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Audit and Governance Board

Wednesday, 6 July 2022 at 6.30 p.m.
Council Chamber - Town Hall, Runcorn

S. Young

Chief Executive

BOARD MEMBERSHIP

Councillor Rob Polhill (Chair)	Labour
Councillor Alan Lowe (Vice-Chair)	Labour
Councillor John Bradshaw	Conservative
Councillor Ellen Cargill	Labour
Councillor Emma Garner	Labour
Councillor Phil Harris	Labour
Councillor Eddie Jones	Labour
Councillor Tony McDermott	Labour
Councillor Louise Nolan	Labour
Councillor Ged Philbin	Labour
Councillor Pamela Wallace	Labour

Please contact Gill Ferguson on 0151 511 8059 or e-mail gill.ferguson@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 28 September 2022

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

Part I

Item No.	Page No.
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.	
3. CORPORATE RISK REGISTER BIENNIAL UPDATE 2022/23	7 - 54
4. INFORMING THE EXTERNAL AUDIT RISK ASSESSMENT	55 - 96
5. INTERNAL AUDIT ANNUAL REPORT 2021/22	97 - 125
6. EXTERNAL AUDIT ANNUAL REPORT 2020/21	126 - 164
7. EXTERNAL AUDIT PLAN – 2021/22 YEAR-END	165 - 190
8. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	

PART II

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

9. INTERNAL AUDIT PROGRESS REPORT	191 - 317
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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.

AUDIT AND GOVERNANCE BOARD

At a meeting of the Audit and Governance Board held on Wednesday, 23 March 2022 at the Council Chamber - Town Hall, Runcorn

Present: Councillors Polhill (Chair), A. Lowe (Vice-Chair), J. Bradshaw, Jones, McDermott, Philbin, J. Stockton and Wallace

Apologies for Absence: Councillors E. Cargill, Wall and Whitley

Absence declared on Council business: None

Officers present: E. Dawson, M. Murphy, S. Baker and M. Reaney

Also in attendance: Michael Green and Stephen Nixon of Grant Thornton

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

	<i>Action</i>
<p>BEB23 MINUTES</p> <p>The Minutes of the meeting held on 24 November 2021 were taken as read and signed as a correct record.</p>	
<p>BEB24 STANDARDS UPDATE</p> <p>The Board considered a report of the Operational Director, Legal and Democratic Services/Monitoring Officer, which provided an update on Standards issues for the Municipal Year 2021/22. The update included information on national and local developments of interest, and a verbal update on the complaints received in Halton during the past year.</p> <p>It was proposed that the report would be forwarded to Council for information along with the minutes in place of the previous Standards Committee Annual Report.</p> <p>RESOLVED: That the report be noted.</p>	
<p>BEB25 REVISED CODE OF CONDUCT FOR MEMBERS</p> <p>The Board considered a report of the Strategic Director – Enterprise, Community and Resources, on the</p>	

revised Members Code of Conduct (the model code).

It was reported that the Local Government Association (LGA) had published some minor changes to the model Code of Conduct for Members. However, a significant change had been made to the prejudicial interest test, which in the Merseyside Model Code and original LGA Model Code was applied to 'your interests'. The revised drafting properly expanded the scope of the test to include other interests and those of family and associates in accordance with the Principles of Public Life.

The Merseyside Model Code was based on the December 2020 version of the LGA Model Code and the 17 May 2021 version had only recently been made available to Liverpool City Region Monitoring Officers, whilst the 19 January 2021 version was not provided. As such, additional amendments may be subsequently required to incorporate into the Merseyside Code of Conduct any further relevant changes and/or to provide for other local arrangements. Monitoring Officers across the LCR would continue to work together in an attempt to align amendments to the Merseyside Model Code across their respective authorities.

The Model Code was attached at Appendix A for Members consideration.

RESOLVED: That the Board recommends Council to adopt the revised Code of Conduct for Members attached to the report as Appendix 1.

Strategic Director
Enterprise,
Community and
Resources

BEB26 ANNUAL GOVERNANCE STATEMENT 2020/21

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which sought approval of the final 2020/21 Annual Governance Statement (AGS).

The 2020/21 AGS was originally presented to the Board on 7 July 2021. It was important that the AGS was up to date when the statement of accounts were approved. As such, the document was presented again for the Board to review.

Once approved the AGS would be signed by the Council Leader and Chief Executive and published on the Council's website.

RESOLVED: That the Annual Governance Statement 2020/21 be approved.

BEB27 2020/21 STATEMENT OF ACCOUNTS, AUDIT FINDINGS, REPORT AND LETTER OF REPRESENTATION

The Board considered a report of the Operational Director, Finance, which sought approval for the Council's 2020/21 Statement of Accounts (the latest version of which was enclosed with the Agenda), and the report of the Audit Findings of the External Auditor (Grant Thornton) on the 2020/21 financial statements. The report also sought approval of the Council's Letter of Representation.

It was reported that the Statement of Accounts set out the Council's financial performance for the year in terms of revenue and capital spending and also presented the year-end financial position as reflected in the balance sheet. The key elements were detailed in the report.

The External Auditor presented the Audit Findings report which summarised the findings from 2020/21 external audit. Section 2 of the Audit Finding report presented the findings of the External Auditor in respect of matters and risks identified at the planning stage of the audit and additional and significant matters that arose during the course of their work.

It was explained that the audit work was substantially complete, except for undertaking additional work relating to infrastructure assets which had recently been required following a sector-wide issue relating to component accounting. It was not anticipated that any matters would arise from this additional work, however, it must be undertaken in order for the External Auditor to provide their Audit Opinion.

In addition the Council was required to provide the External Auditor with a Letter of Representation relating to the financial statements, as shown in Appendix 1. The letter was required to be signed by the Chair of the Board on behalf of the Council.

It was noted that on 1 April 2020 the National Audit Office had introduced a new Code of Audit Practice which came into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money (VFM). Work on VFM arrangements was ongoing but the External Auditor had not identified any significant weakness during planned work to date.

RESOLVED: That

1. the draft Letter of Representation in Appendix 1 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Board;
2. the External Auditor's draft 2020/21 Audit Findings Report in Appendix 2 and any subsequent additions or amendments be approved by Operational Director - Finance, in liaison with the Chair of the Board; and
3. the Council's draft 2020/21 Statement of Accounts in Appendix 3 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Board.

BEB28 2022/23 INTERNAL AUDIT PLAN

The Board considered a report of the Divisional Manager, Audit, Procurement and Operational Finance, which sought approval for the planned programme of internal audit work for 2022/23.

A risk based Audit Plan had been prepared, designed to enable internal audit to deliver an overall opinion on the Council's risk management and control and governance arrangements. A copy of the draft Audit Plan for 2022/23 was attached as an appendix to the report.

The Board was advised that, as in previous years, the Audit Plan would need to remain flexible and that changes may be required in order to respond to risks which emerged during the year.

For the past two years the pandemic had had a significant impact on the work of internal audit and it was possible that would continue, at least in the short term. As such, a general provision had been made in the audit plan for continuing work in relation to the pandemic.

Performance against the Audit Plan would be kept under review throughout the year and regular progress reports would be provided to the Board. Internal Audit would work closely with the Council's external auditor, Grant Thornton, to minimise duplication and to ensure efficient and effective deployment of the overall audit resource.

RESOLVED: That the Board approves the proposed Internal Audit Plan for 2022/23.

BEB29 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 items of business in accordance with Sub-Section 4 of Section 100A 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 the public interest 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 Sub-Section 4 of Section 100A 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.

BEB30 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 November 2021. The report also highlighted matters relevant to the Board's responsibilities as the Council's Audit Committee.

Appendix 1 provided a list of the planned work for the year and showed the current status of each audit. It also highlighted those audits that had not started and had therefore been included in the 2022/23 Audit Plan as they

were still considered relevant. Details of a further 13 audit reports that had been finalised since the last progress report to the Board were also outlined.

RESOLVED: That the report be noted.

Meeting ended at 7.50 p.m.

REPORT TO:	Audit and Governance Board
DATE:	6 July 2022
REPORTING OFFICER:	Operational Director Policy, Planning and Transportation
PORTFOLIO:	Leader
SUBJECT:	Corporate Risk Register biannual update 2022/23
WARD(S)	Borough-wide

1.0 **PURPOSE OF THE REPORT**

1.1 To report on the biannual update of the Corporate Risk Register for 2022/23.

2.0 **RECOMMENDATION: That**

1) the progress of actions is noted; and

2) the Board reviews the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements.

3.0 **SUPPORTING INFORMATION**

3.1 The report contains an annual review on the corporate risks for this year.

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

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

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

- 3.5 Together with consultation with internal stakeholders, Directorate Risk Registers are central to any reviews and updates of the Corporate Risk Register. This ensures that the council maximises its opportunities whilst minimising and controlling the associated risks in delivering the council's vision and services for Halton.
- 3.6 The Risk Control Measures have been reviewed and updated in line with current changes within the Authority and as proposed by managers and internal stakeholders.
- 3.7 The risks have been grouped in order and the scores relate to 'Unmitigated Risk Scores' and then to 'Mitigated Risk Scores'. As a result once the mitigation measures have been implemented, it reduces the scores and highlights the remaining 'Residual Risk Scores'.
- 3.8 In particular the risks have been reprioritised so that people, i.e. the community and staff, take priority. The headings and scores are:
- i. Coronavirus (COVID-19) (15:12)
 - ii. Delivery of Services to Vulnerable Adults (25:16) and (25:20)
 - iii. Safeguarding Children and Adults (25:16)
 - iv. Health & Wellbeing (20:16)
 - v. Education (16:12)
 - vi. Cyber Risk (25:20)
 - vii. Data Security (25:15)
 - viii. Capacity and Resilience (20:16)
 - ix. Council Finances (25:20)
 - x. Keeping Halton Community Safe (15:12)
 - xi. Changes to Government Arrangements (25:15)
 - xii. Mersey Gateway (15:10)
 - xiii. Community Expectations (20:16)
 - xiv. Partnerships (9:4)
 - xv. Fraud (12:6)

xvi. Funding and Income Generation (16:12) and (20:16)

4.0 **POLICY IMPLICATIONS**

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

5.0 **FINANCIAL IMPLICATIONS**

5.1 There are no financial implications.

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

6.1 Corporate Effectiveness and Business Efficiency

7.0 **RISK ANALYSIS**

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

8.0 **EQUALITY AND DIVERSITY ISSUES**

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

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

9.1 None under the meaning of the Act.

Corporate Risk Register

Lead Strategic Director: **Ian Leivesley**

Risk Management Coordinator: **Lynn P Ramsden**

Initial Register Implementation: **2011**

Register Review Date: **April 2022**

Progress update: **September 2022**

Table of Contents

1. Risk – COVID-19	4
2. Risk – Delivery of Services to Vulnerable Adults	7
3. Risk – Safeguarding Children and Adults	10
4. Risk – Health & Wellbeing.....	12
5. Risk – Education	15
6. Risk – Cyber Risk	18
7. Risk – Data Protection.....	19
8. Risk – Capacity and Resilience.....	21
9. Risk – Council Finances.....	23
10. Risk – Keeping Halton’s Community Safe.....	26
11. Risk – Changes to Governance Arrangements.....	28
12. Risk – Mersey Gateway.....	29
13. Risk – Community Expectations.....	31

14. Risk – Partnerships.....33

15. Risk – Fraud.....35

16. Risk – Funding and Income Generation.....37

Appendix ‘A’ – Scoring Mechanism.....43

Coronavirus (COVID-19)

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
1	<p>Worldwide Virus Outbreak</p> <p>Reduced staffing levels beyond normal tolerance levels, across service areas, as a result of absence linked to COVID-19 (self-isolation and / or sickness absence)</p> <p>Major impact on frontline services</p> <p>Major impact on processing of monthly payroll for Council, schools and external clients</p> <p>Seasonal dependant- may be worse (higher likelihood in winter months.</p>	5	3	15 (down from 25)	All

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Dedicated 'Restricted' Coronavirus SharePoint area within the Local Authority's SharePoint, which is located via the Emergency Planning portal. Key Emergency Plans and documentation are held within this area. 	4	3	12 (down from 20)	Daily/Weekly/ Monthly	Chief Executive

