisation, subsequent discrimination or disadvantage. The policy applies to all employees and those contractors working for the Council on Council premises, e.g. agency staff, builders, drivers, consultants. It also covers suppliers and those providing services under a contract with the Council in their own premises, e.g. care homes.

3.3 The Council's Confidential Reporting Code provides details as to how concerns of fraud or corruption may be reported:

- Operational Director and Monitoring Officer (Legal and Democratic Services);
- Strategic Director – Enterprise, Community & Resources
- Divisional Manager – Audit, Procurement & Operational Finance

- Chair of the Standards Committee (who can be contacted by a letter addressed to the Chair of the Standards Committee and sent to the Municipal Building, Kingsway, Widnes, WA8 7QF).

4. Investigating suspected fraud and corruption

- 4.1 The Single Fraud Investigation Service of the DWP investigates and prosecutes Social Security welfare benefits and tax credit fraud. As a result, the Council will not complete any investigations of Housing Benefit fraud. The Council may complete joint investigations with the DWP. The decision to conduct any joint investigation will be made on a case-by-case basis and will be completed in compliance with the joint working arrangements agreed between the DWP and the Council.
- 4.2 For non-benefit related matters, the decision as to whether or not an investigation is warranted will be made by the Divisional Manager – Audit, Procurement and Operational Finance.
- 4.3 The action taken by the Council will depend on the nature of the concern. The matter raised may be investigated internally or referred directly to the Police.
- 4.4 All internal investigations will normally be led by the Audit and Investigations Team, and each case will be judged on its merit. The purposes of any investigation shall be to:
- Establish the facts of any suspected fraud in order to inform decisions regarding further action;
 - Clear innocent persons of any suspicion;
 - Enable the recovery of losses;
 - Assist with the prosecution and sanction of offenders;
 - Improve systems and controls to prevent and deter fraud and corruption in the future.
- 4.5 Investigations will be assigned to a lead officer who is suitably qualified and experienced. The officer will ensure that the investigation is conducted impartially and objectively, and will, as appropriate:
- Determine and plan the resources needed for the investigation;
 - Carry out the investigation in a timely manner ensuring that all allegations are properly investigated and reported on;
 - Comply with all relevant statutory requirements, codes of practice, and the ethical standards of relevant professional bodies;
 - Ensure that the identity of the person raising the concern is protected wherever possible;
 - Ensure that all evidence obtained is properly recorded and retained securely;

- Liaise as appropriate with the Operational Director (Legal and Democratic Services), Insurance Manager, the Police or other relevant agencies as required;
- Assist management in implementing the Council's disciplinary procedures;
- Advise and assist management in implementing improved procedures where necessary.

4.6 Where an investigation requires 'directed surveillance' or uses a 'covert human intelligence source', the investigating officer(s) must ensure that the investigation is undertaken in accordance with the Authority's RIPA policy. Any such surveillance may only be undertaken after the appropriate authorisation has been obtained by an officer with delegated powers under the policy.

4.7 At the conclusion of the investigation, the investigating officer(s) will produce a report setting out all of the facts relating to the case. The report shall be submitted to the Divisional Manager – Audit, Procurement and Operational Finance to determine how the matter should be progressed to a resolution. Dependent upon the circumstances of the case this decision may be taken in conjunction with the Strategic Director – Enterprise, Community & Resources, Operational Director (Legal and Democratic Services), Operational Director – Finance or the Chief Executive.

5. Recovery and Sanctions

5.1 Where an investigation indicates fraud or corruption, the Council will use the full range of sanctions available to it, including criminal prosecution, civil recovery, internal discipline and referral to other law enforcement agencies and professional bodies in order to deter fraud, bribery and any other associated offences.

5.2 The Council's disciplinary procedures will be used where the outcome of an investigation indicates improper behaviour. This may be in addition to any other recovery action or sanctions. Referral to the Police will not prohibit action under the disciplinary procedure.

6. Review of the Fraud Response Plan

The Fraud Response Plan will be reviewed and updated as required to reflect new legislative requirements, professional developments and any other relevant matters.

Fraud Sanction and Prosecution Policy**1. Policy Statement**

- 1.1 Halton Borough Council (the Council) will use the full range of sanctions available to it in order to deter fraud, bribery and any other associated offences. These sanctions may include criminal prosecution, civil recovery, internal discipline and referral to professional bodies. The Council will utilise its own Legal Services or agent solicitors and the Crown Prosecution Service to conduct prosecutions where appropriate. The Council will refer matters to the police and other law enforcement agencies or regulators where appropriate and support those agencies in bringing proceedings.

2. Introduction

- 2.1 The Council's Anti-Fraud, Bribery and Corruption Policy sets out the Council's aims and objectives with regard to tackling fraud and associated offences. The Council will seek the strongest possible sanction against any individual or organisation that defrauds, or seeks to defraud the Council. The use of sanctions will be governed by this policy and the principles of the policy shall apply equally to any fraud against the Council or against funds for which the Council has responsibility.
- 2.2 The objectives of this policy are:
- To ensure that the Council applies a full range of sanctions in a just and consistent manner;
 - To ensure that sanctions are applied in an effective and cost efficient manner;
 - To ensure that the sanction decision making process is stringent, robust and transparent.
- 2.3 This policy provides a framework to ensure the most appropriate resolution to a case is reached. The sanction decision will have regard at all times to the Council's Anti-Fraud, Bribery and Corruption Policy objectives, the individual circumstances of each person concerned and the overall impact of the sanction to both the individual and the community.
- 2.4 A range of sanctions are available to the Council. These include disciplinary action, civil recovery action, criminal proceedings and civil penalties. In appropriate cases the Council may take more than one form of action. For example, if an employee defrauds the Council, disciplinary action, prosecution and civil recovery action may all be taken.
- 2.5 When considering a case for prosecution it is generally accepted that there are two "tests" to be applied – the evidential test and the public interest test. These are currently set out in the Code for Crown Prosecutors 2018. The Evidential Stage test must be considered prior to the Public Interest Stage.

3. Evidential Stage Test

- 3.1 Investigators and prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. They must consider what the defence case may be, and how it is likely to affect the prospects of conviction. A case which does not pass the evidential stage must not proceed, no matter how serious or sensitive it may be. The evidence must be acquired in a form which can be used by the court and be admissible and there must be enough evidence to form a realistic prospect of conviction.
- 3.2 In order to ensure that a “realistic prospect of conviction” exists, Investigation Officers will at all times ensure that investigations are conducted in accordance with all relevant legislation and Codes of Practice with regard to evidence gathering, interviewing and rules of disclosure.
- 3.3 The evidence gathered will be examined in the first instance by the investigator and their manager. When both are satisfied that sufficient evidence exists to successfully prosecute and that the Public Interest Stage is also satisfied the case file will be passed on to either the Council’s Legal Services, agent solicitors, or the Crown Prosecution Service. All prosecutors will then apply their own inspection of the evidence to ensure that both tests are met. Alternatively the case file may be passed to the police, other law enforcement agencies or regulators if appropriate.

4. Public Interest Test

- 4.1 A prosecution will usually take place unless the prosecutor is sure that public interest factors tending against prosecution outweigh those tending in favour. The more serious the offence or the offender’s record of criminal behaviour, the more likely it is that a prosecution will be required in the public interest. Aggravating and mitigating factors will be taken into consideration when deciding on the appropriate sanction as set out in the Code for Crown Prosecutors.

5. Sanctions Available

- 5.1 Legislation enables the Council to apply formal sanctions where appropriate these include:
- Imposing a financial penalty where a person has supplied incorrect information, failed to supply information requested or failed to notify the Council of a change of circumstances.
 - Offering a financial penalty as an alternative to a prosecution, or
 - Instigating prosecution proceedings.

The Council will only apply a formal sanction where permitted by certain legislation. Cases may however, be referred to the police or other law enforcement agencies for investigation. This may subsequently result in referral to the Crown Prosecution Service or other prosecutor.

5.2 **Penalty as Alternative to Prosecution**

5.2.1 A financial penalty can be offered as an alternative to prosecution. This will be offered usually in circumstances not deemed serious enough for prosecution and where the evidence indicates that:

- It was a first offence, or
- There was no planning involved, or
- There was no other person involved, and
- The person's circumstances and demeanour towards the offence indicates that a financial penalty would be the most appropriate action.

5.2.2 In these circumstances the Council may make an offer of a financial penalty as an alternative to prosecution in addition to requiring full repayment of the overpayment. However, there must be sufficient evidence to justify a prosecution. An individual does not have to admit an offence has been committed for a financial penalty to be offered as an alternative to prosecution. If a person refuses the offer of a financial penalty as an alternative to prosecution the case will be recommended for prosecution. The decision to issue a financial penalty as an alternative to prosecution, where permitted by certain legislation, will lay with the Divisional Manager – Audit, Procurement & Operational Finance.

5.3 **Financial penalty**

5.3.1 A financial penalty is a penalty that can be imposed where a person has negligently supplied incorrect information or failed to supply information that affects the amount of council tax support paid or council tax billed. An individual does not have to admit an offence has been committed for a Financial Penalty to be applied.

5.3.2 The decision to issue a financial penalty, where permitted by certain legislation, will lay with the Divisional Manager – Audit, Procurement & Operational Finance.

5.4 **Prosecution**

5.4.1 Prosecution proceedings will usually be instigated only after the evidential and public interest tests are satisfied as detailed in the Code for Crown Prosecutors.

5.4.2 Prosecution will be considered where:

- It was not a first offence, or
- The fraud has been deliberate and calculated, or
- The fraud had continued over a long period; or

- The person has failed to attend an interview under caution; or
- There were other persons involved in the fraud, or
- The person has declined the offer of a Financial Penalty or withdrawn agreement to pay a Financial Penalty.

5.4.3 The Council recognises that prosecution is a serious step to take and the decision to refer cases for prosecution will not be taken lightly. The ultimate decision on prosecution will be taken by the prosecuting body. In some cases this will be the Council, through the Council's Legal Services or agent solicitors, and in others the Crown Prosecution Service. The decision to refer cases to a prosecuting body will be taken by the Operational Director – Finance, the Strategic Director – Enterprise, Community and Resources or the Chief Executive.

5.5 Referrals to police, other law enforcement agencies or regulators

5.5.1 Referrals to police, other law enforcement agencies or regulators may occur in cases of staff fraud or the fraud is complex and/or of a serious nature. The decision to refer cases to the police or other agencies for investigation will be taken by the Operational Director – Finance, the Strategic Director – Enterprise, Community and Resources or the Chief Executive.

6. Publicity

6.1 It is the Council's intention to positively promote this policy as well as the outcome of any prosecutions, which will deter others from fraudulent activity.

7. Reporting and Review

7.1 An annual report on fraud and corruption matters will be produced for the Business Efficiency Board. This will provide a summary of actions taken under this Policy.