<ul style="list-style-type: none"> • The Chief Executive and Senior Management continue to lead on the response and recovery. • The authority takes part in a number of teleconferences led by the Cheshire Resilience Forum i.e. Strategic and Tactical Group Teleconferences. Local Authority Public Health Team attend a number of these meetings. • Data and information is shared by key organisations and MHCLG to ensure the local authority have the correct level of information to protect and support the community. • As part of the response and recovery, the Chief Executive has a dedicated agenda item to cover COVID-19 matters at the weekly Management Team meeting. The aim is to assess risk, resilience and progress work programme items. • The authority takes part in a number of teleconferences led by Cheshire Resilience Forum, i.e. Strategic and Tactical Group Teleconferences. • To support the Strategic and Tactical response, a number of Covid-19 Hub Groups have been created and sit-reps are produced i.e. CRF Multi-Agency Major Incident Cell meets regularly to risk assess all current risks, including Covid, Winter Planning. This MHCLG Sitrep is submitted every Monday. • Local Authority Public Health continue to take part in a number of health teleconferences. • Information and actions generated from these teleconferences are shared appropriately. • Failure to deliver quality services to vulnerable adults would negatively affect the health and wellbeing i.e. increasing complex care needs, ageing population, reduction in available funding, recruitment and provider failure. • A number of tested plans and procedures have been activated to respond and recover to this Major Incident. 			<p>situation evolves/rises/reduces</p>	
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<ul style="list-style-type: none"> • The authority have supported CEV/Shielded Individuals who have required support over the past 12 months. Shielding ceased 1st April 2021. However, the authority will continue to support isolated individuals where required. • Personal Protective Equipment Hub (PPE) opened to provide the necessary equipment to enable relevant staff to continue providing vital services. • A number of wellbeing resources made available to staff. • Implement government guidance and PHE direction across the workforce to minimise exposure to virus as far as is possible. This is designed to keep productivity at highest possible level. • Regular staff communications (Corporate) issued to all staff to direct behaviours. • Regular briefings issued to schools. • Home working in place for employee’s who can do so. • Where possible, accommodate home working where employees directed to self-isolate by a health professional / 111. • Government guidance followed on the opening of schools. • Local Outbreak Plan and Local Outbreak Hub continue to be reviewed and updates in line with changes in national guidance and policy. • Implement actions in Business Continuity Plan, where staff levels fall below acceptable levels in priority service area to maintain service delivery. • Plans for staff returning to use workspaces are within the limits of COVID-secure guidelines. 					
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DELIVERY OF SERVICES TO VULNERABLE ADULTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
2a	<p>Failure to deliver quality services to vulnerable adults could negatively affect their health and wellbeing i.e. increasing complex care needs, ageing population, reduction in available funding, recruitment and provider failure. Impact of COVID19 on service delivery</p> <p>Care Home Sector financial sustainability due to the impact of COVID 19</p>	5	5	25	A Healthy Halton / A Safer Halton

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Effectively allocating and using available finances and resources in the delivery of services. Integration of Health and Social Care with a view to improving the outcomes for people using the services, such as joint commissioning arrangements for services, joint strategies, e.g. Carers Strategy and Autism Strategy, etc. Transformation of provider markets so that responsive and sustainable markets in adult social care can be developed and supported, e.g. Care Home Development project and Transforming Domiciliary Care. Delivery of prevention and early intervention to vulnerable adults through a range of services. Effective use of alternative funding streams and community assets to provide services. 	4	4	16	6 monthly	Strategic Director - People

<ul style="list-style-type: none"> • Joint approach with Health to ensure efficient quality assurance across all adult social care services. • COVID-19 • Care home resilience plan in place focussing on effective infection prevention and control measures including accessing relevant PPE, support with staffing issues, etc. • ASC Plans in place and fully implemented focussing on four main areas of preventing and controlling the spread of infection in care settings, collaboration across health and social care services, supporting people who receive social care, the workforce and carers supporting the system. • Effective use of short term grant allocations to support the resilience of the care home sector. • Vaccinations programme progressing well, plans in place to encourage staff and service users to be fully vaccinated. 					
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Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
2b	Adult Social Care Charging Reforms, as announced September 2021 likely to cause a shortfall in funding to meet the full cost of care. This in turn may trigger a judicial review if Local Authority do not fully fund	5	5	25	A Healthy Halton / A Safer Halton

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

	(Severity)		(I x L)		
<ul style="list-style-type: none"> ADASS regional groups to review risks and approaches and address areas of concern. Local task and finish group to fully understand risks and make recommendations to Local Authority. 	5	4	20	6 monthly	Strategic Director - People

SAFEGUARDING CHILDREN AND ADULTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
3	Failure to support and protect the safeguarding of children and adults could adversely impact on their health, safety and opportunity to reach their potential	5	5	25	A Healthy Halton / Employment, Learning and Skills / Children and Young People / A Safer Halton

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

<ul style="list-style-type: none"> Halton's Children's and Young People Safeguarding Partnership Board fully operational with appropriate resources and are operating within statutory guidance and towards identified priorities. Representatives from the Children's and Adult's Safeguarding Boards to work in partnership through attending corresponding boards. Children's and Adult's Safeguarding Board's to work with strategic groups within the Borough to ensure accountability and effectiveness of safeguarding. Services regularly audit Children's and Adult's cases for quality and consistency of practices. Comprehensive suite of performance reports for Children's and Adults are reviewed at least monthly and compared with regional and national benchmarks. 	4	4	16	6 monthly	Strategic Director - People
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<ul style="list-style-type: none"> • Progress reports for Children’s and Adults are taken to the Board and Members for their attention. • Improving the health and wellbeing of children and adults through early intervention and treatment services delivered in house and externally via a range of providers and partners. • Providing efficient safeguards to support vulnerable adults who lack capacity and require the support of the Deprivation of Liberty Safeguards and the Court of Protection. • Support local care home providers to drive up the quality of care within their homes to ensure positive outcomes for vulnerable adults. <p><u>COVID-19</u></p> <ol style="list-style-type: none"> 1. Visits to care homes now available for residents and visiting professionals. 2. Training sessions, Strategy and MDT Meetings completed by Skype, to mitigate the risk. 3. Enhanced Care Home Model completed remotely with wider MDT, including GP’s, LLAMS and social care. 4. Advocacy have implemented interim measures regarding their approach during the Pandemic. 5. NW ADASS group continues to communicate to share learning, ideas and approaches to manage Safeguarding, DoLS and MCA related issues, with the restrictions that are currently in place. 6. Mandatory vaccination programme in process of being implemented. 					
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HEALTH AND WELLBEING

Item	Identified risk	Impact ⁱ (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
4	<p>Reduced capacity to sustain delivery of services that prevent harm, protect health and promote positive physical, mental and emotional health and wellbeing across the population of Halton</p> <p>Failure to engage with appropriate partners and agencies to respond with adequate safeguards and mitigate against current and potential harms to health and wellbeing.</p>	5	4	20	A Healthy Halton / Environment and Regeneration / A Safer Halton / Children and Young People

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Ensuring that the council adequately fulfils its requirement to protect and promote health within the population, including the appropriate delivery of mandated public health services. Development and implementation of local, regional; and national pandemic response plans, to cover influenza and other mass population outbreak scenarios; including involvement in PHE and local LRF coordination and response structures. 	4	4	16	6 monthly	Director of Public Health

<ul style="list-style-type: none">• Maintain and improving on trajectories to reduce risk of Health Care Associated Infections (eg MRSA, C. Difficile, CRE, E-Coli etc), including regular monitoring, oversight and assurance of providers, using relevant networks and commissioners.• Promote and improve uptake of all NHS prevention programmes including immunisation and screening and maintain effective oversight and scrutiny of appropriate NHS commissioner and providers.• Ensure that appropriate public health engagement and advice is included in the development, maintenance and testing of emergency plans including, adverse weather (heatwave, cold weather and flooding), COMAH.• Systems are in place for the identifications and mitigation of environmental hazards and mitigation, including ongoing monitoring and assurance of air quality, monitoring of industrial processes, ability to respond to regulatory functions for food hygiene, health and safety.• Ensure that the we engage with all local providers to maximise opportunity for Halton residents to enhance positive wellbeing opportunities, reduce emotional and mental ill health and seek appropriate support at times of crisis, including responding to, and preventing suicides.					
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<p><u>COVID-19</u></p> <ul style="list-style-type: none"> • Public Health team to review the form and function of the ‘Halton Outbreak Support Team.’ To respond to current and predicted outbreak activities • Develop and maintain ‘Outbreak’ plans. • Outbreak mangement and response using appropriate health protection processes and procedures. • Consequence management. • Receive and assess regular data and intelligence reports from systems and analyse to translate into local level data. • Regular meetings across local, regional and national Association of Helath Protection Board, Directors of Public Health, Public Health England, LRF and other relevant system meetings as required. • Public Health Team maintaining links in with local, regional and national relevant test, track, trace and health protections system meetings as appropriate and in response to changing environments. • All of the above to be updated as per changes in government guidance. 					
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EDUCATION

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
5	<p>Risk of not providing a broad and balanced curriculum and a full educational offer to all children and young people</p> <p>Risk of negatively impacting vulnerable and disadvantaged pupils disproportionately on their educational outcomes and wider lifelong opportunities</p>	4	4	16	Children and Young People

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Schools have now fully reopened, and the need to use agency staff where school staff test positive but have not been vaccinated and have to self isolate has now reduced significantly. All schools continue to have access to a range of resources which includes Oak Academy, National Tutoring and other online resources if needed. Schools and educational provisions to engage in EEF programmes; NCETM or wider intervention strategies to support progress and attainment for children and young people. Schools and educational provision identify gaps in learning; design a recovery curriculum appropriate to individual needs and hold high expectations and support for children and young people. 	4	3	12	Termly or following any child/young person impacted by self-isolation from Covid case or outbreak	Strategic Director - People

<ul style="list-style-type: none"> • Schools and educational provisions to closely monitor the impact of catch up and intervention programmes on children and young peoples educational outcomes. • For maintained schools there has been support and challenge for Leaders and Middle Leaders from School Improvement colleagues. • Support for children and young peoples health and wellbeing e.g. access to Cahms; educational psychology service; specialist teachers; school based mental health first aider etc. • All schools and educational provisions to have a trained mental health first aider; a trained SENDCO; pastoral lead and knowledge to signpost youth support services as required. • All schools and educational provisions work in close partnership with pupils, parents and carers and communicate regularly and sensitively. • Headteacher recruitment prioritised and supported to provided leadership succession planning. <p><u>COVID-19</u></p> <ul style="list-style-type: none"> • School staff and parents/pupils are requested to continue to follow Public Health England, and Central Government advice and guidance • Schools have been asked to review and revise their risk assessments. • LA officers and Public Health colleagues continue to regularly update all educational establishments on advice, support, guidance and legislation. • All schools and educational provisions to ensure children and young people are supported with return to school; smooth transition and PHSE. 				
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<ul style="list-style-type: none"> • All schools to ensure they have plans for good quality blended learning to remote/home/blended learning if a Covid case or further significant outbreaks were to occur. • Any impact of a positive covid case/outbreak or self-isolation reported to LA (Public Health/ Jill Farrell) to ensure recovery plans are in place and access to remote learning is possible and of high quality. • Ensure children and young people have access to IT equipment/resources and opportunity to engage in remote/home/blended learning where this is required (now a reduced requirement due to full reopening of schools, early years settings, and the college). • Fortnightly update meetings with Schools Trade Unions representatives and Health & Safety Team. • Provision of PPE from DfE for schools with emergency provision of PPE from Local Authority for schools with ongoing support as necessary. 					
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CYBER RISK

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
6	Risk of adverse business Impact as a result of the failure of key business systems brought about by cyber incidents.	5	5	25	All

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> The Council adopts a range of activities to manage the risk of loss of services as a result of Cyber threats, which includes risk reduction (mitigation), Risk retention (acceptance), Risk avoidance, Risk transfer. A dedicated service within ICT Services that has the responsibility of managing the cyber risk facing the Council. Clear reporting lines to senior management allowing the risk to be managed. Numerous Compliance regimes that provide the necessary assurance frameworks to demonstrate how the Council complies with industry standards. Ongoing education and awareness programme for key staff. Ongoing adoption and implementation of advice and guidance from NCSC. Continuous improvement - ongoing upskilling of security and Information Governance teams to expand their capabilities against the prevailing cyber climate through training and certification. 	5	4	20	6 monthly	All Strategic Directors

DATA PROTECTION

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
7	Data Protection: Risk of breach of data caused by mishandling of personal data by inadequate data handling and not adequately preventing and minimising security incidents, including ICT incidents, resulting in loss of data, unlawful sharing of data, reputational damage and significant financial penalties levied by the Information Commissioner’s Office Failure to comply with information governance requirements, eg Data Protection Act (General Data Protection Regulation); Freedom of Information Act	5	5	25	All

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> • Policies and procedures for council staff including Data Protection • Policy and Information Governance Handbook. • Wide range of guidance about handling personal data available to council staff on the internal intranet site. • Mandatory training for council staff via E-Learning module 	5	3	15	6 monthly	All Strategic Directors

<ul style="list-style-type: none"> • Reporting to internal Information Governance Group, ICT Strategy Board and senior Management Team Reviews and internal audits. • Privacy Impact Assessments for new technologies or where processing is likely to result in a high risk to individuals • Contractor’s compliance • Management controls, including effective logging and tracking, complaints and appeals procedures • Effective use of technology • The model publication scheme approved by the Information Commissioner adopted. 					
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CAPACITY AND RESILIENCE

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
8a	Reduced capacity to sustain the delivery of services and respond to emergency situations in line with Council Priorities.	5	4	20	Corporate Effectiveness and Efficiency

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Maintaining a supportive working environment through shared service organisational ethos, pride and value across Members, staff, management, Unions and partners Focusing delivery of performance on the council's corporate vision and key strategic priorities leading to a clearly understood and shared set of priorities Emphasis on management and leadership standards with recognition of the challenges faced by the Authority leading to managers who are able to direct, inform, develop and support staff. This also enables a focus on succession planning Maintaining a workforce that are skilled, informed, flexible and competent in order to ensure that they deliver efficient and effective services COVID-19, see section 1; 	4	4	16	6 monthly	All Strategic Directors

<ul style="list-style-type: none"> Utilise learning from the management of working practices during the pandemic to inform future ways of working and optimise resources. This will be done in a controlled way through implementation of a 'Future Work Programme', sponsored by Management Team and delivered in a structured way using programme management principles. 				
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Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
8b	Reduced capacity to continue service provision across various services due to recruitment and / or retention difficulties.	5	4	20	Corporate Effectiveness and Efficiency

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Development of a medium-term strategic approach to resourcing in order to address the issue of an ageing workforce. Development of a short-term strategic approach to resourcing in order to address emerging labour market difficulties, recruitment to hard-to-recruit professional roles, and recruitment to a growing number of vacant posts. Design and implementation of career pathways to attract younger potential employees to the workforce. Collaborative working with LCR CA and LA's to implement broader projects and initiatives to attract potential employees to the sub-regional Local Government Sector. 	4	4	16	6 monthly	All Strategic Directors

<ul style="list-style-type: none"> • Development of broader projects and initiatives to retain employees within the Council (e.g flexible working). • Renewal and use of the corporate contract that is in place to obtain and manage temporary resources (Matrix SCM). • Use of controlled 'off-contract' arrangements, via procurement, where the corporate contract cannot meet a requirement. 					
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COUNCIL FINANCES

Item	Identified risk	Impact ⁱⁱ (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
9	<p>A significant reduction in the Council’s funding from Government grant and/or locally raised business rates/council tax, leads to an inability to deliver the Council’s key service priorities, especially those services essential for the support of the most vulnerable members of the community.</p> <p><u>Covid19</u> A significant shortfall in Government grant funding provided to meet Covid19 related costs, fees & charges/sales income losses, and ongoing reductions in council tax and business rates income.</p>	5	5	25	Corporate Effectiveness and Efficiency

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Financial Planning is undertaken to compare available financial resources with spending requirements over the medium term (3 years), resulting in preparation of the Medium Term Financial Strategy which allows overall budget gaps to be identified at an early stage and appropriate plans put in place to tackle them Proposed developments regarding the future funding of Local Government nationally are monitored, to assess the potential impact 	5	4	20	6 monthly	Strategic Director - Enterprise Community & Resources (Ian Leivesley)

<p>for the Council and take account of this within the Medium Term Financial Strategy.</p> <ul style="list-style-type: none"> • The Government announced the outcome of their Spending Review on 27th October 2021 covering a three year period. However, they also announced that a fundamental review of the Local Government finance regime would be undertaken over the coming year. This creates significant uncertainty in terms of the Council’s medium term financial planning. The Council will monitor the proposed reviews and contribute to any associated consultations, along with those of the LCR and Sigoma, in order to provide the best possible outcome for Halton. • The Government have announced changes regarding the funding of Health and Social Care, the implications of which are being assessed and incorporated into the Medium Term Financial Strategy. • The Government announced only a one year grant settlement for 2022/23, in light of the proposed review of the Local Government funding regime. This provides further uncertainty in terms of medium term financial planning. • Following the grant settlement, Council on 2nd March 2022 set a balanced revenue budget for 2022/23 by utilising a significant amount of one-off reserves. However, this was agreed only on the basis that over the coming year sufficient permanent savings must be identified and approved, to balance the budgets for the following three years. This creates a significant risk to the Council, therefore, a robust process is being developed to ensure sufficient savings are identified across all services. • Effective business planning to ensure that appropriate resources are directed towards the Councils key strategic priorities. • Budget setting is aligned to the annual business planning cycle in order to ensure that the value of financial resources are maximised. 					
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<ul style="list-style-type: none"> • A budget risk register is maintained which works in conjunction with the budget setting cycle to ensure that emerging budget risks are identified together with relevant mitigating measures. <p><u>COVID 19</u></p> <ul style="list-style-type: none"> • The 2021/22 Council budget has been monitored closely during the year, along with Covid-19 related costs and associated funding provided by Government. Overall spending has been closely managed in order to mitigate the potential net overspend by year-end. • Covid19 related costs are being separately identified within the Agresso system as far as possible and along with estimated income losses are being reported monthly to MHCLG • Covid19 related costs and income losses are being closely monitored and reported to Management Team and Executive Board on a quarterly basis. 					
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KEEPING HALTON COMMUNITY SAFE

Item	Identified risk	Impact ⁱⁱⁱ (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
10	A failure to monitor and appropriately manage the risks created by global, national and local events, and how these might impact on local community tensions, could potentially lead to a threat to security and have an adverse effect on the stability of Halton’s communities.	5	3	15	A Healthy Halton / Environment and Regeneration / A Safer Halton

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

<ul style="list-style-type: none"> The Safer Halton Partnership (SHP) involves joint working, clear communications and information sharing across various partner agencies, including emergency services. The partnership works to ensure that there is community cohesion with safe and secure neighbourhood environments Multi agency Community Safety team that addresses anti-social behaviour and crime thus supporting the SHP agenda The Channel Panel is a multi-agency group which provides support for those who are vulnerable to be drawn into terrorism through a programme of early intervention and diversion 	4	3	12	6 monthly	Chief Executive (David Parr)
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<ul style="list-style-type: none"> • Emergency Planning team have developed and tested Multi-Agency Response plans to mitigate a number of risks within the borough. • In response to ‘Major Accident’ cloudburst incidents occurring at Upper Tier COMAH sites; Emergency Planning Team have tested and validated Emergency COMAH Plans for all 9 sites. • Emergency Planning Team work in partnership with the Cheshire Resilience Forum to provide an integrated approach for facilitating and responding with emergencies across Cheshire. • Emergency Planning Team work with cross border organisations and responding agencies within the Liverpool City Region regarding cross border risks and resilience planning. • Critical Incident Management procedures, including ‘lockdown’, have been developed, communicated and tested for Council buildings and schools. • Security surveys conducted for main council buildings and schools. • COVID-19, see section 1 					
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CHANGES TO GOVERNMENT ARRANGEMENTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
11	Changes to Government arrangements and other public sector organisations could potentially lead to a deterioration of local services	5	5	25	A Healthy Halton / Employment, learning and skills / Children and Young People / A Safer Halton / Corporate effectiveness and business efficiency

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Ensuring that both Members and officers from the Council plays an active role in the Combined Authority for the Liverpool City Region Through 'One Halton' work the Authority is ensuring a smooth interaction between Health and Halton Council colleagues, to ensure that Halton's interests are recognised and looked after in any new governance arrangements 	5	3	15	6 monthly	Chief Executive

MERSEY GATEWAY

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
12	Lack of effective management of and adherence to governance arrangements / contractual requirements or disrupted journeys could lead to increased project costs. In addition these could also lead to adverse publicity and reputational risks to the Council	5	3	15	Environment and Regeneration / Employment, Learning and Skills

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<u>Demand Management Participation Agreement (DMPA)</u> <ul style="list-style-type: none"> Base line is realistic and achievable Agreed contract is designed to incentivise an increase in volumes of traffic Mersey Gateway Crossings Board has a role in managing the DMPA Effective publicity around speed and reliability of bridge 	5	2	10	6 monthly	Strategic Director - Enterprise Community & Resources
<u>Tolling Risk</u> <ul style="list-style-type: none"> In order to mitigate the risk of the project not delivering sufficient toll revenue each year to meet project costs, a liquidity reserve of £19m 					

has been established jointly by the Department for Transport and Halton Borough Council (through borrowing funded from future toll revenues). If necessary the reserve will be topped-up periodically by undertaking further borrowing.

COVID 19

- The impact of COVID 19 on traffic using the Mersey Gateway Bridge has been reviewed and incorporated into short term plans, will be constantly reviewed and the position is currently sustainable

Conclusion of Construction Phase to Subsequent Operating Phase

- Dedicated company (Mersey Gateway Crossings Board Ltd) now established, with suitably experienced staff and directors, both Executive and Non-executive, and supported by class leading professional advisers. The relationship between Council and MGCB is detailed within a Governance Agreement
- Routine project assurance monitored through external bodies including specialist non-executive directors and advisers on the Board of Directors of MGCB, external Gateway Reviews (4Ps) Department for Transport and HM Treasury scrutiny at specific project milestones
- Delivery within the Funding Framework agreed with Government that is reviewed at regular intervals and managed through the Mersey Gateway Crossings Board’s Risk Register, which is reviewed regularly by both the Audit Committee and the Board of Directors
- Maintenance of effective relationships with Government Departments (as co funders for MG) maintained by both Department for Transport and HM Treasury being represented on the Board of Directors of MGCB

COMMUNITY EXPECTATIONS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
13	Failure to effectively realise community expectations could lead to damage to the Authorities reputation and credibility resulting in negative views towards the transparency of the decision making process	5	4	20	Corporate Efficiency Effectiveness and

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> • Consultation and community engagement embedded in the Council's constitution (local code of corporate governance) • Utilising recognised mediums to identify, communicate and coordinate community expectations and priorities. These include: <ul style="list-style-type: none"> Surveys; Customer analysis; On line services; Local and social media; Target consultation exercises for specific projects; Service user groups; 	4	4	16	6 monthly	All Strategic Directors

<p>Elected member surgeries; and Other meetings</p> <ul style="list-style-type: none"> • Conducting Equality Impact Assessments with new and revised Policies • Honesty and integrity by the Authority in communicating with the public having regard to reducing budgets including promoting a self-help agenda • Any decisions to cease or amend service provision that has a significant impact on communities; early warning of intended actions through direct engagement with relevant communities to invite views • Continue to respond to new challenges to maintain current performance • COVID-19, Residents, partners, members, MP and staff kept informed via various platforms <ol style="list-style-type: none"> 1. Specific area on www.halton.gov.uk set up to highlight changes to services and information available to support the community 2. Press releases issued to local broadcast and newspaper media 3. Council's social media accounts used to cascade details quickly – in the first six weeks there were 1.92m social media impressions and nearly 500,000 visits to website 4. For persons who did not have access to the internet or do not use the internet regularly to access information, a special issue of Inside Halton produced and hand delivered to over 35k homes. 					
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PARTNERSHIPS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
14	Ineffective and poorly governed partnerships, wherever they sit within the council, with statutory and non-statutory organisations will lead to a lack of accountability and ineffective use of resources resulting in a failure to meet the needs of and improve outcomes for local communities.	3	3	9	A Healthy Halton / Employment Learning and Skills / Children and Young People / A Safer Halton / Environment and Regeneration

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> • Having efficient and effective arrangements with external partners through a shared strategic vision and action plans enables and influences partners to deliver at local levels • Maintaining financial probity with the pooled budgets, as appropriate, with partners through effective governance arrangements • Engagement with communities and partners on service priorities in order to identify and design alternative forms of delivery, as appropriate, maximising opportunities for joint working • Collaborating with partners to identify and address community issues • COVID-19, Stakeholders and Partners have a responsibility to have effective and well developed relationships which will enable a swift and effect 	2	2	4	6 monthly	Chief Executive

responsive for Halton residents. These responsibilities are detailed in the council's emergency plans and local outbreak plans.