7.2 The Policy will be subject to periodic review and approval by the Business Efficiency Board, which is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and corruption policies and arrangements.

Anti-Fraud, Bribery & Corruption Policy**1 Introduction**

1.1 Halton Borough Council (the Council), has a duty to ensure that it safeguards the public money for which it is responsible. The Council expects the highest standards of conduct and integrity from all that have dealings with it, including employees, elected members, contractors, volunteers and the public.

1.2 The Council is committed to the elimination of fraud and corruption and to ensuring that all activities are conducted ethically, honestly and to the highest possible standard of openness and accountability so as to protect public safety and public money.

2 Policy Statement

2.1 The Council has a zero tolerance approach to fraud, bribery and corruption. This Policy outlines how the Council delivers an effective approach to managing the risk of fraud, bribery and corruption.

2.2 The aim of this Policy is to:

- Help prevent fraud, bribery and corruption;
- Promote early detection and ensure its effective investigation;
- Apply sanctions where appropriate and
- Ensure the recovery of any financial loss where possible.

3 Scope

3.1 The responsibility to control the risk of fraud, bribery and corruption occurring resides at all levels of the organisation.

3.2 This Policy applies to all employees and elected members. For the purpose of this Policy the term 'employee' refers to all full-time and part-time employees, temporary employees, agency workers, contractors and consultants.

3.3 This Policy should be read in conjunction with the Fraud Response Plan, Confidential Reporting Code (Whistleblowing Policy) and the Fraud Sanction and Prosecution Policy.

4 Definitions

4.1 The following definitions can be found at Appendix 1.

- Fraud
- Bribery
- Corruption
- Money Laundering

5 Aims & Objectives

- 5.1 In ensuring that necessary steps are taken to ensure that the public's assets and interests are protected, the Council will:
- Actively seek out instances of fraudulent and corrupt practices and pursue the perpetrators to the full extent of the law;
 - Encourage people with concerns about potential fraud, bribery and corruption to inform the Council of their suspicions;
 - Treat complaints of potential fraud, bribery and corruption positively, fairly and equitably;
 - Regularly review its own procedures to ensure they offer effective protection of the Council's interests and reputation.
- 5.2 Delivery of these aims and objectives requires the establishment, communication and maintenance of:
- Top level commitment to prevent fraud, bribery and corruption;
 - An anti-fraud, bribery and corruption culture;
 - Supporting policies and strategies;
 - Proportionate procedures to prevent fraud, bribery and corruption;
 - Reporting and investigation arrangements;
 - Access to information and publicity;
 - Communication and awareness training.

6.0 CULTURE

- 6.1 The prevention and detection of fraud, bribery and corruption and the protection of public money are responsibilities of everyone, both internal and external to the organisation. The Council's elected members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence. The public also has a role to play in this process and should inform the Council if they feel that fraud, bribery or corruption may have occurred.
- 6.2 The Council will ensure that any allegations received, including by anonymous letter or telephone call, will be taken seriously and investigated in an appropriate manner. The Council has a Confidential Reporting Code (Whistleblowing Policy) that sets out the approach to dealing with these types of allegation in more detail.
- 6.3 The Council will deal firmly with those who defraud or attempt to defraud the Council or who are corrupt, or where there has been financial malpractice. Any sanctions applied will be in compliance with the Council's Fraud Sanction and Prosecution Policy and or the Council's Disciplinary Policy.
- 6.4 When fraud or corruption has occurred due to a breakdown in the Council's systems or procedures, management will ensure that appropriate improvements in systems of control are implemented in order to prevent a recurrence.

7 Responsibilities

- 7.1 All elected members, employees, consultants, contractors, service users and any other external partner organisations play a key role in the prevention and detection of fraud and corruption. They all have responsibility for ensuring they comply with the Council's policies, procedures and controls, which are intended to prevent and or identify fraud and corruption within the Council.
- 7.2 The Council expects all elected members, employees, consultants, contractors, service users and any other external and partner organisations to uphold the highest standards of integrity in their dealings for, and on behalf of the Council.
- 7.3 Key officers and service areas within the Council have specific responsibilities for the prevention, detection, and investigation of fraud and corruption. The responsibilities for the following officers and service areas can be found detailed at Appendix 2.

8. Reporting and Review

- 8.1 An annual report providing an update on fraud and corruption matters will be presented to the Business Efficiency Board, which is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and corruption policies and arrangements.
- 8.2 This Policy forms part of the Council Constitution and is therefore subject to annual review. Any significant revisions will however be reviewed and endorsed by the Business Efficiency Board.

Definitions

Fraud

Fraud can be broadly described as acting dishonestly with the intention of making a personal gain or a gain for another, or inflicting a loss (or a risk of loss) on another; this includes but is not limited to:

- Dishonestly making a false representation
- Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose
- Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006.

Bribery

The Bribery Act 2010 defines bribery as ‘the inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages whether monetary or otherwise’.

There are four key offences under the Bribery Act 2010:

- Offence of bribing another person
- Being bribed
- Bribery of foreign public officials
- Failure of commercial organisation to prevent bribery

Bribing another person; offences are committed where a person:

- Offers, promises or gives a financial, or other advantage to another person, and intends the advantage to induce a person to perform improperly a relevant function, or activity or to reward a person for the improper performance of such a function or activity or
- Offers, promises or gives a financial or other advantage to another person and knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity

Being bribed; offences are committed where a person:

- Requests, agrees to receive or accepts a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly
- Requests, agrees to receive or accepts a financial or other advantage and the request, agreement or acceptance itself constitutes the improper performance of the person of a relevant function or activity
- Requests, agrees to receive or accepts a financial or other advantage as a reward for the improper performance of a relevant function or activity; or

- In anticipation of or in consequence of the person requesting, agreeing to receive or accepting a financial or other advantage, a relevant function or activity is performed improperly

Bribery of foreign public officials; offences are committed where a person:

- Intends to influence a foreign official in their official capacity and intends to obtain or retain business or an advantage in the conduct of business; or
- Offers, promises or gives any financial or other advantage to a foreign public official

Failure of commercial organisation to prevent bribery; a relevant commercial organisation is guilty of an offence:

- If a person associated with the organisation bribes another person intending to obtain or retain business for the organisation or to obtain or retain an advantage in the conduct of business for the organisation and the organisation fails to take reasonable steps to implement adequate procedures to prevent such.

Corruption

Corruption can be defined as the misuse of public power for private gain, by those in positions of power, such as Council officers or elected members.

Corruption can incorporate many types of dishonest behaviours including offering, giving, soliciting or accepting of an inducement or reward, which may influence the action of any person, and misuse of public assets.

Money Laundering

Money laundering is the process by which criminally obtained money or other assets (criminal property) are exchanged for 'clean' money or other assets with no obvious link to their criminal origins. It also covers money, however come by, which is used to fund terrorism. Money laundering takes many forms including:

- Handling the proceeds of crimes such as theft, fraud and tax evasion;
- Handling stolen goods;
- Being knowingly involved in any way with criminal or terrorist property;
- Entering into arrangements to facilitate laundering criminal or terrorist property.

The Council is required to ensure that effective anti-money laundering controls and monitoring are in place to prevent the Council from being used for money laundering.

Responsibilities

Chief Executive

The Chief Executive has overall responsibility for the operations and activities of the Council. This includes overall responsibility to ensure that the Council's arrangements in respect of fraud, bribery and corruption are adequate and effective.

Business Efficiency Board

The Business Efficiency Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud, bribery and corruption arrangements.

Strategic Directors

Strategic Directors will establish and maintain sound internal control systems, procedures and records within their areas of responsibility. The system of internal control should be designed to respond to and manage the whole range of risks which the Council faces, including minimising the scope for fraud, bribery and corruption.

Strategic Directors should immediately inform Internal Audit if they become aware of, or suspect, any matter that may indicate fraud, bribery or corruption.

Operational Director - Finance

The Operational Director of Finance has a statutory responsibility under Section 151 of the Local Government Act 1972 to make sure that proper arrangements are made for the Council's affairs. As such, the Operational Director of Finance has the key role of ensuring that proper arrangements are in place in respect of fraud, bribery and corruption.

In accordance with the Accounts & Audit Regulations 2015, the Operational Director - Finance, as the Responsible Financial Officer, must determine the financial control system which includes measures to enable the prevention and detection of inaccuracies and fraud.

Divisional Manager - Audit, Procurement and Operational Finance

The Divisional Manager - Audit, Procurement and Operational Finance is delegated the role of Chief Audit Executive as defined in the Public Sector Internal Audit Standards. In accordance with this role, the post holder is responsible for reviewing how the Council manages fraud, bribery and corruption risks and ensuring that the potential for these to occur is evaluated.

The Divisional Manager - Audit, Procurement and Operational Finance is also responsible for establishing, maintaining, reviewing and monitoring the:

- Anti-Fraud, Bribery & Corruption Policy,
- Fraud, Bribery & Corruption Risk Assessment
- Fraud Response Plan
- Fraud Sanction and Prosecution Policy

The Divisional Manager - Audit, Procurement and Operational Finance will also advise the Business Efficiency Board on matters relating to fraud, bribery and corruption.

Investigations Team

The Investigations Team will liaise with the Single Fraud Investigation Service (SFIS), managed by the Department for Works & Pensions, and ensure that any Housing Benefit fraud is reported to SFIS for investigation.

The Investigations Team is responsible for ensuring investigations are conducted into suspected fraud or irregularity. They will liaise with Chief Officers, the Monitoring Officer, Human Resources, Legal Services, employees, other agencies and the Police as appropriate.

The Investigations Team will plan, co-ordinate and report on the Council's participation in the National Fraud Initiative.

Internal Audit

Internal Audit will assist in the detection and prevention of fraud, bribery and corruption by examining and evaluating the effectiveness of controls in line with the annual Internal Audit Plan.

Internal Audit will assist the Investigations Team in conducting investigations where appropriate.

Managers

Managers are responsible for assessing risks to their service area and ensuring that an adequate system of internal control is effectively maintained to mitigate all risks, including minimising the scope for fraud, bribery and corruption.

Managers are responsible for ensuring all employees in their service area adhere to this Policy and all associated policies and procedures and have undertaken all relevant training.

Managers have a responsibility to ensure that all suspected irregularity is reported to Internal Audit in a timely manner.

Employees and Elected Members

Employees and elected members are responsible for complying with this Policy and all associated policies and procedures, and for reporting any suspected irregularities, corruption and money laundering to an appropriate person as detailed in the Council's Confidential Reporting Code (Whistleblowing Policy).