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FRAUD

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
15	Failure to prevent and detect fraud and/or corruption may lead to significant financial loss and reputational damage	4	3	12	Corporate Effectiveness and Efficiency

Risk control measures	Residual score with measures implemented			Time scale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<p>The Audit and Governance Board monitors and reviews the adequacy of the Council’s anti-fraud and corruption policies and arrangements. These arrangements include:</p> <ul style="list-style-type: none"> • Maintenance of an effective system of internal control • Rigorous pre-employment checks of new employees • Officers’ Code of Conduct • Members’ Code of Conduct • Gifts and Hospitality Policy • Registration of Interests • Local Code of Corporate Governance • Whistleblowing arrangements 	3	2	6	6 monthly	Strategic Director – Enterprise, Community & Resources

<ul style="list-style-type: none"> • Finance Standing Orders • Procurement Standing Orders • Anti-Fraud, Bribery & Corruption Strategy • Fraud Response Plan • Fraud Sanction and Prosecution Policy • Anti-Facilitation of Tax Evasion Policy • Fraud and bribery awareness training • A continuous internal audit of the Council’s systems and services • A corporate fraud investigation team, which receives fraud referrals, investigates allegations, recovers losses and sanctions fraudsters • Crime insurance policy to indemnify the Council against significant financial loss resulting from fraud • Participation in the National Fraud Initiative • Fraud awareness campaigns encouraging members of the public and employees to raise any concerns about fraud and corruption • Collaboration with other local authorities and sharing of best practice in regard to tackling fraud and corruption • Formal arrangements with the DWP to participate in joint criminal fraud investigations relating to the Council Tax Reduction Scheme (CTRS) and social security benefit fraud • Membership of the National Anti-Fraud Network (NAFN), which is the largest shared service in the country and provides data, intelligence and best practice in support of fraud and investigation work 					
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FUNDING AND INCOME GENERATION

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
16a	Failure to maximise and identify funding opportunities in light of government cuts resulting in a potential challenge of the Councils capacity to delivery its priorities	4	4	16	A Healthy Halton / Employment, Learning and Skills / Children and Young People / A Safer Halton

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Continuing to identify funding streams and income generating options through horizon scanning, alternative untapped funding opportunities and shared partnerships with 3rd sector, private sector, and other public sector bodies Review team structures and redeploy staff to respond to emerging funding streams e.g. housing, climate change and town centre funding. During the budget setting process Directorates identify and prioritise funding requirements biannually including ensuring that there are systems to capture and report when funding comes to an end Corporate External Funding Team reports to Executive Board and Management Team to highlight services the Team can offer and meets with Departments to 	3	4	12	6 monthly	All Strategic Directors

<p>identify funding requirements; regularly signposts Council services to specific funding streams</p> <ul style="list-style-type: none"> • Commercially focussed through establishing trading and income generation possibilities in order to protect and effectively use funds; pilot Charging Policy for bid-writing introduced September 2018 and has been made permanent. • Continue to work with colleagues to improve the methods of dissemination and ensure prioritisation of/submission to relevant funding streams 					
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FUNDING AND INCOME GENERATION

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Council Priority Area(s)
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16b	Uncertainty surrounding transition arrangements in respect of European Funding Lack of certainty regarding the length of European Programmes and Successor Funding through the 'Transformation and Prosperity Fund'	4	5	20	A Healthy Halton / Employment, Learning and Skills / Children and Young People / A Safer Halton
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Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> The Shared Prosperity Fund will be launched in 2022, the current draft criteria appear to disadvantage Halton. 	4	4	16	6 monthly	All Strategic Directors

Version Control Record

Version	Date Created	Date of Amendment:	Nature of Amendment	Date of Next Review:
1.0	13.10.11			
1.1		28.08.12	Progress Commentary	
2.0		13.03.13	Reviewed and updated	13.10.13
2.1		20.09.13	Progress Commentary	
3.0		31.03.14	Reviewed and updated in line with the Corporate Peer Challenge and the revised Business Planning Process and associated guidance notes	13.10.14
3.1		15.09.14	Progress Commentary	
4.0		10.04.15	Reviewed and updated	12.10.15
4.1		10.09.15	Progress Commentary	
5.0		01.04.16	Reviewed and updated	01.04.17
5.1		10.09.16	Progress Commentary	
6.0		01.04.17	Reviewed and updated	01.09.17

6.1		10.09.17	Progress Commentary	
7.0		01.04.18	Reviewed and updated	01.09.18
7.1		01.09.18	Progress Commentary	
8.0		01.04.19	Reviewed and updated	01.09.19
8.1		01.09.19	Progress Commentary	
9.0		01.05.20	Reviewed and updated	01.05.20
9.1		01.09.20	Progress Commentary	
10.0		01.04.21	Reviewed and updated	01.09.21
10.1		01.09.21	Progress Commentary	
11.0		01.04.22	Reviewed and updated	01.09.22

Appendix 'A'

Scoring Mechanism

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



I
M
P
A
C
T

HI	5	10	15	20	25
S	4	8	12	16	20
M	3	6	9	12	15
L	2	4	6	8	10
IM	1	2	3	4	5
	H IMPROB	IMPROB	POSS	PROB	H PROB

LIKELIHOOD

Those that have been placed in the red boxes are the primary or **Top Risks** followed by lower risks leading to **improbable** risks.

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

1. Reducing the likelihood; or

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

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

Lynn Pennington- Ramsden
Principal H & S Adviser and Risk Management Co-Ordinator
1st April 2022

REPORT TO: Audit and Governance Board
DATE: 6 July 2022
REPORTING OFFICER: Operational Director, Finance
PORTFOLIO: Leader
SUBJECT: Informing the External Audit Risk Assessment
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To present the draft response to the annual letter from Grant Thornton, the Council's external auditors, regarding their year-end audit of accounts work.

2.0 RECOMMENDATION: That the draft responses shown in the Appendix be provided to the Council's external auditors.

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 Audit and Governance Board) gain assurance regarding management processes and arrangements, in the context of the year-end audit of accounts.

3.2 The Appendix presents draft responses to a number of questions contained in a letter from Grant Thornton, which it is proposed to provide to them in order to assist with their year-end audit of accounts.

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.

Land and buildings valuation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Council has moved from a 5 year revaluation cycle to a 3 year cycle. This will help reduce the risk of material valuation changes between dates.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Detail is included in the Accounting Policies to the Statement of Accounts. Please see response to Q1.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Based on professional advice or latest available information. None
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Source data provided by service providers or management experts None
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, specialist skills procured through a thorough procurement exercise.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Ensure these are addressed as part of covering reports in receiving estimates from providers or management experts. Clarification sought where there are material differences in estimates between years which has not been addressed
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes.
8. Were any changes made to the key control activities this year? If so please provide details.	Please see response to Q1
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Based on service provider or management expert advice. Land and buildings are considered a major source of estimation uncertainty and therefore financial impact is included in the Financial Statements based on a ranged increase to the depreciation level applied.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on the material value of the asset in question.

Net pension liability valuation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Estimation of the net liability to pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Based on professional advice. No Changes
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Based on professional advice. No Changes
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Source data provided by Cheshire Pension Fund to pension actuary (Hymans Robertson LLP). None
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, pension scheme administered by Cheshire Pension Fund who would have procured the scheme actuary.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Ensure these are addressed as part of covering reports in receiving estimates from providers or management experts
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes
8. Were any changes made to the key control activities this year? If so please provide details.	None
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Based on professional advice.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on the material value of the asset in question

Assets held for sale valuation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Valuation estimations supported by professional advice.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Valuation identified immediately before classification applied as an asset held for sale. No Changes
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Based on professional advice or latest available information. No Changes
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Source data provided by service providers or management experts None
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, specialist skills procured through a thorough procurement exercise.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Ensure these are addressed as part of covering reports in receiving estimates from providers or management experts.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, through information provided by management experts.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Not considered a major source of estimation uncertainty.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	NA

Depreciation estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	There is uncertainty to the Council sustaining spend on maintenance of assets which adds uncertainty to the assets useful life.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Estimated useful lives are applied for each different class of asset. Based on professional advice. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Based on professional advice or latest available information. None
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Source data provided by service providers or management experts None
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, specialist skills procured through a thorough procurement exercise.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Ensure these are addressed as part of covering reports in receiving estimates from providers or management experts.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, through information provided by management experts.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Based on service provider or management expert advice. Land and buildings are considered a major source of estimation uncertainty and therefore is included in the Financial Statements on the financial impact of a ranged increase to the depreciation level applied.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on the material value of the asset in question

Fair values estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	None identified.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: a) in the principal market for the asset or liability, or b) in the absence of a principal market, in the most advantageous market for the asset or liability. No.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	As per Q2. No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	From latest available information. No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, specialist skills procured through a thorough procurement exercise.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Ensure these are addressed as part of covering reports in receiving estimates from providers or management experts.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Based on professional advice
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on the material value of the asset in question

Provisions estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Cost of living increase will add some uncertainty, considered for each separate provision if required.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Model based on historical experience and latest available information. Changes made to collection fund estimates, reverted back to pre-covid model.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	As per Q2
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	From latest available information as at 31 March. No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Assessing comparison between years, reasonableness.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Using latest available information and economic conditions relevant at 31 March.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on the material value of the asset in question

Accruals estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	None.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Latest available information. No.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	As Q2. No.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	From latest available information as at 31 March. No.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Assessing comparison between years, reasonableness.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Using latest available information and economic conditions relevant at 31 March.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on the material value of the asset in question

Bad debt provision estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	None
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Model based on historical experience and latest available information. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	As per Q2 No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	From latest available information as at 31 March. No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Assessing comparison between years, reasonableness.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Using latest available information and economic conditions relevant at 31 March.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on the material value of the asset in question

Expected credit loss estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	None
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Model based on historical experience and latest available information. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	As per Q2 No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	From latest available information as at 31 March. No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, specialist skills procured through a thorough procurement exercise.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Ensure these are addressed as part of covering reports in receiving estimates from providers or management experts. Clarification sought where there are material differences in estimates between years which has not been addressed
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Using latest available information and economic conditions relevant at 31 March.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on the material value of the asset in question

Amounts due under finance lease estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Latest available information. No.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	As Q2 No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	From latest available information as at 31 March. No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Assessing comparison between years, reasonableness.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Using latest available information and economic conditions relevant at 31 March.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on the material value of the asset in question

PFI estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	Model based on latest available information and information relevant to PFI type schemes. No
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	As Q2 No
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Information available from PFI contractual documents. No
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Specialist skills acquired in previous years through a procurement exercise.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Assessing comparison between years, reasonableness.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Using latest available information relevant at 31 March.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Based on the material value of the asset in question



Informing the audit risk assessment for Halton Borough Council 2021/22

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

Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Going Concern	20
Accounting Estimates	22
Accounting Estimates - General Enquiries of Management	23
Appendix A – Accounting Estimates	26

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Halton Borough Council's external auditors and Halton Borough Council's Audit and Governance Board, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Board under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Governance Board. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Governance Board and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Governance Board in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Board and supports the Audit and Governance Board in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the local authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Halton Borough Council's management. The Audit and Governance Board should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>Funding provided from Government continues to fall behind the level of growth required for Council services. Demand led services (children in care and community care) have increased number of users and increasing costs. Towards the end of year there was evidence of increasing inflation which will have an impact on the cost of delivering services.</p> <p>The lack of certainty for financial planning purposes of only having a one year Grant Settlement.</p> <p>Covid has continued to have an impact on services in 2021/22, some Government Funding has been available but at reduced levels from 2020/21 and not sufficient to keep pace with covid related costs and loss of income.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Halton Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>The Council's accounting policies have been reviewed with only minor amendments being required. There have been no events or transactions which have required changes to or the adoption of new accounting policies.</p> <p>Council has shortened the period in which assets will be subject to revaluation from 5 years to 3 years. This will allow for the workload of asset revaluation to be more evenly spread and for the balance sheet to more closely follow current conditions.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>There is use of financial instruments, but not derivatives. The policy on the use of financial instruments is reported to Council through the Treasury Management Strategy and reviewed through the Treasury Management monitoring process.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p> <p>6</p>	<p>Council were again responsible in administering a number of business support grants in supporting the business sector through Covid restrictions. The majority of these grants the Council acted as an agent on behalf of BEIS.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	None in which the Council are aware of.
6. Are you aware of any guarantee contracts? If so, please provide further details	There are none.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None, other than what is included in the Statement of Accounts as a provision or contingent liability.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Halton Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Weightmans provided advice in respect of litigated insurance claims. Some of the claims relate to previous financial years. Weightmans primarily and other firms of solicitors, as well as legal Counsel are also utilised by the Council for specific legal matters

General Enquiries of Management

Question	Management response
9. Have any of the Halton Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>PWC provided advice on VAT and CIS matters.</p> <p>Aon provided advice as the Council's insurance broker.</p> <p>Link Asset Services provided treasury management advice during the year and provided information on the Financial Instruments note to the accounts.</p> <p>Innovate working with Children Services on Ofsted Improvement Plan.</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Credit loss provisions considered on an annual basis for both general and collection fund matters.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Governance Board and management. Management, with the oversight of the Audit and Governance Board, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Governance Board should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Halton Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Board regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Governance Board oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance Board as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Halton Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Halton Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Local Authority's risk management processes link to financial reporting?</p>	<p>The Council believes that there is minimal risk that the financial statements may be materially misstated due to fraud. This is because the Council has robust anti-fraud arrangements and the level of internal fraud is consistently low year on year. External fraud has generally tended to be of a low level attritional nature predominantly relating to Council Tax and Benefits.</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 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>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 to the organisation is considered as part of the Council's planning processes. Management Team reviews and monitors the Corporate Risk Register on a regular basis. The Audit & Governance Board also receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Council's Corporate Risk Register, which also details the measures that the Council has in place to deter fraud. The Audit & Governance Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>The Council has an established Anti-Fraud & Corruption Strategy, Fraud Response Plan and a Confidential Reporting Code (Whistleblowing Policy). These documents form part of the Council Constitution.</p> <p>Internal Audit considers the risk of fraud in each audit assignment. Internal Audit also undertakes periodic initiatives to raise fraud awareness amongst employees and members.</p> <p>Internal Audit includes a Fraud Team comprising three Fraud Investigator posts. These posts provide dedicated, councilwide fraud investigation resources, to provide greater capacity and resilience to undertake fraud investigations, working closely with Internal Audit colleagues and speeding up the</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Audit & Governance Board receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Council's Corporate Risk Register, which also details the measures that the Council has in place to deter fraud. The Audit & Governance Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>Risk issues identified through the work of Internal Audit are reported to the Audit & Governance Board through regular progress reports.</p> <p>The Audit & Governance Board also receives an annual report on the Council's anti-fraud and corruption arrangements. The Board received the 2020/21 report in July 2021.</p> <p>There is also a section in the Council's standard Board reporting template that requires consideration of the risks associated with any decision.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Halton Borough Council where fraud is more likely to occur?</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>There are also other areas where local authorities may be at risk of fraud. For Halton these include:</p> <ul style="list-style-type: none"> • Council Tax (Single Person Discounts, Student Exemptions, Non-occupancy) • Business Rates (Reliefs and Exemptions) • Online Banking Transactions • Procurement • Supplier Payment Fraud • Payroll • Grants • Insurance Claims • Travel and Subsistence Claims • Cash Collection and Banking • Schools

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Halton Borough Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</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)? If so, please provide details</p>	<p>The Council believes that the Council operates a robust control environment, which is borne out by the annual opinions provided by the Head of Internal Audit over an extended period.</p> <p>Internal Audit provides a continuous audit of the Council's control environment and undertakes regular reviews of the core systems which provide the information used for the financial statements. This includes assessing the adequacy and operation of internal controls plus the risk of fraud, as part of each audit review.</p> <p>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. The results of each Internal Audit review and follow-up reviews are reported to the Audit & Governance Board.</p> <p>A fraud awareness e-learning module has been developed in-house to raise staff awareness of potential fraud risks.</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>The Audit & Governance 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>We are not aware of any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>
<p>12 8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>We are not aware of any areas where there is potential for misreporting. The processes established for reporting include reconciliations to ensure all costs are included and reconcile to overall control totals. Verification, checking and challenging of figures prior to</p>

Fraud risk assessment

Question	Management response
<p>9. How does Halton Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Council's Local Code of Corporate Governance, which forms part of the Council Constitution, sets out the processes in place to ensure that officers behave in ways that exemplify high standards of conduct and effective governance. These arrangements are wide ranging and communicated by Management Team to staff in a variety of ways including; induction procedures, the employee code of conduct, Finance Standing Orders, Procurement Standing Orders, registers of interests, In-Touch staff bulletins, staff letters, registers of gifts and hospitality, whistle-blowing procedures, HR policies and fraud awareness training.</p> <p>E-learning has been used to improve employee awareness of the Bribery Act, Fraud and Corruption, and Information Governance.</p> <p>Staff are expected to report any concerns regarding potential fraud, corruption and unethical or unprofessional behaviour.</p> <p>The Council operates a whistleblowing policy for staff and contractors to report any concerns. All reports received are investigated. The list of reports received during 21/22 can be shared with external audit if required.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Any posts having high value levels of delegation are considered potentially higher risk from a fraud and corruption perspective, as well as those dealing with the procurement of contracts. However, the Council operates a scheme of delegation which ensures that an appropriate structure of financial authorisation is in place, to ensure controls are operated to mitigate potential risks. Appropriate segregation of duty is inbuilt into the Council's finance and banking systems to ensure that the same officer cannot initiate a transaction and authorise it.</p> <p>The Council operates robust procurement arrangements, which are overseen by the Procurement Team.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Governance Board?</p> <p>How does the Audit and Governance Board exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Audit & Governance Board receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Council's Corporate Risk Register, which also details the measures that the Council has in place to deter fraud. The Audit & Governance Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>Risk issues identified through the work of Internal Audit are reported to the Audit & Governance Board through progress reports to each meeting of the Board</p> <p>The Audit & Governance Board also receives an annual report on the Council's anti-fraud and corruption arrangements. The Board received the 2020/21 report in July 2021 and will receive the 2021/22 report in September 2022.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Yes - All whistleblowing complaints are logged and investigated by the Audit & Investigations Team.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Governance Board, is responsible for ensuring that Halton Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Governance Board as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Halton Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Local Authority's regulatory environment that may have a significant impact on the Local Authority's financial statements?</p>	<p>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.</p> <p>The Council also operates whistleblowing arrangements which provide for the safe reporting of any non-compliance with laws and regulations.</p> <p>There have not been any changes to the Council's regulatory environment which would have a significant impact upon the financial statements.</p>
<p>2. How is the Audit and Governance Board provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Audit & Governance Board considers the Annual Governance Statement which provides various assessments of compliance.</p> <p>Assurances are also provided by the arrangements operated by the Council's statutory Section 151 Officer and Monitoring Officer and from the Council's Annual Governance Statement.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details.</p> <p>Have there been any data breaches reported to the ICO? Please provide details.</p>	<p>There have been no such instances of non-compliance or suspected non-compliance since 1 April 2021.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Only for those where it is possible the liability is with the Council and there is uncertainty over the amounts. These are covered within the contingent liabilities note.</p>

Impact of laws and regulations

Question	Management response
<p>5. What arrangements does Halton Borough Council have in place to identify, evaluate and account for litigation or claims?</p>	<p>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.</p> <p>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.</p> <p>Regular meetings take place with service providers that will highlight these events.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>None.</p>

Related Parties

Matters in relation to Related Parties

Halton Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Halton Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Local Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Local Authority, or of any body that is a related party of the Local Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Local Authority's perspective but material from a related party viewpoint then the Local Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Halton Borough Council's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Halton Borough Council • whether Halton Borough Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>A list of related parties are included within the Council's draft 2021/22 Statement of Accounts. There have been no material changes from those disclosed in the 2020/21 financial statements.</p>
<p>2. What controls does Halton Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>A exercise is undertaken annually as part of preparing the Statement of Accounts, to identify potential related party transactions and ensure they are properly accounted for.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All transactions with related parties are subject to the Council's normal controls over authorisation and approval of transactions in line with Finance Standing Orders.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>There are no transactions outside the normal course of business and all transactions are subject to the normal authorisation and approval controls.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Halton Borough Council will no longer continue?	Council Executive Board receive quarterly reports covering the Council's financial position, this will highlight any risk to the Council's finances which may have a detrimental impact on continued delivery of Council services. Financial Management undertake forecasting of estimated outturn position during the financial year and a rolling medium term financial forecast is also produced which reviews the Council's financial position over a three year term. This will enable the Council to identify risks to statutory services continuing to be provided.
2. Are management aware of any factors which may mean for Halton Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None.
3. With regard to the statutory services currently provided by Halton Borough Council, does Halton Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Halton Borough Council to cease to exist?	The Council expects to deliver statutory services for the foreseeable future.
4. Are management satisfied that the financial reporting framework permits Halton Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a	Management are satisfied on both counts.

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Board members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Governance Board to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Property, Plant & Equipment Pensions Liability Provisions
2. How does the Local Authority's risk management process identify and address risks relating to accounting estimates?	Consideration is given to such whilst preparing the financial statements. These have been noted in the 2021/22 Statement of Accounts and include: <ul style="list-style-type: none"> • Property, Plant & Equipment • Pensions Liability • Collection Fund Provisions
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Professional advice is taken with regards to these estimates. The Councils internal valuer provides advice on PPE. Advice on the value of the pensions liability is taken from the scheme actuary. Advice, economic climate and use of best available data is used with regard to provisions.
4. How do management review the outcomes of previous accounting estimates?	Comparison of values is undertaken between current and prior year. Where material differences apply guidance is sought on the reasons.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	Council has moved from a 5 year cycle to a 3 year cycle with regard to value of non current assets. This will improve accuracy

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Need for specialist skills or knowledge will be considered separately for each class of estimation.
7. How does the Local Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Control activities are set out in engagement contracts with service providers or management experts. Control activities will be determined in line with CIPFA Code of Practice and International Accounting Standards.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Ensure these are addressed as part of covering reports in receiving estimates from providers or management experts. Clarification sought where there are material differences in estimates between years which has not been addressed.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	Detailed information on each estimate is included within the Statement of Accounts.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	None.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Use of service providers or management experts where required.
12. How is the Audit and Governance Board provided with assurance that the arrangements for accounting estimates are adequate ?	Use of service providers or management experts where required.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Management experts engaged to provide information.	Market and economic conditions	Yes	Considered under accounting policies and major source of estimation uncertainty.	Switched from a 5 year to a 3 year valuation cycle.
Depreciation	Estimated useful lives are applied for each different class of asset	Depreciation applied to valuation provided by management experts	Yes	Considered under accounting policies and major source of estimation uncertainty.	No
Assets held for sale	Management experts engaged to provide information.	Market and economic conditions	Yes	Considered under accounting policies and major source of estimation uncertainty.	No
Valuation of defined benefit net pension fund liabilities	Management experts engaged through Cheshire Pension Service to provide information.	Market and economic conditions	Yes	Considered under accounting policies and major source of estimation uncertainty.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	Historical experience and current available information.	Comparison made to previous years	No	To be considered if material	Collection fund bad debt provisions compared on 5 year historical basis rather than 3.
Fair value estimates	The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: a) in the principal market for the asset or liability, or b) in the absence of a principal market, in the most advantageous market for the asset or liability.	Market and economic conditions	Yes	To be considered if material	None
Accruals	Latest available information.	Comparison to previous years, in-year costs.	No	To be considered if material	None
Credit loss and	Historical experience and	Comparison made to	No	To be considered if material	None

27

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Amounts due under finance leases	Latest available information	Comparison to previous years.	No	To be considered if material	None
PFI Liabilities	Model based on latest available information and information relevant to PFI type schemes.	Comparison to previous years.	Experts used in previous years in setting up initial models.	To be considered if material	None
[Please add Any other estimate you feel we should be aware of]					



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REPORT TO:	Audit and Governance Board
DATE:	6 July 2022
REPORTING OFFICER:	Divisional Manager – Audit, Procurement & Operational Finance
PORTFOLIO:	Leader
SUBJECT:	Internal Audit Annual Report – 2021/22
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to deliver an annual audit opinion and report, which can be used to inform the Annual Governance Statement.
- 1.2 This report therefore summarises the work completed by Internal Audit during 2021/22 and presents the Head of Internal Audit's opinion on the effectiveness of the Council's overall risk management, control and governance processes.

2.0 RECOMMENDATIONS: That the Board:

- **Receives and notes the overall opinion on the Council's risk management, control and governance processes that were in place during 2021/22;**
- **Notes and endorses the safeguards established to limit any impairment to the independence or objectivity of the internal audit function;**
- **Notes the Internal Audit Charter, which sets out the purpose, authority and responsibility of the Council's internal audit activity.**

3.0 EXECUTIVE SUMMARY

- 3.1 Internal audit is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes.
- 3.2 The PSIAS require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement.
- 3.3 The Internal Audit Annual Report (attached as a separate document) summarises the internal audit work completed over the 2021/22 financial year. It includes an overall assurance opinion on the Council's risk

management, control and governance processes. It also sets out how Internal Audit complied with the PSIAS during 2021/22.

3.4 It is the view of the Head of Internal Audit that sufficient audit work was completed during the year to be able to form an overall opinion. Details of the evidence base supporting the opinion are provided in the report.

3.5 In summary, the Council's risk management, control and governance processes that were in place during 2021/22 were considered to be adequate and to have operated effectively during the year.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 Under Regulation 6 of the Accounts & Audit Regulations 2015, the Council 'must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'. This responsibility is delegated to the Operational Director – Finance.

4.2 There are no direct policy implications arising from this report. However, the Head of Internal Audit's opinion on the Council's risk management, control and governance processes is one of the key sources of assurance that supports the Council's Annual Governance Statement.