ANTI-FACILITATION OF TAX EVASION POLICY

Document Control Information	
Document Title	Anti-Facilitation of Tax Evasion Policy
Version	1.0
Publication Date	23 September 2020
Author	Tim Murphy
Job Title	Principal Finance Support Services Officer
Approved By	Operational Director - Finance
Next Review Date	23 September 2021
Distribution	All staff as referred to in this policy

HALTON BOROUGH COUNCIL

ANTI-FACILITATION OF TAX EVASION POLICY

1. Policy statement

1.1 Part 3 of the Criminal Finances Act 2017 creates a new corporate criminal offence where a corporate entity fails to prevent the facilitation of tax evasion by its staff, agents and contractual associates. This statement sets out Halton Borough Council's policy in relation to tax evasion.

There are eight main types of taxes in the UK which are:

- Income Tax
- National Insurance Contributions
- Value Added Tax (VAT)
- Corporation Tax
- Excise Duty
- Stamp Duty
- Council Tax
- Business Rates

1.2 The Council has a zero tolerance approach to all forms of tax evasion, whether under UK law or under the law of any foreign country. Employees of the Council, its agents and contractual associates must not undertake any transactions which:

- Cause the Council to commit a tax evasion offence; or
- Facilitate a tax evasion offence by a third party.

1.3 The Council is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates and implementing and enforcing effective systems to counter tax evasion facilitation.

1.4 At all times, Council business should be conducted in a manner such that the opportunity for, and incidence of, tax evasion is prevented.

2. Scope of the policy

2.1 The purpose of this policy is to:

- set out the Council's responsibilities, and the responsibilities of those working for the Council, in observing and upholding our position on preventing the criminal facilitation of tax evasion; and
- provide information and guidance to those working for the Council on how to recognise and avoid tax evasion.

2.2 If the Council fails to prevent its employees, workers, agents or service providers facilitating tax evasion, the Council can be criminally prosecuted, subject to a large fine and incur reputational damage. The Council therefore takes its legal responsibilities seriously.

3. Prevention measures

3.1 It is a defence to the corporate criminal offence of facilitating tax evasion if the Council can prove that it has in place such prevention procedures as it is reasonable to expect in the circumstances. Government guidance suggests an appropriate set of prevention measures which gives due recognition to the following:

- risk assessment;
- the proportionality of risk-based prevention procedures;
- top level commitment;
- due diligence;
- communication (including training);
- monitoring and review.

3.2 **Risk assessment** - The Council's systems of control are designed to ensure regularity. Management is expected to consider risks from the Anti-Facilitation of Tax Evasion Policy within their established risk assessment procedures. The Council also operates a continuous internal audit function that provides ongoing assurance over the Council's financial and non-financial systems.

3.3 **Proportionality of risk-based prevention procedures** - The Council has governance processes and procedures to address specific counter fraud risks:

- The Business Efficiency Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and anti-corruption arrangements. It receives an annual report on the Council's anti-fraud, bribery and corruption arrangements;
- This policy, the Anti-Fraud, Bribery and Corruption Policy, Whistleblowing Policy, Fraud Response Plan and Fraud Sanction and Prosecution Policy comprise the Council's suite of anti-fraud related plans and policies;
- The Council is an active participant in the National Fraud Initiative;
- The Council runs regular fraud awareness campaigns encouraging members of the public and employees to raise any concerns about fraud and corruption;
- The Council collaborates with other local authorities across the region and shares best practice in regard to tackling fraud and corruption;
- The Council maintains an effective system of internal control, which includes relevant policies and systems, e.g. Procurement Standing Orders, Finance Standing Orders, etc.

3.4 **Due Diligence** - Reasonable care and caution is exercised when processing all financial transactions, particularly high value/high risk payments. Regular monitoring takes place and particular caution is exercised when making payments to new suppliers. Specific controls are maintained in relation to payments being processed through the Council's Accounts Payable function which undertakes checks on suppliers prior to payments being made.

3.5 **Communication and training** - The Council is committed to ensuring that mandatory training on this policy is offered to those staff who have been identified as being at risk of exposure to criminal tax evasion. This may include staff involved with procurement, commissioning, invoice processing, property transactions, Bacs payments, Payroll and Pensions. Training will be provided through the completion of specific on-line training modules. All staff will be made aware of the Council's Anti-Facilitation of Tax Evasion Policy through internal briefing communications.

The Council's zero-tolerance approach to tax evasion and foreign tax evasion must be communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and as appropriate after that. This will be done by making reference to the Council's Anti-Facilitation of Tax Evasion Policy on our Supplier Set Up and Supplier Amendment forms and tender documentation.

- 3.6 **Monitoring and review** - The Operational Director – Finance (S151 Officer) will monitor developments that are relevant to the Anti-Facilitation of Tax Evasion Policy and the policy itself will be reviewed at least annually. Revisions will be published on the Council's Intranet and staff will be made aware through the usual channels.
- 3.7 **Top level commitment** – This policy is subject to review and approval by the Council's Business Efficiency Board.

4. Who must comply with this policy?

- 4.1 This policy applies to all persons working for the Council or on the Council's behalf in any capacity, including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, interns, agents, contractors, external consultants, third-party representatives and business partners, sponsors, or any other person associated with the Council, wherever located.

5. Who is responsible for this policy?

- 5.1 The Business Efficiency Board has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and for taking steps to ensure that all those under our control comply with it.
- 5.2 The Operational Director - Finance has responsibility for implementing this policy, monitoring its use and effectiveness, dealing with any queries about it, and auditing internal control systems and procedures to ensure they are effective in preventing the facilitation of tax evasion.
- 5.3 Management at all levels are responsible for ensuring those reporting to them understand and comply with this policy and are given adequate and regular training on it.

6. What is the facilitation of tax evasion?

- 6.1 Tax evasion means the offence of cheating the public revenue or fraudulently evading UK tax, and is a criminal offence. The offence requires an element of fraud, which means there must be deliberate action or omission with dishonest intent.
- 6.2 Foreign tax evasion means evading tax in a foreign country, provided that conduct is an offence in that country and would be a criminal offence if committed in the UK. As with tax evasion, the element of fraud means there must be deliberate action or omission with dishonest intent.
- 6.3 Tax evasion facilitation means being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person, or aiding, abetting, counselling or procuring the commission of that offence. Tax evasion facilitation is a criminal offence, where it is done deliberately and dishonestly, but not where it is done negligently or inadvertently.

- 6.4 Under the Criminal Finances Act 2017, a separate criminal offence is automatically committed by a corporate entity or partnership where tax evasion is facilitated by a person acting in the capacity of an "associated person" to that body. For the offence to be committed, the associated person must deliberately and dishonestly take action to facilitate the tax evasion by the taxpayer. If the associated person accidentally, ignorantly, or negligently facilitates the tax evasion, then the corporate offence will not have been committed. The organisation does not have to have deliberately or dishonestly facilitated the tax evasion itself; the fact that the associated person has done so creates the liability for the organisation.
- 6.5 Tax evasion is not the same as tax avoidance or tax planning. Tax evasion involves deliberate and dishonest conduct. Tax avoidance is not illegal and involves taking steps, within the law, to minimise tax payable (or maximise tax reliefs).

7. What you must not do

- 7.1 It is not acceptable for any person acting on behalf of the Council to:
- engage in any form of facilitation of tax evasion or foreign tax evasion;
 - aid, abet, counsel or procure the commission of a tax evasion offence or foreign tax evasion offence by another person;
 - fail to promptly report (i) any request or demand from any third party to facilitate the fraudulent evasion of tax (whether UK tax or tax in a foreign country), or (ii) any suspected fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person, in accordance with this policy;
 - engage in any other activity that might lead to a breach of this policy; or
 - threaten or retaliate against another individual who has refused to commit or facilitate a tax evasion offence or a foreign tax evasion offence or who has raised concerns under this policy.

8. Your responsibilities

- 8.1 You must ensure that you read, understand and comply with this policy. It is the responsibility of all staff to ensure they understand and comply with the Council's Anti-Facilitation of Tax Evasion Policy, with particular emphasis on those staff that are involved with invoice processing, property transactions, Bacs payments, payroll and pensions, procurement and commissioning.
- 8.2 The prevention, detection and reporting of tax evasion and foreign tax evasion, or the facilitation of the same, are the responsibility of all those working for the Council or under our control. You are required to avoid any activity that might lead to, or suggest, a breach of this policy.
- 8.3 You must notify the Operational Director - Finance as soon as possible if you know or suspect that a conflict with this policy has occurred, or may occur in the future. For example, if an employee or supplier asks for payment to be made into an offshore bank account, without good reason, or a supplier asks to be paid in cash, indicating that this will mean the payment is not subject to VAT. Further "red flags" that may indicate potential tax evasion are set out in section 12.

9. How to raise a concern

- 9.1 You are encouraged to raise concerns about any issue or suspicion of tax evasion or foreign tax evasion, or facilitation of the same, at the earliest possible stage.
- 9.2 Preferably the disclosure will be made and resolved internally (e.g. to a line manager or head of department). Alternatively concerns can be raised with the Operational Director – Finance.
- 9.3 If you are unsure about whether a particular act constitutes tax evasion or foreign tax evasion, you should raise it with the Operational Director - Finance as soon as possible. You should note that the corporate offence is only committed where you deliberately and dishonestly take action to facilitate tax evasion or foreign tax evasion. If you do not take any such action, then the offence will not be made out. However, a deliberate failure to report suspected tax evasion or foreign tax evasion, or "turning a blind eye" to suspicious activity could amount to criminal facilitation of tax evasion.
- 9.4 The Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity, and wants each and every member of staff to know how they can raise concerns. There are multiple channels to help raise concerns. Please refer to the Council's Whistleblowing Policy and determine the favoured course of action. The Whistleblowing Policy makes reference to the following four officers you can raise a concern with:
- Operational Director and Monitoring Officer (Legal and Democratic Services);
 - Strategic Director – Enterprise, Community and Resources
 - Head of Internal Audit
 - Chair of the Standards Committee (who can be contacted by a letter addressed to the Chair of the Standards Committee and sent to the Municipal Building, Kingsway, Widnes, WA8 7QF)
- 9.5 Additionally, staff can call the Council's freephone confidential fraud hotline on **0800 034 5995** or access the [online confidential reporting](http://www.halton.gov.uk/fraud) facility at www.halton.gov.uk/fraud.

10. Protection

- 10.1 Individuals who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. The Council aims to encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.
- 10.4 The Council is committed to ensuring no one suffers any detrimental treatment as a result of:
- refusing to take part in, be concerned in, or facilitate tax evasion or foreign tax evasion by another person;
 - refusing to aid, abet, counsel or procure the commission of a tax evasion offence or a foreign tax evasion offence by another person; or
 - reporting in good faith their suspicion that an actual or potential tax evasion offence or foreign tax evasion offence has taken place, or may take place in the future.

11. Breaches of this policy

- 11.1 Any employee who breaches this policy may face disciplinary action, which could result in dismissal for misconduct or gross misconduct.
- 11.2 The Council may terminate its relationship with other individuals and organisations working on our behalf if they breach this policy.