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

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

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

5.2 Employment, Learning and Skills in Halton

See 5.1

5.3 A Healthy Halton

See 5.1

5.4 A Safer Halton

See 5.1

5.5 Halton's Urban Renewal

See 5.1

6.0 RISK ANALYSIS

Internal Audit adopts a risk based approach to its work and provides assurance over the Council's key business risks. In the course of its work, internal audit raises issues which have risk implications for the Council. The regular internal audit progress reports to the Audit and Governance Board summarise these issues and provides details of the actions agreed with management to mitigate any risks identified.

There are no direct risk implications arising from this report.

7.0 EQUALITY AND DIVERSITY ISSUES

None

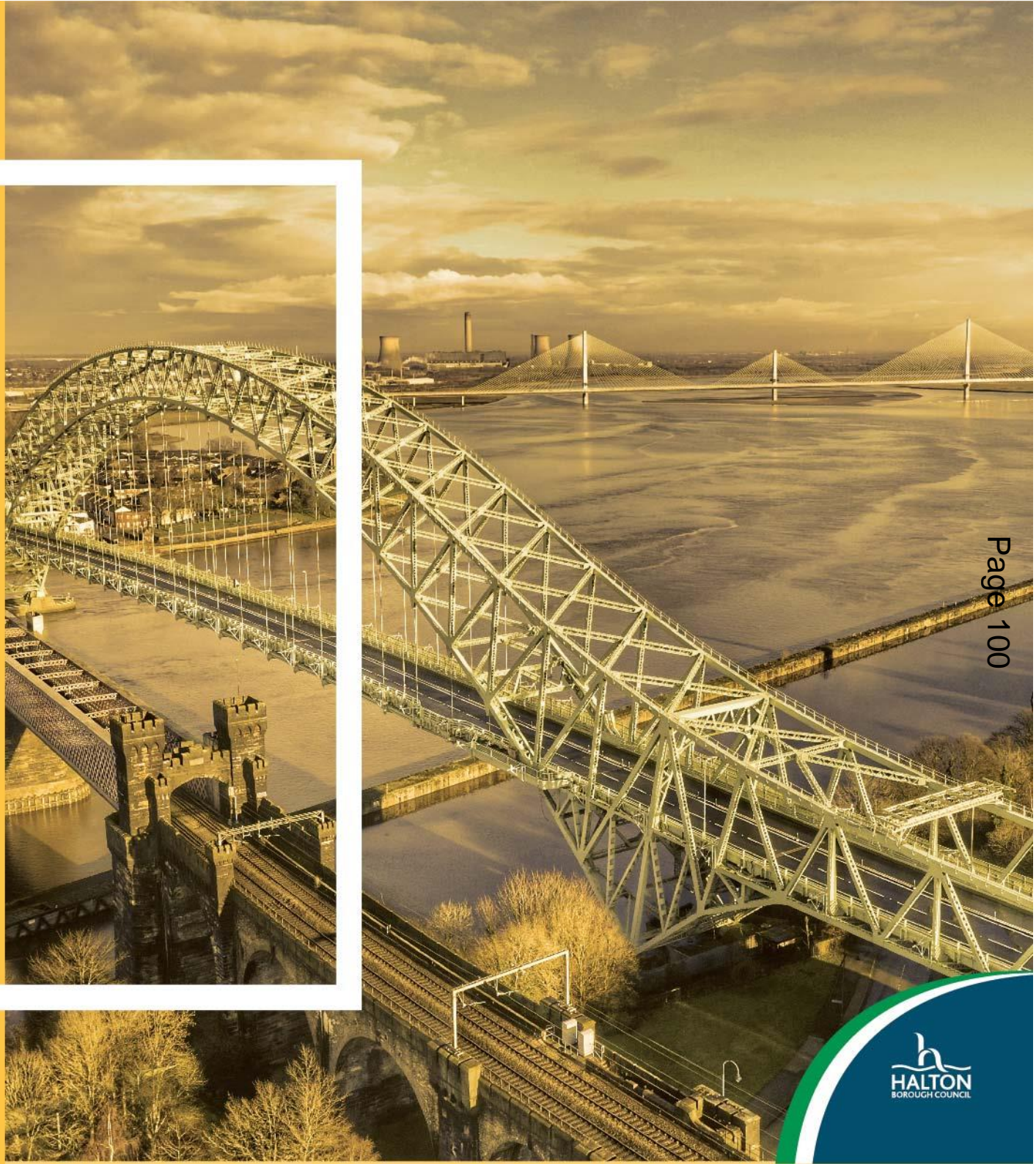
8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

<u>Document</u>	<u>Place of Inspection</u>	<u>Contact</u>
Internal Audit Plan 2021/22	Halton Stadium, Widnes	Merv Murphy
Internal Audit reports		
Public Sector Internal Audit Standards		
Local Government Application Note for the UK Public Sector Internal Audit Standards		

Internal Audit
Annual Report
2021/22

Audit and Governance Board

6 July 2022



Section One

Background

1.1 Introduction

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

The Standards require that the annual report provides:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment;
- Details of any qualifications to that opinion, together with the reasons for the qualification;
- A summary of the audit work from which the opinion is derived;
- Details of any issues that the Head of Internal Audit considers particularly relevant to the preparation of the Annual Governance Statement;
- A comparison of the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria;
- A commentary on compliance with these standards and communicates the results of the internal audit quality assurance programme.

1.2 Purpose of report

The purpose of this report is to satisfy the requirements of the PSIAS. It sets out how the Council's internal audit function has operated in accordance with the standards during the year. It also provides an annual internal audit opinion that can be used by the Council to inform its governance statement.

Section Two

Compliance with professional standards

2.1 Introduction

The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector
- Set basic principles for carrying out internal audit in the UK public sector
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Conformance with the core principles within PSIAS helps to provide assurance over the way in which the Council's internal audit function is delivered. In turn, this provides assurance over the quality of work completed in support of the overall annual opinion.

Internal audit services are required to have an external quality assessment every five years. The Council's external assessment was last completed during 2017/18 and the overall conclusion was that the Council's internal audit arrangements substantially conform to the standards. There were no departures from these arrangements during 2021/22. Internal assessments against the standards are also undertaken periodically.

The Council's next external assessment against the standard is due to be completed later this financial year as part of a peer review process being coordinated across the North West region. This will ensure that the assessment is undertaken by an appropriately qualified and independent assessment team.

2.2 Purpose, Authority, and Responsibility of Internal Audit (PSIAS standard 1000)

The purpose, authority and responsibility of the Council's internal audit activity is formally defined in an internal audit charter, which forms part of the Council's Constitution. The charter sets out Internal Audit's position within the Council, including the nature of the reporting relationship with the Board. It also provides authority to access records, personnel and physical properties relevant to the performance of audit engagements, and defines the scope of internal audit activities.

The internal audit charter is subject to annual review and is presented to the Board for information with this annual report (see Appendix A).

Section Two

Compliance with professional standards

2.3 Limitations placed on the independence of internal audit (PSIAS standard 1100)

During 2021/22, there have been no matters arising which have impacted on the independence of the Internal Audit service and there have been no inappropriate scope or resource limitations on internal audit work.

As previously reported to the Board, the Head of Internal Audit also has managerial responsibility for a number of other finance functions. Arrangements to safeguard the independence of Internal Audit are however well-established and have previously been reported to and agreed by the Board. Details of these arrangements are presented again in Appendix B to this report. These arrangements have operated effectively throughout the year.

No audits were completed during the year that included coverage of areas for which the Head of Internal Audit also had some operational responsibilities.

2.4 Proficiency and Due Professional Care (PSIAS standard 1200)

All audit engagements carried out during the year were completed with appropriate proficiency and due professional care. Work was allocated to auditors on the basis of the knowledge, skills and competencies needed to perform individual specific assignments.

2.5 Quality Assurance and Improvement Programme (PSIAS standard 1300)

The development and maintenance of a Quality Assurance and Improvement Programme (QAIP) is a requirement within PSIAS.

The purpose of the QAIP is to ensure that the Internal Audit service operates in accordance with PSIAS and the Local Government Application Note (LGAN) and maintains consistently high standards.

Key elements of the quality assurance arrangements in operation during 2021/22 are described below:

- The Internal Audit team is made up of appropriately trained and qualified staff with significant local government experience. The majority of the team are members of professional institutes and all members of the team comply with ethical rules, technical standards and professional practice laid down by those bodies;
- Internal audit work is based upon a detailed risk-based audit plan, which is agreed in consultation with management and is approved by the Audit and Governance Board;
- Internal Audit employs an audit methodology that is in accordance with professional standards;

Section Two

Compliance with professional standards

- Terms of Reference are developed with key stakeholders for each audit assignment, which set out the agreed coverage;
- Daily team meetings take place to discuss progress and issues relating to the completion of audit engagements;
- Robust management review is undertaken of all audit files and reports prior to issue;
- There is a system of regular reporting of progress against the plan to the Audit and Governance Board;
- All Internal Audit staff complete annual declarations confirming their compliance with the Code of Ethics;
- There is a commitment to the continuing professional development of all internal audit staff through a range of learning and development opportunities. These include professional training, on the job training, e-learning, webinars and attendance at relevant training events and workshops.

Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. This is an important process in terms of identifying how the audit was received by the service area. It is also an important means of identifying aspects of the audit process that can be improved. The feedback received from the surveys returned in the year was very positive and there were no common themes in the responses received that highlighted any particular areas for improvement.

A sample of comments received in response to the questionnaires issued during 2021/22 is included below:

- *I have worked with the auditor for many years and always found her extremely helpful in conducting audits; she is very clear and very helpful in recommendations. She is very professional, polite and friendly and that goes a long way when working together.*
- *Our audit was completed in a supportive manner.*
- *The terms of reference were clear and I was kept informed at all stages of the audit. The recommendations will strengthen the monitoring of performance and financial management.*
- *The auditor has been a great support to the school during a turbulent time over the last few years, so I was very pleased that she conducted the audit. There was appropriate rigour and challenge but we felt supported and affirmed throughout. The action points we have been given are very clear and easily achieved. Thank you.*

Two opportunities to further develop the Internal Audit team have been identified and will be addressed in 2022/23:

Section Two

Compliance with professional standards

- A more standardised methodology to planning and undertaking internal audit engagements will be developed, documented and employed across the whole team. This will clearly set out the standards expected of the auditors and help to ensure that a more consistent approach is undertaken in regard to the completion of work.
- The two senior auditors within the team will provide more structured support, mentoring and supervision to the less experienced members of the team. This will assist with the development of staff and also help to ensure that work is undertaken in accordance with professional standards and completed within a timely manner.

2.6 Managing the Internal Audit Activity (PSIAS standard 2000)

In 2021/22 the Internal Audit team worked to an annual risk-based audit plan that was developed following consultation with senior management and the Audit and Governance Board. The plan took account of the Council's strategies, key business objectives, associated risks and risk management processes. The 2021/22 Audit Plan was formally approved by the Audit and Governance Board in March 2021.

Regular reports are presented to senior management and the Audit and Governance Board on Internal Audit team's purpose, authority, responsibility and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. The regular progress reports presented to the Board throughout 2021/22 highlighted any significant risk and control issues, fraud risks, governance issues and other matters that require the attention of senior management and/or the Board.

2.7 Nature of Work (PSIAS standard 2100)

Internal audit employs a systematic, disciplined, and risk-based approach to its work, which contributes to the ongoing maintenance and development of the Council's governance, risk management, and control processes. This is delivered by the identification of issues and performance improvement opportunities when completing audit assignments, contributions to internal working groups, and the ongoing provision of advice.

2.8 Engagement Planning (PSIAS standard 2200)

The Internal Audit team develops and documents a plan for each engagement (other than grant claim audits) in a Terms of Reference. This is produced with the input of management and it sets out the engagement's objectives, scope, timing, and resource allocations. All assignments take account of the Council's strategies, objectives and risks relevant to the engagement. All assignments also take account of value for money considerations that are relevant to the area audited.

Section Two

Compliance with professional standards

2.9 Performing the Engagement (PSIAS standard 2300)

Robust planning, monitoring and review arrangements operated throughout 2021/22 to ensure that an appropriate level of work is undertaken in each engagement in order to achieve the engagement's objectives. Procedures include management sign off of each terms of reference, daily updates on progress with assignments, detailed file review, and management review of draft audit reports.




All audit working papers are stored in an audit management database, which provides full evidence of management review. Working papers are completed in sufficient detail to substantiate any issues that are highlighted in audit reports.

2.10 Communicating Results (PSIAS standard 2400)

Results of all audit engagements are communicated as appropriate. The Council's Chief Executive, Strategic Director – Enterprise, Community & Resources, and the Operational Director – Finance receives full copies of all audit reports. The relevant Operational Director, Divisional Manager and other managers, as appropriate, also receive full copies of reports. The Audit and Governance Board receives summary copies of each report completed in the regular progress reports to the Board. Significant issues identified through audit work are also highlighted to the Board.

In each audit report, an overall assurance level is provided on the area audited. This is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the risk management, control and governance processes in the area audited.

The range of assurance levels in internal audit reports is set out in the following table:

 Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
 Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
 Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Section Two

Compliance with professional standards

An overall annual internal audit opinion is also delivered. This is largely informed by the work completed by Internal Audit during the year and is used by the Council to inform its governance statement. The annual internal audit opinion provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and forms part of this annual report (see section 3).

2.11 Monitoring Progress (PSIAS standard 2500)

Internal Audit has established a follow-up process to monitor and ensure that management actions have been implemented effectively or that senior management has accepted the risk of not taking action. A full follow up audit is completed for all audits that do not receive a 'substantial assurance' opinion. The results of the 'follow-up' audits are reported to the Audit and Governance Board through the regular system of progress reporting.

2.12 Communicating the Acceptance of Risks (PSIAS standard 2600)

In the event that management accepts a level of risk that Internal Audit considers may be unacceptable to the Council, the issue would be raised appropriately with senior management and brought to the attention of the Audit and Governance Board if the matter is not resolved satisfactorily. However, no such issues arose in the course of 2021/22.

Section Three

Annual audit opinion

3.1 Basis of Opinion

The annual opinion is based on the following sources of information:

- Review of the risk management arrangements within specific business areas;
- The work of Internal Audit in reviewing the Council's governance arrangements and annual review of the Constitution;
- Assessment of the range of audit assurance opinions arising from audit assignments that have been reported to the Audit and Governance Board throughout the year. This assessment has taken account of the relative materiality of each area audited;
- Assessment of management's responses to Internal Audit's recommendations and the progress made in addressing risks and issues identified through internal audit work;
- Cumulative organisational knowledge through audit work, advice and liaison with the Council's senior management.

3.2 Coverage and output

Internal audit delivered 1,063 days of audit work during 2021/22 against the Audit Plan which budgeted for 1,060 days.

As reported in the progress reports to the Board throughout the year, numerous changes to planned coverage were required in order to provide assurance over the changing risks that the Council faced as a result of the ongoing pandemic. Also, as in 2020/21, some planned audit work needed to be deferred to minimise the impact on services at the frontline of the Council's pandemic response. Information on the audits deferred, and those that were ongoing at the financial year-end, was previously reported to the Board at its meeting on 23 March 2022.

The audit work completed during the year was therefore significantly different to that originally planned. However, under the circumstances, it was appropriate for Internal Audit's coverage to reflect the Council's changing risk environment. This is important in terms of adding value to the organisation and in ensuring that a robust annual audit opinion can be provided. The work completed is therefore considered sufficient and wide-ranging enough to support the annual audit opinion.

Appendix C provides a list of the audit reports issued in the year, a summary of the audit assurance opinions provided, and the dates that the reports were presented to the Audit and Governance Board.

Comparative information is provided in the following table for the three preceding financial years.

Section Three

Annual audit opinion

Financial year	No. of audit days	Substantial Assurance	Adequate Assurance	Limited Assurance	Total
2021/22	1,063	48	7	2	57
2020/21	890	46	5	1	52
2019/20	684	36	6	0	42
2018/19	883	43	7	1	51

3.3 Qualifications to the Opinion

The Internal Audit Annual Opinion helps to inform the content of the Annual Governance Statement. However, it should be noted that in providing an opinion assurance can never be absolute.

Internal Audit cannot review all the risks that the Council faces and can only provide reasonable assurance that there are no major weaknesses in the Council's risk management, control and governance processes. The opinion is largely informed by the audit work completed. Weaknesses may exist in areas that did not form part of the programme of audit work, or if specific areas were excluded from the scope of individual audit assignments.

Ultimately, senior management and elected members are responsible for ensuring an effective system of internal control. It is however important to note that Internal Audit continues to enjoy a positive working relationship with senior management across the Council. Management has been supportive in terms of the work of Internal Audit and has responded positively to any recommendations made during the course of the year.

3.4 Follow-up audit assignments

Five follow-up audits were completed during the year and these are listed in Appendix D.

Follow-up audits examine the progress that management has made in addressing risks and issues identified through internal audit work. A revised assurance opinion is issued for each review, which is informed by the extent to which the issues identified in the original audit report have been addressed.

Section Three

Annual audit opinion

3.5 Issues relevant to the Annual Governance Statement

Where issues have been identified through internal audit work, management has responded positively. There are therefore no outstanding issues that have implications for the Annual Governance Statement.

A recurring theme identified in the course of completing audits is the challenge faced across the whole Council in continuing to deliver services and maintain appropriate risk management, control and governance arrangements at a time of continuing funding challenges and budgetary pressures. This issue is however recognised by the Council and is consistently reported in its governance statements.

It is also noted that an Improvement Notice was issued to the Council on 13 January 2022 following the judgement that children's social care services have areas for priority action, as identified in the Ofsted Focused Visit report published on 17 November 2021. In response the Council has developed and agreed an improvement plan with Ofsted that is designed to deliver appropriate and sustainable improvement. The Department for Education will be undertaking reviews of progress against the improvement agenda at least every six months.

3.6 Overall opinion (PSIAS standard 2450)

Halton Borough Council continues to maintain adequate and effective risk management, control and governance processes. This opinion is based on the internal audit work performed during 2021/22 and from cumulative knowledge and experience of the organisation.

There has been positive engagement with management in agreeing recommendations where audit work has identified weaknesses in the design or application of controls. Action plans are in place to address all issues identified through the work of internal audit.

The results of the follow-up audits completed also provide assurance that the actions agreed in response to audit reports are implemented.

Appendices

Appendix A	Internal Audit Charter
Appendix B	Safeguarding Internal Audit Independence
Appendix C	Internal Audit work completed – 2021/22
Appendix D	Follow-up work completed – 2021/22

Appendix A: Internal Audit Charter

Background

Section 151 of the Local Government Finance Act 1972 requires that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. The Council has designated this statutory responsibility to the Operational Director – Finance. As such, the Operational Director – Finance is the statutory officer responsible for ensuring that the Council's internal audit arrangements conform to the Public Sector Internal Audit Standards, which represent mandatory proper practice for internal audit in local government.

The Public Sector Internal Audit Standards require that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter. The provisions contained within Section 6.2 of Finance Standing Orders shall therefore constitute the Council's Internal Audit Charter.

The purpose of the Internal Audit Charter is to:

- Define the purpose, authority and responsibility of Internal Audit;
- Establish the position of Internal Audit within the Council and its reporting lines;
- Authorise access to records, personnel and physical property relevant to the performance of the audit work; and
- Define the scope of internal audit activities.

Definitions

The Public Sector Internal Audit Standards require that the following terms are defined in respect of the internal audit function:

Internal Auditing:	An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
The Board:	The Audit and Governance Board has delegated responsibility for overseeing the work of Internal Audit. The powers and duties of the Audit and Governance Board are set out in Appendix 4 of Chapter 8 of the Council's Constitution.
Senior Management:	The Chief Executive and members of the Council's Management Team
Chief Audit Executive:	The Divisional Manager – Audit, Procurement & Operational Finance

Appendix A: Internal Audit Charter

Purpose of Internal Audit

The Accounts and Audit Regulations 2015 (Regulation 5 (1)) require that local authorities 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

Internal Audit will therefore evaluate and contribute to the improvement of risk management, control and governance processes using a systematic and disciplined approach.

Internal audit work will also seek to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Core Principles for the Professional Practice of Internal Auditing

The Public Sector Internal Audit Standards outline ten core principles for the provision of an effective internal audit:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive and future-focused
- Promotes organisational improvement

Professionalism and Ethics

Internal audit activity is governed by adherence to the Public Sector Internal Audit Standards. This guidance constitutes principles of fundamental requirements for the professional practice of internal auditing and for the evaluating the effectiveness of internal audit activity.

Appendix A: Internal Audit Charter

The Chief Audit Executive is responsible for managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics and the Standards. The Chief Audit Executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

The Public Sector Internal Audit Standards contain a Code of Ethics, which is mandatory for all persons involved in internal audit activity in the public sector.

Internal auditors are also governed by the Code of Ethics of the relevant professional bodies of which they are a member, and all codes and policies operated by the Council.

All internal auditors are required to complete and sign a 'Code of Ethics and Declarations of Interest Statement' on an annual basis.

Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life, information on which can be found at www.public-standards.gov.uk.

Independence and Objectivity

Internal audit activity must be independent and internal auditors must be objective in performing their work. In order to achieve this, internal audit activity shall operate in a framework that allows:

- Internal auditors to be free from operational responsibilities, thereby ensuring independence from the activities audited;
- The Chief Audit Executive to have direct and unrestricted access to senior management and the Board;
- The Chief Audit Executive to have the freedom to report in his or her name to all officers and members.

The Chief Audit Executive is responsible for ensuring the organisational independence of internal audit activity and shall report and explain to the Audit and Governance Board on how any potential impairment to independence or objectivity will be managed.

Assurance engagements for functions over which the Chief Audit Executive has responsibility must be overseen by a party outside the internal audit activity. Internal auditors shall also have direct access to senior management, if required, to report any concerns relating to functions over which the Chief Audit Executive has responsibility.

Appendix A: Internal Audit Charter

Scope of Internal Audit

The Chief Audit Executive is responsible for providing a continuous internal audit. The scope of assurance services to be provided shall extend to the entire governance, risk management, and internal processes of the Council, comprising financial and non-financial systems.

The Chief Audit Executive will develop an annual internal audit plan based on an understanding of the significant risks to which the Council is exposed.

Assurance services will only be provided to parties outside the Council with the prior agreement of the Audit and Governance Board.

The nature of any planned consultancy or advisory services to be provided shall be set out in the annual audit plan. The Chief Audit Executive will seek approval from the Audit and Governance Board for any significant additional consulting services, prior to accepting the engagement.

The role of Internal Audit in fraud-related work is set out in the following Council documents:

- Standing Orders relating to Finance
- Anti-Fraud, Bribery and Corruption Policy
- Fraud Response Plan
- Whistleblowing Policy

Managing the risk of fraud and corruption is the responsibility of management. However, if requested, Internal Audit may assist with the investigation of suspected fraud and corruption. Internal auditors shall also consider the risk of fraud and corruption when planning and undertaking all audit engagements.

It is a requirement of section 11.1 of Finance Standing Orders that any officer or Member shall immediately report to the Head of Internal Audit, either directly or through line management, any circumstances which suggest the possibility of financial irregularity, loss, fraud or corruption. The circumstances will be outlined to the Strategic Director – Enterprise, Community and Resources, Operational Director – Finance, Operational Director – Legal and Democratic Services (Monitoring Officer) and Chief Executive to decide what action is necessary by way of investigation and report.

Resourcing of Internal Audit

The Chief Audit Executive is responsible for assessing the Council's internal audit resource requirements. The Audit and Governance Board shall be informed of proposed solutions should there be an imbalance between resource availability and requirement.

Appendix A: Internal Audit Charter

The Chief Audit Executive will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the Council's internal audit requirements.

Authority of Internal Audit

Internal auditors shall be empowered to:

- Enter any Council premises or land at all reasonable times;
- Have access to all records, documents, data and correspondence relating to Council business, and any unofficial funds operated by an employee as part of their duties;
- Require any employee of the Council to provide such explanations, information or other assistance concerning any matter under examination as part of any audit engagement;
- Require any employee of the Council to produce cash, stores, or any other property under his or her control.

These rights of access apply equally to partner organisations that have links with, or provide services on behalf of the Council (e.g. voluntary aided schools), where the Council has a statutory or contractual entitlement to exercise such right. These rights shall be included in all contractual arrangements entered into with such organisations.

Reporting

The findings and agreed action plans from each internal audit engagement shall be reported to the:

- Appropriate service manager(s)
- Appropriate Strategic Director, Operational Director and Divisional Manager
- Operational Director – Finance
- Strategic Director – Enterprise, Community & Resources
- Chief Executive
- External Audit

The internal audit function forms part of the Finance Department in the Enterprise, Community & Resources Directorate. The Chief Audit Executive reports directly to the Operational Director – Finance.

Appendix A: Internal Audit Charter

The Chief Audit Executive also reports functionally to the Audit and Governance Board. The reporting arrangements include:

- Regular progress reports summarising the outcomes of internal audit work and any significant risk exposures and control issues, including fraud risks, governance issues, value for money issues and any other matters considered relevant;
- An annual report that provides an overall internal audit opinion on the Council's control environment. This will form one of the sources of assurance that support the Council's Annual Governance Statement.