12. Potential risk scenarios “red flags”

- 12.1 The following is a list of possible red flags that may arise during the course of Council work and which may raise concerns related to tax evasion or foreign tax evasion. The list is not intended to be exhaustive and is for illustrative purposes only.
- 12.2 If you encounter any of these red flags while working for us, you must report them promptly to your manager, to the Operational Director – Finance or using the procedure set out in the Whistleblowing Policy or the online confidential reporting facility.
 - 12.2.1 You become aware, in the course of your work, that a third party has made or intends to make a false statement relating to tax, has failed to disclose income or gains to, or to register with, HMRC (or the equivalent authority in any relevant non-UK jurisdiction), has delivered or intends to deliver a false document relating to tax, or has set up or intends to set up a structure to try to hide income, gains or assets from a tax authority;
 - 12.2.2 You become aware, in the course of your work, that a third party has deliberately failed to register for VAT (or the equivalent tax in any relevant non-UK jurisdiction) or failed to account for VAT;
 - 12.2.3 A third party requests payment in cash and/or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for a payment made;
 - 12.2.4 You become aware, in the course of your work, that a third party working for us as an employee asks to be treated as a self-employed contractor, but without any material changes to their working conditions;
 - 12.2.5 A supplier or other subcontractor is paid gross when they should have been paid net, under a scheme such as the Construction Industry Scheme;
 - 12.2.6 A third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;
 - 12.2.7 A third party to whom the Council has provided services requests that their invoice is addressed to a different entity, when the Council did not provide services to such entity directly;
 - 12.2.8 A third party to whom we have provided services asks us to change the description of services rendered on an invoice in a way that seems designed to obscure the nature of the services provided;
 - 12.2.9 You receive an invoice from a third party that appears to be non-standard or customised;
 - 12.2.10 A third party insists on the use of side letters or refuses to put terms agreed in writing or asks for contracts or other documentation to be backdated;

- 12.2.11 You notice that the Council has been invoiced for a commission or fee payment that appears too large or too small, given the service stated to have been provided;
- 12.2.12 A third party requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to us;
- 12.2.13 Owner claiming an unoccupied property is occupied by a sole occupant to claim 25% Council Tax discount, or a property empty for more than two years is occupied in order to avoid Empty Homes Premium but wanting correspondence sending to an alternative address;
- 12.2.14 Owner claiming a commercial property is occupied for a short-term period in order to avoid rates and be eligible for a further exemption from Business Rates;
- 12.2.15 Landlords creating fictitious tenancies to avoid Council Tax or Business Rates charges;
- 12.2.16 Occupants of properties falsely claiming occupied Council Tax discounts or Business Rates reliefs.

13. Useful links

Halton Borough Council's Whistleblowing Policy

<http://councillors.halton.gov.uk/documents/s58285/Whistleblowing%20Policy%20FINAL.pdf>

Halton Borough Council's Ant-Fraud, Bribery and Corruption Policy

<http://councillors.halton.gov.uk/documents/s58287/AntiFraud%20Bribery%20and%20Corruption%20Policy%20FINAL.pdf>

Halton Borough Council's Fraud Response Plan

<http://councillors.halton.gov.uk/documents/s58286/Fraud%20Response%20Plan%20FINAL.pdf>

Halton Borough Council's Fraud Sanction and Prosecution Policy

<http://councillors.halton.gov.uk/documents/s58288/Fraud%20Prosecution%20Policy%20FINAL.pdf>

Criminal Finances Act 2017, Part 3 – Corporate Offences of Failure to Prevent Facilitation of Tax Evasion <http://www.legislation.gov.uk/ukpga/2017/22/part/3/enacted>

REPORT TO:	Business Efficiency Board
DATE:	23 September 2020
REPORTING OFFICER:	Strategic Director – Enterprise, Community & Resources
SUBJECT:	Draft Annual Governance Statement - 2019/20
PORTFOLIO:	Resources
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

This reports presents the 2019/20 Draft Annual Governance Statement (AGS). The preparation and publication of an AGS is necessary to meet the statutory requirement set out in regulation 6 of the Accounts and Audit Regulations 2015.

The format of the statement follows the 2016 best practice guidance issued by CIPFA / Society of Local Authority Chief Executives (SOLACE).

2.0 RECOMMENDATIONS:

The Board is asked to consider and approve the 2019/20 Annual Governance Statement subject to any changes or additions that members feel appropriate.

3.0 SUPPORTING INFORMATION

- 3.1 The Delivering Good Governance in Local Government: Framework, published by the CIPFA / SOLACE, sets the standard for local authority governance in the UK. The Council's draft AGS for 2019/20 has been developed with reference to this guidance and is attached as an appendix to this report.
- 3.2 The AGS provides an overview of the governance framework in place for 2019/20 and up to the date the financial statements are signed off by the Council's external auditor. A key aspect of the AGS 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.
- 3.3 Due to COVID-19, the timing for the statutory completion of the AGS has been changed this year as set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The final version of the AGS must be approved by 30 November 2020.
- 3.4 The process followed in producing the draft AGS has been 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

- 3.5 In producing the draft AGS consideration has been given to various sources of assurance over the Council's governance arrangements. Consideration has also been given to identifying any areas where these arrangements require further development.
- 3.6 The draft AGS has been reviewed and agreed by Management Team and it was published on the Council's website alongside the Statement of Accounts and Narrative Report on 28 August 2020.
- 3.7 The Council's Constitution delegates the responsibility to review and approve the AGS to the Business Efficiency Board. As such, the final version of the AGS will take into account any feedback from the Board. Once approved, the AGS will be signed by the Council Leader and Chief Executive and published on the Council's website.
- 3.8 The Council's external auditor will review the draft AGS as part of the audit of the Statement of Accounts for 2019/20.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

- 4.1 In accordance with the Accounts and Audit Regulations 2015, the Council is required to conduct an annual review of its system of internal control and publish an Annual Governance Statement (AGS) with the annual Statement of Accounts. The process is a key mechanism for ensuring that the Council has an effective system of internal control and governance, and that any areas for development are identified and addressed.
- 4.2 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 AGS provides a commitment to address the governance challenges identified by the Council.
- 4.3 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.

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 (2016)	Halton Stadium, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2016)		

2019/20

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.

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 2020 and up to the date of approval of the statement of accounts.

It is important to note that during March 2020, the Council was required to initiate an emergency response to the COVID-19 pandemic. By necessity this has involved significant changes and disruption to the manner in which Council services are normally delivered. As a result of this, changes to the Council's governance arrangements have been implemented as part of the COVID-19 response. This has included implementing robust measures to support proper decision making and continued transparency and accountability. Details of the changes introduced are described in this document.

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 its Local Code of Corporate Governance;
- Considered any areas where the Local Code of Corporate Governance needs to be updated to reflect changes in the Council's governance arrangements and best practice guidance;
- Assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period;
- Considered the impact of COVID-19 in terms of changes made to the Council's governance arrangements.

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 the following key principles set out in the best practice guidance 'Delivering Good Governance in Local Government: Framework 2016':

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the Council's capacity, including capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management;
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

SUPPORTING PRINCIPLES

- Behaving with integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of law

EXAMPLES OF HOW WE DID THIS IN 2019/20:

- The Council has a Constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed and updated in May 2020.
- The Council has a Standards Committee with co-opted independent members. The role of the Committee is to promote high standards of member conduct. No matters were brought to the attention of the Monitoring Officer during the year which required formal investigation.
- Elected members follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Monitoring Officer provides training to new elected members on the Code of Conduct.
- Officer behaviour is governed by the Employees' Code of Conduct. All new employees attending the corporate induction process were made aware of the Code.
- Roles and responsibilities relating to the Council's executive and non-executive functions are defined in the Council's Constitution. Decisions and actions taken during the year were made in accordance with these arrangements providing clear accountability.
- The Council takes fraud, corruption and maladministration seriously and has established a suite of policies and processes which aim to prevent or deal with such occurrences. On 24 July 2019 the Business Efficiency Board received an annual report summarising the operation of the Council's counter fraud and corruption arrangements.
- A corporate complaints procedure operated throughout the year 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 were maintained
 - Registers of gifts and hospitality were maintained
 - Opportunities to declare disclosable pecuniary interests and disclosable other interests were provided at the start of meetings
- The Operational Director – Legal and Democratic Services provided legal advice to the Council as the Council's Monitoring Officer. One of the key functions of that role is to ensure the lawfulness and fairness of decision-making.

Ensuring openness and comprehensive stakeholder engagement

SUPPORTING PRINCIPLES

- Openness
- Engaging comprehensively with institutional stakeholders
- Engaging with individual citizens and service users effectively

EXAMPLES OF HOW WE DID THIS IN 2019/20:

- Information on the Council's performance, finances and the democratic running of the Council is routinely published on the Council's website. The Council also fully complies with the reporting requirements of the Local Government Transparency Code 2015.
- The Council engages with key partners and institutional stakeholders in various ways. Formal partnerships include the Health and Wellbeing Board, the Safer Halton Partnership and the Halton Children's Trust. The Council's Management Team also holds a joint monthly meeting with the management team of Halton Clinical Commissioning Group (CCG).
- The Health and Wellbeing Board provides a key forum for public accountability of the NHS, Adult Social Care, Children's Services, Public Health and other commissioned services relating to the wider determinants of health in Halton.
- During 2019/20 the Council and Halton CCG entered into a Memorandum of Understanding (MOU) as a transitional arrangement pending the update of the Joint Working Agreement. The MOU provides the basis for collaboration and sets out a shared ambition, agreed principles for engagement and governance arrangements in regard to the activities covered by the pooled budget.
- Engagement with citizens and service users is carried out using a variety of methods, including a range of survey techniques (online, paper, face to face) and sampling techniques. The Council also uses qualitative techniques, such as focus and discussion groups. During 2019/20 the Council consulted on a range of issues, which included:
 - Electric Car Charging Stations
 - Community Centre satisfaction
 - Crucial Crew (child safety events)
 - Library user's satisfaction
 - Local Plan
 - Reading in Children
- In setting its budget the Council listens to the views of the public and the experience of elected members through their ward work. Individual consultations took place in respect of specific budget proposals and equality impact assessments were completed where necessary.

Defining outcomes in terms of sustainable economic, social and environmental benefits

SUPPORTING PRINCIPLES

- Defining outcomes
- Sustainable economic, social and environmental benefits

EXAMPLES OF HOW WE DID THIS IN 2019/20:

- The long-term vision for Halton is set out in the Council's Corporate Plan, which defines the Council's priorities and how it hopes to achieve them. It also explains the Council's values and principles.
- The Council's Corporate Planning Framework provides the means by which the Council's activities are developed and monitored. Quarterly performance monitoring reports were produced during the year recording progress against key business plan objectives and targets. These were reported to the Council's Management Team, to the Executive Board and to the Policy and Performance Boards.
- Directorate Business Plans were produced for 2019/20 that described key developments and emerging issues relating to each department of the Council. The plans formally set out key objectives, milestones and measures for each business area.
- The Executive Board approved the Council's Medium Term Financial Strategy (MTFS) at its meeting on 14 November 2019. The MTFS represents the "finance guidelines" that form part of the medium term corporate planning process. These guidelines identify the financial constraints which the Council will face in delivering its key objectives, and are an important influence on the development of the Corporate Plan, Service Plans and Strategies.
- The Council routinely publishes information on the Council's vision, strategy, plans, finances and performance on its website and in the Council newspaper that is distributed to all households in the borough.

Determining the interventions necessary to optimise the achievement of the intended outcomes

SUPPORTING PRINCIPLES

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes

EXAMPLES OF HOW WE DID THIS IN 2019/20:

- The Council's Corporate Planning Framework in operation during the year provided the means by which the Council's activities were developed and monitored.
- 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. Throughout the year they held the Executive to account, scrutinised performance and developed policy proposals for consideration by the Executive.
- Quarterly performance monitoring reports were produced throughout the year recording progress against key business plan objectives and targets. These reports were presented to the Council's Management Team, to the Executive Board and to the Policy and Performance Boards.
- The Council operates a corporate complaints procedure and specific complaints procedures for Adult Social Care, Children's Social Care, schools and complaints relating to elected members. These procedures allow the Council to identify areas where things may have gone wrong and to put them right and prevent them from happening again.
- 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. The Council's procurement activity is undertaken in line with the Council's Procurement Strategy, which was updated in 2019/20, and within clearly defined rules set out in Procurement Standing Orders.
- The Council's internal audit team carries out a comprehensive programme of audits each year reviewing the Council's front line and support services. The implementation of recommendations arising from this work assists the Council in identifying and managing risks that may impact on the achievement of outcomes.

Developing the Council's capacity, including capability of its leadership and the individuals within it

SUPPORTING PRINCIPLES

- Developing capacity
- Developing leadership
- Developing the capability of individuals

EXAMPLES OF HOW WE DID THIS IN 2019/20:

- The Council retained the NW Charter for Elected Member Development Exemplar Level status. Newly elected members attend a two-day induction programme with follow-up mentoring. Elected members were also provided with 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 provided a wide range of learning and development opportunities.
- Members of the Business Efficiency Board received regular training throughout the year to assist them in their role as the Council's Audit Committee.
- The Council's Organisational Development Strategy (2016 – 2020), includes an Organisational Development Charter. The Strategy confirms the Council's commitment to the ethos that its workforce will be part of the solution to providing excellent services.
- The Council operates ongoing processes to identify the personal development needs of employees. The information gained from these processes is used to inform the design of the corporate training programme and to source specialised professional training.
- The Council's Organisational Development Team offers continuous leadership development through its accreditation with ILM (City & Guilds). Specific qualifications have been delivered during 2019/20, such as Level 3 and Level 5 in Leadership and Management. As a result, 24 employees continue to develop skills and knowledge regarding leadership and gain recognised qualifications.
- The Council has introduced Leadership and Management Framework during 2019/20 to ensure continuous development of the senior leadership team, and have identified specific learning needs to ensure contemporary approaches are utilised.
- The Council offer its employees the opportunity to apply for funding to support their academic development that is linked to the Council's priorities thereby increasing individual capacity and supporting succession planning. During 2019/20, the Council supported 18 employees to gain a variety of academic qualifications, such as Masters Degrees, BA Degrees and Diplomas.
- The Council is maximising the Apprenticeship Levy by commissioning 10 MSc in Leadership & Management qualifications to employees that will support leadership succession planning as identified in the Organisational Development Strategy.

Managing risks and performance through robust internal control and strong public financial management

SUPPORTING PRINCIPLES

- Managing risk
- Managing performance
- Robust Internal Control
- Managing data
- Strong Public Financial Management

EXAMPLES OF HOW WE DID THIS IN 2019/20:

- 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 well-established Audit Committee (the Business Efficiency Board), which met regularly during 2019/20. The Board has clearly defined responsibilities and provides oversight and challenge in regard to the Council's governance, risk management, audit, procurement and counter fraud and corruption arrangements.
- The Council has embedded risk management arrangements. 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 annual review and update of the Corporate Risk Register was approved by the Business Efficiency Board on 24 July 2019. The Council's risk management processes are also used to inform the work of internal audit.
- The Council has a Head of Internal Audit and a continuous internal audit service, which was assessed during the year as conforming to the Public Sector Internal Audit Standards. Internal audit plays a key role in reviewing and improving the effectiveness of the Council's risk management, governance and control arrangements.
- Despite significant funding reductions and increasing demand for services the Council managed to set a balanced budget for 2020/21 via a robust process led by the Members' Budget Working Group. Outturn spending was higher than the 2019/20 revenue budget, primarily due to continuing pressures within Adults and Children's Social Care and shortfalls in income across a range of service areas. The position was monitored throughout the year through reports to Management Team, the relevant Policy and Performance Boards and Executive Board. Effective action was taken to mitigate the level of overspend.

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

SUPPORTING PRINCIPLES

- Implementing good practice in transparency
- Implementing good practice in reporting
- Assurance and effective accountability

EXAMPLES OF HOW WE DID THIS IN 2019/20:

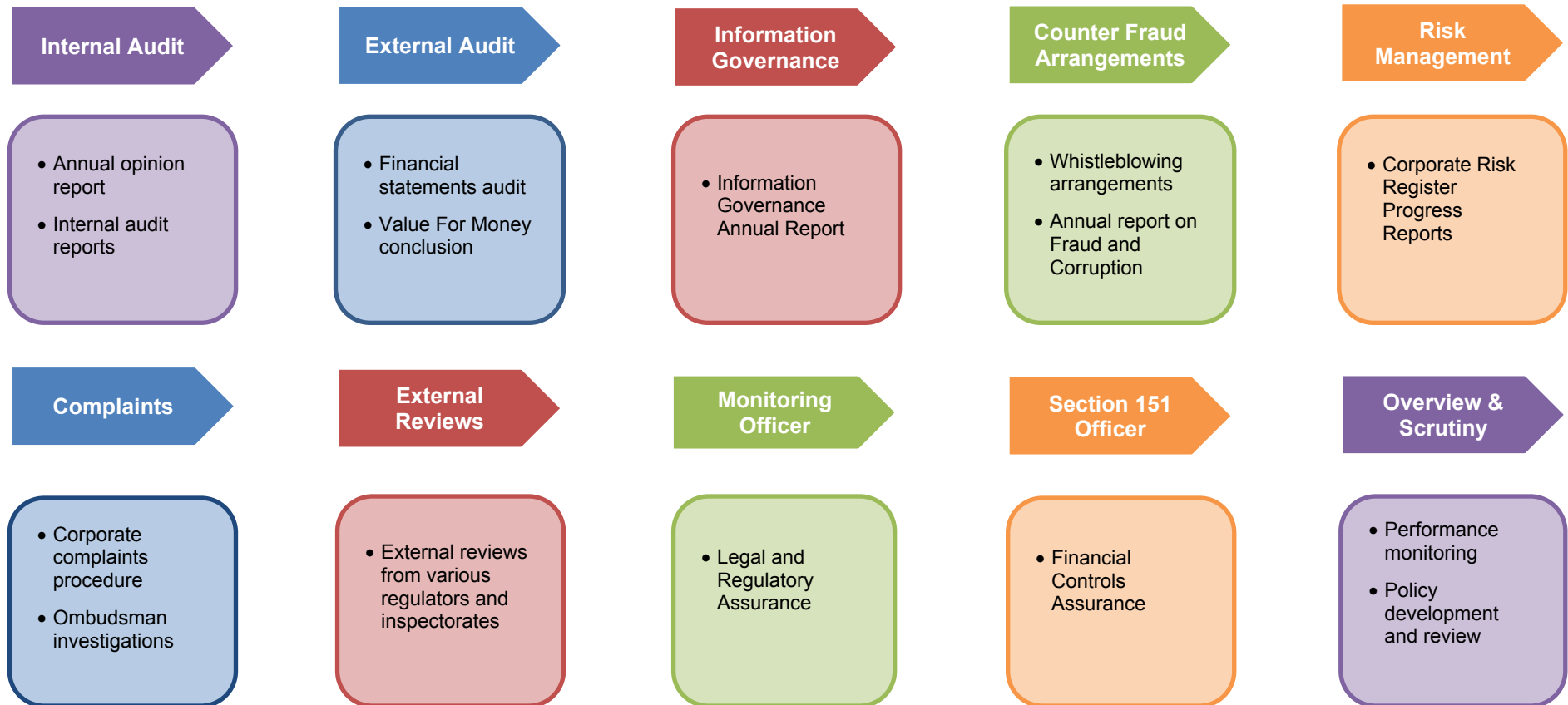
- The Council fully complies with the Local Government Transparency Code 2015 and publishes a wide range of information on its website. This includes details of meetings, minutes and agendas, policies and plans, the Council Constitution, the Statement of Accounts, details of members' allowances and expenses (including the outcome of the independent triennial review of the Members' Allowance Scheme which took place during the year), details of senior staff pay, contract awards, and details of land and building assets.
- The Council operates clear and effective processes for dealing with Freedom of Information (FOI) requests and Subject Access Requests (SAR).
- All Council meetings are open and can be attended by members of the public with the exception of those where confidential or personal matters may be disclosed. Arrangements have also been put in place for members of the public to attend virtual meetings in 2020/21.
- The Council's external auditor provides an annual assessment on how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.
- The Council has developed robust procedures to respond positively to the findings and recommendations of external auditors and statutory inspectors. Action plans are developed in response to external inspections and their implementation monitored.
- The Council has established various ongoing arrangements that provide effective assurance. These include the work of internal audit, the Council's risk and performance management arrangements, the work of the Information Governance Group, the work of the Policy and Performance Boards and the work of the Standards Committee.
- The Council operates a whistleblowing procedure and has well-publicised arrangements for employees and the wider community to raise any concerns.

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

<p>Council</p>	<ul style="list-style-type: none"> - Approves the Corporate Plan - Approves the Constitution - Approves the policy and budgetary framework
<p>Executive Board</p>	<ul style="list-style-type: none"> - The main decision-making body of the Council - Comprises ten members who have responsibility for particular portfolios
<p>Business Efficiency Board</p>	<ul style="list-style-type: none"> - Designated as the Council's Audit Committee - Provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, procurement strategy and internal control environment.
<p>Standards Committee</p>	<ul style="list-style-type: none"> - Promotes high standards of member conduct - Assists members and co-opted members to observe the Council's Member Code of Conduct
<p>Policy & Performance Boards</p>	<ul style="list-style-type: none"> - There are six Policy & Performance Boards aligned to the Council's six Corporate Plan priorities - They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive
<p>Management Team</p>	<ul style="list-style-type: none"> - Implements the policy and budgetary framework set by the Council and provides advice to the Executive Board and the Council on the development of future policy and budgetary issues - A wider management group has been meeting since March to manage the Council's response to the Covid-19.
<p>Internal Audit</p>	<ul style="list-style-type: none"> - Provides assurance over the Council's governance, risk management and control framework - Delivers an annual programme of audits - Makes recommendations for improvements in the management of risk and value for money
<p>Managers</p>	<ul style="list-style-type: none"> - Responsible for maintaining and developing the Council's governance and control framework - Contribute to the effective corporate management and governance of the Council

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

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



How has the Council addressed the governance issues from 2018/19?

The 2018/19 annual governance statement contained three key governance issues. Details of these issues and how they were addressed are provided below:

What the issue was:

Funding

The Council continued to face significant funding reductions whilst demand for Council services is increasing, which had resulted in a 2020/21 budget gap of approximately £4.4m.

A key challenge for the Council was therefore to maintain both sufficient front-line and support service capacity and robust governance arrangements in order to continue to deliver its corporate objectives and strategic priorities for 2020/21 and beyond.

What we did:

The Member's Budget Working Group met regularly during 2019/20 to consider budget saving proposals in the context of the Council's corporate objectives and strategic priorities. Fundamental to the Budget Working Group's assessment was a desire to protect the Borough's most vulnerable residents and the services provided to them.

Despite significant funding constraints and increasing demand for services, resulting in the need to make significant budget savings, the Council was able to set a balanced budget for 2020/21.

What the issue was:

Peer Review

The Council invited the Local Government Association to undertake a Corporate Peer Challenge of the Council in September 2019. The focus of the Peer Challenge was on improvement.

The feedback report issued following the Peer Review was positive and noted that the Council's achievements have been and continue to be significant. However, the report also recognised the challenges faced by the Council in terms of increasing service demand and the difficult financial context. The report contained eleven recommendations aimed to help the Council develop so that it can continue to operate and deliver in a sustainable way.

What we did:

An action plan in response to the Peer Review was submitted to the Council's Executive Board on 19 March 2020 and approved at that meeting. Some of the actions were to be undertaken in the short-term, whilst others were deemed matters for the "new Council" scheduled to be elected in all-out elections in May 2020. The global pandemic has seen the May 2020 all-out elections postponed and the Council direct all its efforts and protecting Halton's Community. The action plan and its delivery has therefore also been postponed but will be reviewed in 2020-21 in the light of the new circumstances at the time.

What the issue was:

Corporate Priorities

The Council is reviewing both its Corporate Plan and priorities with support and challenge from the Local Government Association. It is doing this in the light of the financial challenges it continues to face. It will test whether its existing Corporate Plan is still fit for purpose and whether it still reflects the political priorities of the Council.

What we did:

The members completed initial work in this area, facilitated by the Local Government Association, which concluded that the existing priorities of the Council were still relevant and reflective of the challenges facing the Borough. The further development of this work has however been delayed as a result of the COVID pandemic.

What the issue was:

Ward Boundary Review

The Local Government Boundary Commission for England completed an Electoral Review of the Council, which resulted in a recommendation the Council should consist of 54 councillors - a reduction from the current 56.

The Commission also recommended that the 54 councillors should represent 18 wards rather than the current 21. It was therefore proposed that there would be nine wards in Runcorn and nine wards in Widnes with each ward having three members representing it.

What we did:

These new ward boundary arrangements were subsequently approved by Parliament. The intention was that all 54 Council seats would be contested in the election that was due to take place on 7 May 2020 based on the new boundaries.

However, Section 60 of the Coronavirus Act 2020 postponed various local government elections in England that were due to be held on 7 May 2020 until 6 May 2021.

What are the governance issues for 2020/21?

The Council is satisfied that its corporate governance arrangements are adequate and operating effectively and there are no significant issues that need to be addressed. However, the Council's governance arrangements are kept under constant review and the following Action Plan sets out key areas of focus for the Council in maintaining and developing its governance arrangements in 2020/21.

Issue	Lead Officer	Timescale
<p><u>Funding</u></p> <p>The Council continues to face significant funding reductions whilst demand for Council services, particularly within Social Care is rising and there are income shortfalls across many service areas. The COVID-19 pandemic has exacerbated the situation, along with huge uncertainty regarding the Government's plans for the future funding of local government.</p> <p>This makes financial planning extremely difficult at the current time. However, the Medium Term Financial Strategy forecasts that the Council may need to identify £13m of budget savings in order to set a balanced budget for 2021/22. In light of these financial pressures, a key challenge for the Council is to maintain sufficient service capacity and robust governance arrangements in order to continue to deliver its corporate objectives and strategic priorities for 2021/22 and beyond.</p>	<p>Strategic Director – Enterprise, Community & Resources</p>	<p>Ongoing</p>

Issue	Lead Officer	Timescale
<p><u>Decision-making</u></p> <p>The COVID-19 pandemic has given rise to unforeseen challenges in terms of the Council’s decision-making processes and its traditional meeting structure, with elements of normal decision-making processes of the Council being suspended.</p> <p>Arrangements were already in place providing the Chief Executive with emergency delegated powers in consultation with the Leader of the Council, Monitoring Officer and s151 Officer as appropriate. In accordance with the Local Government Transparency Code 2014, a formal notification record of officer decisions has been maintained to record decisions taken and ensure transparency.</p>	Chief Executive	Already implemented
<p><u>Elected Member meetings</u></p> <p>The Coronavirus Act 2020 enables all local authority meetings before 7 May 2021 to be held remotely and removed the requirement for the annual Council meeting in 2020. The Council has made arrangements for all its Boards and Committees to meet on a virtual basis for the foreseeable future.</p> <p>From September 2020, the Council is to revert to the usual cycle of meetings. This will ensure that key executive decisions will be made by Elected Members, and that they will be subject to the formal scrutiny arrangements of the Council. This will replace the emergency arrangements that have been in place and restore the usual governance arrangements of the Council.</p> <p>To support this process, Microsoft Teams is to be made available for Members and those officers who support the Boards and Committees from September.</p>	Ian Leivesley – Strategic Director, Enterprise, Community & Resources	September 2020

Issue	Lead Officer	Timescale
<p><u>COVID-19 Response</u></p> <p>The Council has experienced significant organisational disruption as a result of COVID-19 with all Council services being affected. Business continuity arrangements have seen much of the workforce working from home and resources being redeployed to support essential frontline services.</p> <p>Throughout the response period the Council has given priority to maintaining effective governance arrangements. Major incident response practices, developed for such situations, have been implemented and helped the Council to adapt, at pace, to new challenges and new responsibilities.</p> <p>Through the Council’s partnerships across Cheshire and the Liverpool City Region, and as part of the Cheshire Resilience Forum, the Council has worked to deliver a co-ordinated regional response. Working with local health partners, emergency services and the military, the Council has put in place robust local testing arrangements and established arrangements to prevent and manage local outbreaks.</p> <p>The Council has prioritised supporting the most vulnerable in the community. Critical services have been maintained. Through the ‘shielded hub’ the Council has provided food, medicine and support. Accommodation has been secured for homeless individuals and families. The Council has worked with social care providers to look after people living in residential and nursing homes or in receipt of domiciliary care. Waste collection services have continued to run to normal timetables.</p> <p>The Council has also been the conduit to deliver various Government schemes and provided advice to local businesses to help them survive and protect local jobs.</p> <p>Recovery planning is now underway which will help to strengthen the Council’s resilience and business continuity arrangements, and also inform and shape the way that services are delivered in the future.</p>	Chief Executive	Ongoing

Issue	Lead Officer	Timescale
<p><u>2018-19 Audit of Accounts</u></p> <p>There has been a significant delay in the finalisation and external audit of the Council's 2018/19 statement of accounts. A number of issues have arisen during the audit process. In the main these centred on the valuation and accounting treatment for the Mersey Gateway bridge project, which is highly complex and unique in nature. Other issues arose regarding the accounting treatment of items which had been agreed for previous accounting periods but have been reconsidered.</p> <p>The recommendations set out in the 2018/19 Audit Findings report will be fully implemented. The Council will continue to work closely with the External Auditors to improve processes, communications and arrangements for preparing the financial statements for 2019/20 and beyond, to ensure they are prepared in accordance with the Code of Practice on Local Authority Accounting.</p>	Operational Director, Finance	Ongoing

Certification

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

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

Signed on behalf of Halton Borough Council:

David Parr - Chief Executive

Rob Polhill - Leader of the Council

REPORT TO: Business Efficiency Board
DATE: 23 September 2020
REPORTING OFFICER: Strategic Director – Enterprise, Community & Resources
PORTFOLIO: Resources
SUBJECT: External Audit Plan - 2019/20 Year-End
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the Audit Plan relating to the 2019/20 year-end, which will be presented by the Council’s external auditor, Grant Thornton UK LLP.

2.0 RECOMMENDATION: That the contents of the External Audit Plan for 2019/20 year-end, be noted.

3.0 SUPPORTING INFORMATION

3.1 The External Audit Plan for 2019/20 year-end is attached to this report and will be presented at the Board by Grant Thornton UK LLP.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 The report contains details of the external audit fees for 2019/20.

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 UK LLP'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

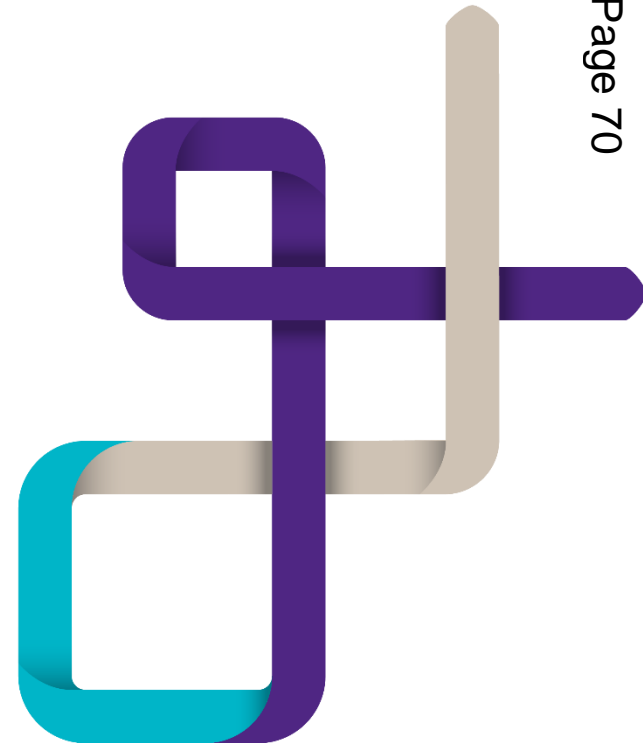
9.1 There are none under the meaning of the Act.



External Audit Plan

Year ended 31 March 2020

Halton Borough Council
September 2020



Contents



Your key Grant Thornton
team members are:

Michael Green

Engagement Lead

T: 0161 953 6382

E: michael.green@uk.gt.com

Stephen Nixon

Senior Manager

T: 0161 234 6362

E: stephen.r.nixon@uk.gt.com

Andrew McNeil

Assistant Manager

T: 0161 234 6366

E: andrew.mcneil@uk.gt.com

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

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Halton Borough Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Halton Borough Council. We draw your attention to both of these documents on the [PSAA website](#)

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Business Efficiency Board); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Business Efficiency Board of your responsibilities. It is the responsibility of the Authority 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 Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Significant risks	<p>Risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none"> • Valuation of land and buildings • Valuation of net pension fund liability • Impact of Covid-19 pandemic • Management override of control <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
Materiality	<p>We have determined planning materiality to be £5.421m (PY £7.421m) for the Authority, which equates to 1.44% of your gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.271m (PY £0.371m).</p>
Value for Money arrangements	<p>Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:</p> <ul style="list-style-type: none"> • Financial Sustainability: The Council's financial position remains challenging. The Council revised its MTFS in November 2019 for the period 2020/21 to 2022/23. The updated strategy requires revenue savings of approximately £7.9m, £15.1m and £4.4m over the next three years • Financial statements production process: There were a significant number of audit amendments reported in the 2018/19 Audit Findings Report resulting in material adjustments so we will review management's process to ensure that the 2019/20 draft accounts are of a higher standard.
Audit logistics	<p>Our interim visit to inform the Audit Plan took place in November 2019 and our post statements audit will take place between September and November 2020. Detailed planning took place in August 2020 due to the ongoing 2018/19 audit. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.</p> <p>Our fee for the audit will be £97,076 (PY: £TBC) for the Authority, subject to the Authority meeting our requirements set out on page 13.</p>
Independence	<p>We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.</p>

2. Key matters impacting our audit

Factors

Covid -19 and Going concern issues

The coronavirus global pandemic is impacting how people work. The Council plays a key role in supporting the public in this time and service and financial pressures will continue to emerge for all organisations, including the Council, as the lockdown continues and this impacts upon the local and national economy further.

Whilst it is a constantly evolving picture, we are expecting the delivery of the audit to be impacted by staff at audited bodies and audit teams working remotely to avoid spreading the virus as well as inevitable sick days reducing staff capacity.

The government has approved legislation confirming that the deadline for local government financial audits will be extended to 30 November 2020 from 31 July 2020. Authorities need to have approved their draft financial statements by 31 August 2020 at the latest.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

The 2018/19 audit has not been completed at the time this Plan is issued, largely due to agreeing multiple adjustments to the 2018/19 statements.

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

At a national level, the government continues its negotiation with the EU over Brexit. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Our response

Since early March, we have been liaising with members of your finance team to discuss how we can work together effectively to deliver the audit despite the restrictions on physical interaction. We will also consider how Covid-19 impacts the Council's finances, services and ability to continue as a going concern.

Following the government's announcement on 16th March, we also closed our offices and have asked our people to work from home rather than in the office. We are now working on a phased re-opening of offices throughout September.

All of our staff are set up to work remotely and we use a variety of tools to communicate and share information such as Microsoft Teams and Inflo.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our response to the FRC expectations were set out in our scoping letter to the Operational Director, Finance dated 16 March 2020, explaining the additional fee requirement of £16,000.

Our proposed work and fee, as set further in our Audit Plan, and has been agreed with the Operational Director, Finance and is pre-approved by PSAA.

Our VFM conclusion work will address the processes that management has put in place to improve the standard of 2019/20 draft accounts, learning from the messages in the 2018/19 Audit Findings Report.

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement 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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Halton Borough Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals for audit testing • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. The Council's unaudited financial statements 2019/20 include £862.7m net book value of property, plant and equipment (PPE), of which £204.6m is in respect of land and buildings.</p> <p>Additionally, management need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p> <p>We therefore identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk. This is one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at the year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of the pension fund net liability</p>	<p>The Authority's net pension fund liability, as reflected in its balance sheet as the net defined benefit pension liability, represents a significant estimate in the core financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£65m in the Authority's 2019/20 draft balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's net pension fund liability as a significant risk, This was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of the Cheshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid-19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen - disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic • evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment • discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in November 2020.

4. Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
PFI accounting for the Mersey Gateway Bridge	<p>The Mersey Gateway Bridge opened in October 2017 and was brought into the 2017/18 financial statements as an infrastructure asset with a related PFI financial liability payable to the operator MerseyLink Ltd. The 2018/19 audit identified material errors arising from the assumptions used by management in the valuation and depreciation of the Bridge, and the calculation of the matching PFI liability. Management have agreed that the related balances should agree to the Operator's PFI Financial Model.</p> <p>Whilst we are satisfied that management are now aware of the proper accounting treatment, we have identified the accounting for the Mersey Gateway Bridge as an other audit risk due to the high values involved.</p>	<p>We will:</p> <ul style="list-style-type: none"> ensure that the balances relating to the Mersey Gateway Bridge are supported by the PFI operators model and relevant underlying information ensure that the valuation of the Mersey Gateway Bridge is properly valued as an infrastructure asset at cost ensure that depreciation is charged accurately on a componentised basis
Penalty Charge Notice (PCN) bad debt provision	<p>A significant proportion of the Authority's bad debt provision relates to the collectability of Mersey Gateway Bridge PCNs. At 31 March 2019 the PCN and Toll debt was £17.7m against which the Council has provided £11m (62%).</p> <p>Indications show that the level of PCN debt continues to rise and the collection rates are low. There is therefore a risk that the older debt in particular is uncollectable.</p>	<p>We will:</p> <ul style="list-style-type: none"> review the level of PCN and Toll debt at 31 March 2020 and management's assumptions regarding collectability in arriving at the bad debt provision review management's process for identifying and writing out uncollectable Toll and PCN debt

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in November 2020.

5. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

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 this report.

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 Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

6. Materiality

The concept of materiality

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. 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.

Materiality for planning purposes

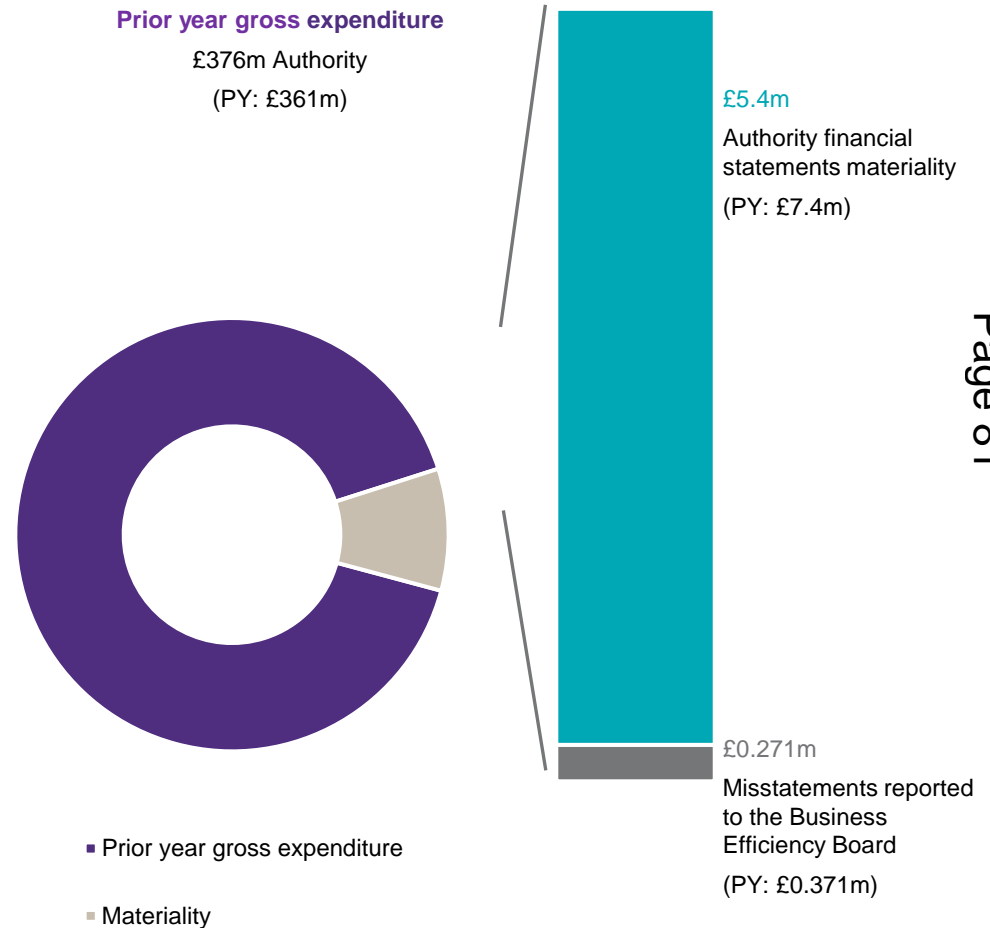
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £5.421m (PY £7.421m) for the Authority, which equates to 1.44% of gross expenditure of continuing operations in the draft 2019/20 financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £25k for senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Business Efficiency Board

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Business Efficiency Board any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.271m (PY £0.371m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Business Efficiency Board to assist it in fulfilling its governance responsibilities.



7. Value for Money arrangements

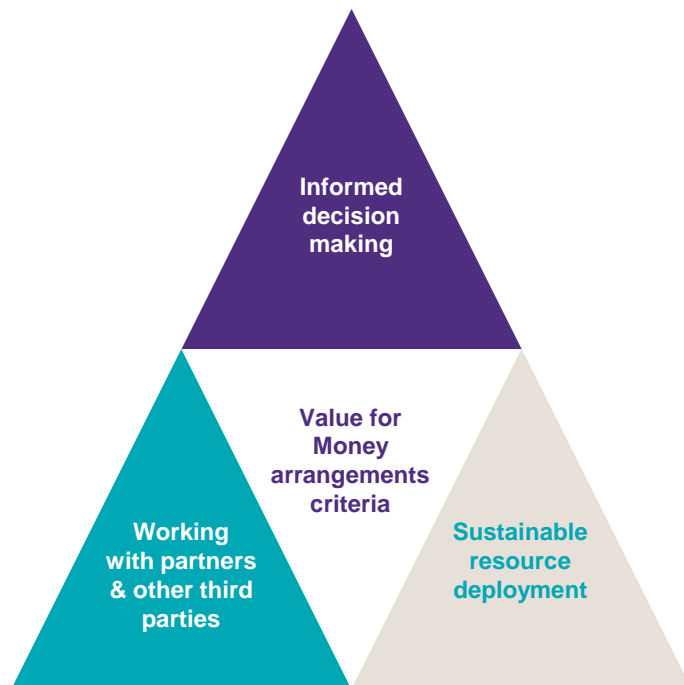
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

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 below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

Financial Sustainability

At the time of planning the audit, the Council's financial position remains challenging with continued reductions to Government funding and increasing service demands.

The Council revised its MTFS in November 2019 for the period 2020/21 to 2022/23. The updated Strategy required revenue savings of approximately £7.9m, £15.1m and £4.4m over the next three years. As a result the Council reported that it needs to remove £27.4m from its budget by reducing spending or increasing income. Covid-19 pressures have emerged subsequently.

We will continue to review budget monitoring reports and updates to the MTFS. We will discuss with officers plans to address future potential budget gaps and how the Council is identifying, managing and monitoring financial risks, including the impact of Covid-19 on forecast income.

Informed decision making

The 2018/19 audit of the financial statements identified a number of material errors requiring adjustment, and areas where the disclosures were not compliant with the Code of Practice.

We will review management's responses to the 2018/19 audit recommendations and action plan and the progress made in delivering improvements. We will also review management's year end financial closedown plan, quality review process and working papers to ensure sufficient steps are made to improve the standard of the 2019/20 accounts.

Impact of Covid-19 on Value for Money and Financial Standing

As part of our VfM work we will ensure we understand the arrangements you are putting in place to manage risks around business continuity in the current crisis. We do not envisage this will be a significant audit risk for 2019/20, although we will keep this under review for 2020/21. We will also review your assessment of going concern and financial stability in the light of increased uncertainties around for example Council Tax and NNDR collection rates, car park income, and performance of subsidiary companies, and where relevant investment properties. We envisage linking the additional VfM work around financial standing with our Going Concern opinion work.

9. Audit logistics & team



Michael Green, Engagement Lead

Leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.

Stephen Nixon, Senior Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

Andrew McNeil, Assistant Manager

Key audit contact responsible for the day to day management and delivery of the audit work.

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

10. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Operational Director - Finance and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Council Audit	£105,294	£TBC	£97,076*
Total audit fee (excluding VAT)	£105,294	£TBC	£97,076

* 2019/20 fee variation is set out overleaf.

Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
PSAA Scale fee	81,076	
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	3,000	<p>The Financial Reporting Council (FRS) has highlighted that the quality of work by all audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we plan to increase the level of scope and coverage of our work in respect of IAS 19 this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion.</p> <p>Specifically, we have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.</p>
PPE Valuation – work of experts	3,000	As above, the FRC has also determined that auditors need to improve the quality of audit challenge on PPE valuations across the sector. We have therefore increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
Increased challenge and depth of audit work for 2019/20 including the impact of a lower materiality level for 2019/20	8,500	<p>To address the requirements of the FRC to increase challenge and depth this has included a lowering of the audit materiality threshold resulting in more balances becoming material for audit testing and larger sample sizes. The qualitative and quantitative issues referred to above have also resulted in a lower materiality threshold.</p> <p>PSAA's original scale fee for this contract was set in March 2018, so new developments since that time need to be reflected in our audit, such as the Mersey Gateway Bridge.</p>
Additional work regarding future introduction of IFRS16 Leases standard	1,500	Although the revised leasing accounting standard becomes effective from 1 April 2020 the impact of future implementation requires disclosure in the 2019/20 financial statements which generates additional audit work.
Revised scale fee	97,076	

11. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm there are no significant facts or matters that impact our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified:

Service	£	Threats	Safeguards
Audit related:			
Teachers' Pension Return	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £97,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Housing Benefit Subsidy Return	15,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total fee for the audit of £97,076 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
CFO Insights	12,500	Self-Interest (because this is a recurring fee)	The fee is a subscription, planned to be recurring and is therefore high self-interest threat. However, the fee for this work is negligible in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. It is also a fixed fee with no contingent element. These factors all mitigate the perceived self-interest threat to an acceptable level.
Adult Social Care Insights	9,000	Self-Interest (because this is a recurring fee)	The fee is a subscription, planned to be recurring and is therefore high self-interest threat. However, the fee for this work is negligible in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. It is also a fixed fee with no contingent element. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your. All services have been approved by the Operational Director – Finance. Any changes and full details of all fees charged for audit related and non-audit related 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. None of the services provided are subject to contingent fees. The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.ie/about/transparency-report/>

Appendix

A. Audit Quality – national context

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the Business Efficiency Board – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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REPORT TO: Business Efficiency Board

DATE: 23 September 2020

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 present for information the response provided 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 response provided to the Council's external auditors shown in the Appendix, be noted.

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 The Appendix presents the response provided 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 the Appendix 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.



Councillor Martha Lloyd Jones
Chair of Business Efficiency Board
Halton Borough Council
6th Floor,
Municipal Building,
Kingsway,
Widnes,
Cheshire,
WA8 7QF

21 July 2020

Dear Councillor Jones,

**Halton Borough Council Financial Statements for the year ended 31 March 2020 -
Understanding how the Business Efficiency Board (Audit Committee) gains assurance
from management**

To comply with International Auditing Standards, we need to establish an understanding of how the Governing Body gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as Chair of the Business Efficiency Board, with your responses to the following questions in respect of the financial statements.

- 1 How does the Governing Body oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches of internal control
 - 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)
 - communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does the Governing Body gain assurance that all relevant laws and regulations have been complied with?
- 4 Are you aware of any actual or potential litigation or claims that would affect the financial statements?

I have attached a separate schedule which explores these areas in more detail, and this is included as an Appendix. Could you please complete this schedule and return it to me by 31 August 2020.

Yours sincerely

SRNixon

Stephen Nixon
Senior Manager
For Grant Thornton UK LLP
E: Stephen.r.nixon@uk.gt.com

Appendix

Response from Chair of the Audit and Standards Committee

Fraud risk assessment

Auditor Question	Response
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	Yes. Internal Audit regularly review the key systems which provide the material figures within the financial statements.
What are the results of this process?	The risk of material misstatement in the financial statements due to fraud is heavily mitigated by the processes which the Council has in place for identifying and responding to fraud.
What processes does the Council have in place to identify and respond to risks of fraud?	<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 within 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 which the Council has established to counter the risk of fraud.</p> <p>The Council also has a dedicated investigations team whose role is to investigate potential fraud against the Council.</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>Internal Audit also undertakes regular reviews of the core systems which provide the information used for the financial statements. This provides assurance that the systems and information contained therein are robust and there is limited risk of misstatement.</p> <p>In addition, the Council has a whistleblowing policy and established arrangements for employees to raise concerns regarding any potential fraud or breach of internal controls. Any such reports would be responded to and fully investigated in accordance with this policy.</p>

<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>Housing Benefit and Council Tax Reduction Scheme claims are considered to be most susceptible to fraud. This is a national issue and not unique to Halton.</p> <p>Other areas at risk of fraud include:</p> <ul style="list-style-type: none"> • Insurance claims against the Council • Procurement • Supplier invoices • Council Tax – Single Person Discounts • Council Tax Reduction Scheme • Business Rates • Payroll & Pensions • Recruitment • Electoral fraud • School admission application fraud • Direct Payments • Adult Social Care – Financial Assessments • Financial abuse of vulnerable persons • Grants to individuals or organisations • Development control • Cash handling • Expenses • Blue badges and concessionary travel <p>There are also various new fraud risks resulting from the COVID-19 pandemic.</p> <p>Systems of internal control are operated within each of these areas in order to mitigate the risk of fraud.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p>	<p>The Council's internal control processes are considered to be robust and operating effectively. Internal Audit assesses the adequacy and operation of internal controls plus 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>An Annual Internal Audit report is presented to the Business Efficiency Board that provides an overall opinion on the Council's risk management, control and governance processes. The 2019/20 report was presented in July 2020 and concluded that the Council's arrangements continue to be robust.</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.</p>
<p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>N/A</p>

<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>No.</p>
<p>Are there any areas where there is a potential for misreporting?</p>	<p>No.</p>
<p>How does the Governing Body exercise oversight over management's processes for identifying and responding to risks of fraud?</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.</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>These include confidential fraud reporting arrangements, for both employees and members of the public to raise any concerns.</p> <p>The Council's specialist fraud investigators are located within the Audit & Investigations Team. These posts provide fraud investigation resources covering all aspects of Council business.</p>
<p>What arrangements are in place to report fraud issues and risks to the Governing Body?</p>	<p>The Business Efficiency Board receives an annual report on the Council's counter fraud arrangements and activity.</p> <p>In addition, the results of each Internal Audit review and follow-up review 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.</p> <p>The Council has a whistleblowing policy and established arrangements for employees to raise concerns regarding any potential breach of internal controls. Any such reports would be responded to and fully investigated in accordance with this policy.</p>
<p>How does the Council communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>Internal Audit undertakes periodic initiatives to raise fraud awareness amongst employees and Members. The Council has an established Anti-Fraud & Corruption Strategy, Fraud Response Plan and Confidential Reporting Code. These documents form part of the Council Constitution and were reviewed and by the Business Efficiency Board during the past year. In addition a Prosecutions Policy was previously approved and is now being applied in practice.</p> <p>The Local Code of Corporate Governance also sets out the Council's arrangements and expectations with regard to conduct and ethical behaviour.</p> <p>Communications on appropriate business practice are made via staff briefings, e-mails to all staff on specific</p>

	topics and provision of e-learning on issues such as information governance.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	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 Business Efficiency Board receives information regarding whistle blowing as part of the annual Fraud and Corruption report, but is not aware of any other such instances.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2019?	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.

Laws and Regulations

Auditor Question	Response
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	Senior Officers, the Legal Department and Finance Officers are responsible for ensuring compliance with relevant laws and regulations. Internal Audit reviews such arrangements as part of its annual plan of work and report on any non-compliance. The Business Efficiency Board considers the Annual Governance Statement which provides various assessments of compliance. The Council also operates whistleblowing arrangements which provide for the safe reporting of any non-compliance with laws and regulations.
How does management 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.
How is the Governing Body provided with 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.
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2019?	No.
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Senior Officers, the Legal Department and Finance Officers are requested on an annual basis to consider potential litigation and claims. Regular financial reporting and budget monitoring also help with the identification process. Assessments are undertaken by the Revenues & Financial Management Division and decisions taken on how to account for claims in line with accounting standards and the CIPFA Code of Practice. A reserve is set for all insurance claims, in order to quantify the full potential cost of all outstanding claims.

	Regular meetings take place with service providers that will highlight these events.
Is there any actual or potential litigation or claims that would affect the financial statements?	Only for those where it is possible the liability is with the Council or there is uncertainty over the amounts. These are covered within the contingent liabilities note.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No.