Quality Assurance & Improvement Programme

The Public Sector Internal Audit Standards require a Quality Assurance & Improvement Programme (QAIP) to be developed and maintained that covers all aspects of internal audit activity.

The Chief Audit Executive is responsible for ensuring that the QAIP conforms to the requirements of the Public Sector Internal Audit Standards and provides reasonable assurance to key stakeholders that Internal Audit:

- Performs its work in accordance with the Internal Audit Charter;
- Operates in an effective and efficient manner;
- Is adding value and continually improving the service provided.

The Chief Audit Executive will communicate to senior management and the Board on the QAIP. This will include reporting progress against any improvement plans and on the results of ongoing internal and external assessments.

Review

The Internal Audit Charter will be reviewed annually as part of the review of the Council's Constitution.

Any proposed changes to the Internal Audit Charter will be presented to the Audit and Governance Board for consideration.

Appendix B: Safeguarding Internal Audit Independence

The following arrangements have been established by management to meet the relevant PSIAS standards and to limit any impairment to the independence or objectivity of the Council's internal audit function:

[PSIAS standard 1100 - Internal audit activity must be independent and internal auditors must be objective in performing their work](#)

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

[PSIAS standard 1112 - Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest](#)

- Internal auditors, including the Head of Internal Audit, are required to follow the code of ethics in the PSIAS. All officers involved in delivering internal audit work are therefore required to sign an annual declaration acknowledging those responsibilities and providing a commitment to fully comply with these requirements whilst working for the Council. The declaration also requires internal auditors to declare:
 - any conflicts of interests that could adversely affect their independence and objectivity;
 - any operational responsibilities that they have held within the preceding 18 months;
 - any relatives or close associates who are either employed by the Council or are an elected member of Halton Borough Council;
 - the nature of any involvement they have in organisations that provide goods or services to the Council.
- As employees of Halton Borough Council, internal auditors are also required to comply with the Council's Employee Code of Conduct. The Code acknowledges that the public is entitled to expect the highest standards of conduct from all employees who work for local government and to expect that the conduct of employee should never be influenced by improper motives.
- At an operational level, in planning internal audit assignments there will inevitably be occasions where internal audit work is undertaken relating to business areas for which the Head of internal Audit is responsible for managing. Potential conflicts of interests are therefore managed by the following arrangements:
 - Terms of Reference for the review are agreed and shared with the Operational Director – Finance in advance of the audit commencing to ensure that planned audit coverage is appropriate.
 - The draft report following the audit review is shared with the Operational Director – Finance at the same time as being presented to Head of Internal Audit for review. This removes the opportunity for the suppression of any audit findings.

Appendix B: Safeguarding Internal Audit Independence

- The Audit & Investigations Manager has direct right of access to the Operational Director – Finance and therefore has the opportunity to raise any issues or concerns without having to go through the Head of internal Audit.

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

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

Other safeguards to limit any impairment to independence or objectivity

- Arrangements exist for a five-yearly external assessment of the Council's internal audit activity, which will include a review of the Head of Internal Audit's independence and objectivity. The results from that review will be reported to the Audit and Governance Board.
- The business areas for which the Head of Internal Audit has management responsibility form key parts of the Council's finance function and are therefore subject to other forms of assurance in addition to review by internal audit. These arrangements include:
 - Annual external audit review of the key financial systems that provide material disclosures for the financial statements, i.e. creditors, debtors and income collection and reconciliation.
 - Regular review of the insurance claims handling arrangements by the Council's insurer.
 - Periodic review of the Council's deputyship arrangements by the Office of the Public Guardian.
 - Periodic review of the Council's VAT accounting arrangements by HMRC.
 - Ongoing scrutiny through the Council's performance management framework.
- As part of the annual audit of the financial statements, the Council's external auditor completes a high-level review of the Council's internal audit arrangements and reports the findings of this review to the Audit and Governance Board.
- The Head of Internal Audit reports functionally to the Audit and Governance Board. This arrangement includes presenting regular progress reports to the Board summarising all internal audit work completed and provides the opportunity for scrutiny and challenge by members.

Appendix B: Safeguarding Internal Audit Independence

- Ongoing line management arrangements for the Head of Internal Audit include regular supervision meetings with the Operational Director – Finance. This provides opportunity to discuss issues, developments and the performance of the internal audit function, in addition to the other business areas for which the Head of Internal Audit is also responsible.

Appendix C: Internal Audit work completed – 2021/22

Presented to Audit and Governance Board - 29 September 2021

	Assignment	Assurance Level
1.	iTrent (HR & Payroll) – Application Management	●
2.	LCR Grant - Runcorn Station Quarter – Q1 2021/22	●
3.	Supporting Families – July Claim	●
4.	Covid Local Support Grant	●
5.	Infection Control & Rapid Testing Fund – Q1 2021/22	●
6.	Cultural Recovery Grant Fund	●
7.	Town Centre Fund Grant Claim – Halton Lea – Q1 2021/22	●
8.	Oakfield Primary School	●
9.	St. John Fisher Catholic Primary School	●
10.	Our Lady Mother of the Saviour Primary School	●
11.	Delinking of the Silver Jubilee Bridge	●
12.	HIV Pre-Exposure Prophylaxis (PrEP) Section 31 Grant Claim	●
13.	Eclipse Social Care System	●

Appendix C: Internal Audit work completed – 2021/22

Presented to Audit and Governance Board - 24 November 2021

	Assignment	Assurance Level
14.	Emergency payments to members of the public	●
15.	Solar Farm	●
16.	Town Centre Fund – Halton Lea – Q2 2021/22	●
17.	Local Growth Fund (LGF) Final Grant - Silver Jubilee Bridge – 2021/22	●
18.	Gorsewood Primary School	●
19.	Hallwood Park Primary School	●
20.	Stock Modelling Grant Claim	●
21.	Moorfield Primary School	●
22.	Additional home to school transport funding	●
23.	Disabled Facilities Grant Claim 2020/21	●
24.	Covid Local Support Grant (Extension)	●
25.	Infection Control & Rapid Testing Fund – Q2 2021/22	●
26.	Astmoor Regeneration Project - Q2 2021/22	●
27.	Halton Borough of Culture	●
28.	Supporting People Grant Claim – November 2021	●
29.	Home to school transport	●

Appendix C: Internal Audit work completed – 2021/22

Presented to Audit and Governance Board - 23 March 2022

	Assignment	Assurance Level
30.	Culture Recovery Fund: Second Round	●
31.	East Runcorn Connectivity Grant Claim – Q3 2021/22	●
32.	Workforce Recruitment and Retention Fund (Interim Report)	●
33.	Household Support Fund – Interim Grant Claim	●
34.	Town Centre Fund Grant Claim – Halton Lea – Q3 2021/22	●
35.	Property Valuations	●
36.	Community Testing Fund	●
37.	Astmoor Regeneration Project- Q3 2021/22	●
38.	Infection Control, Rapid Testing, Vaccine and Omicron Fund – Round 3	●
39.	Pest Control	●
40.	Remote Access Management	●
41.	Housing Benefit and Council Tax Reduction Scheme	●
42.	Homelessness	●

Appendix C: Internal Audit work completed – 2021/22

Presented to Audit and Governance Board - 6 July 2022

	Assignment	Assurance Level
43.	Culture Recovery Fund: Third Round	●
44.	Beechwood Primary School	●
45.	School Meals Service	●
46.	St. Berteline's CE Primary School	●
47.	Westfield Primary School	●
48.	Runcorn Busway Active Travel Corridor – Grant Claim Q4 2021/22	●
49.	Town Centre Fund, Halton Lea - Grant Claim Q4 2021/22	●
50.	East Runcorn Connectivity - Grant Claim Q4 2021/22	●
51.	Borough of Culture – Income and Expenditure Return	●
52.	Prevention and Promotion of Better Mental Health - Grant Claim 2021/22	●
53.	Adult Weight Management - Grant Claim 2021/22	●
54.	Infection Control, Rapid Testing, Vaccine and Omicron Fund – Round Three	●
55.	Workforce Recruitment and Retention Fund – Rounds One & Two	●
56.	Brownfield Housing – Foundry Lane – Q4 2021/22	●
57.	Household Support Fund – 2021/22 Final Grant Claim	●

Appendix D: Follow-up work completed – 2021/22

In order for the Council to derive maximum benefit from the work of Internal Audit, agreed actions should be implemented. In accordance with the Internal Audit Plan, we follow up all audits that do not receive a 'substantial' audit opinion. This process involves carrying out work to determine the progress that management has made in implementing actions previously agreed. A follow-up audit report is then issued summarising the results of this work.

Each follow-up audit provides a revised overall assurance opinion, which is based on the extent to which the risks identified in the original audit have been addressed. The following table summarises the results of the follow-up assignments completed during 2021/22.

Assignment		Assurance Rating	Additional Commentary
1.	Halton Integrated Community Equipment Service	●	Progress has been made in regard to addressing all five recommendations from the original audit. However, full implementation of the agreed actions has been impacted by the Covid-19 pandemic. Revised timescales have however been agreed with management and a further follow up audit will be undertaken at a later date.
2.	Victoria Road Primary School	●	All five recommendations made in the original audit have been fully addressed by the school.
3.	St Martin's Catholic Primary School	●	The school has taken action to address all five recommendations made in the original audit. At the time of the follow up audit the school was in the process of developing an Information Asset Register, which was the only outstanding issue.
4.	Pewithall Primary School	●	There were two outstanding issues that the school is planning to address as follows: <ul style="list-style-type: none"> An annual declaration of interest form has not been completed by governors due to non-physical meetings taking place during the Covid-19 pandemic. The school will however ensure that all annual declarations are completed at the next full governor's body meeting. The school's website will also be updated to reflect the declarations of interest of governors. In order for governors to consider the school's long-term financial commitments, Service Level Agreements are to be presented to the finance committee in the autumn term for review.
5.	Direct Payments – Disabled Children	●	All the risk issues identified in the original audit have now been addressed.

REPORT TO: Audit & Governance Board

DATE: 6 July 2022

REPORTING OFFICER: Operational Director, Finance

PORTFOLIO: Leader

SUBJECT: External Audit Annual Report 2020/21

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the 2020/21 External Audit Annual Report, which will be presented by the Council's external auditor, Grant Thornton UK LLP.

2.0 RECOMMENDATION: That the contents of the 2020/21 External Audit Annual Report be noted, including recommendations laid out from page 26 of the report.

3.0 SUPPORTING INFORMATION

3.1 The External Auditor is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Annual Report details overall arrangements, as well as providing key recommendations on any significant weaknesses in arrangements identified during the audit.

3.2 External Audit is required to report under three specific criteria, being:

- Financial Sustainability
- Governance
- Improving Economy, Efficiency and Effectiveness

3.3 The report provides details of the findings of the External Auditor in detail. These findings 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 provides an external viewpoint on the financial sustainability of the Council. Whilst there are significant challenges in the Council balancing future year budgets, the report identifies no significant weakness to secure financial sustainability.

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 risks that have been considered as part of the Council having in place arrangements to secure economy, efficiency and effectiveness are detailed in the attached report.

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.

Interim Auditor's Annual Report on Halton Borough Council

2020-21

27 June 2022



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive Summary	3
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	5
Financial sustainability	6
Governance	11
Improving economy, efficiency and effectiveness	15
COVID-19 arrangements	22
Improvement recommendations	24
Opinion on the financial statements	27
Appendices	
A – The responsibilities of the Council	
B – An explanatory note on recommendations	
C – Formal auditor's powers	
D – Final proposed audit fees 2020-21	

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. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or 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.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We assessed risks as set out in the table below:

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made

Financial sustainability

The Authority is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year settlement. Halton Borough, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained control of its financial position. The 2020/21 financial outturn was £2.3m below budget largely due to COVID-19 grant funding. At 31 March 2021, the Authority held General Fund usable reserves of £154m of which £128.6m are earmarked reserves and £19m are capital reserves.

The Authority has put forward a proposed balanced budget for 2021/22 and 2022/23 but recognises budget gaps and pressure on reserves in future years. This places the Authority in a reasonable financial position but with recognised pressures. Having forward planned its budgets for future years this should enable sensible phasing of proposals to minimise the impact of the financial climate on services to residents, although there is pressure on the Council's reserves.

We have not identified any significant weaknesses in arrangements to secure financial sustainability at the Authority.

Further details can be seen on pages 6-10 of this report.

Governance

Our work has focussed on gaining a detailed understanding of the governance arrangements in place at Halton Borough Council during 2020/21 and the changes instigated as a response to the pandemic. Our review focuses upon the arrangements in place during 2020/21.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements in relation to governance. Halton Borough Council exhibits the majority of the features of a well led and well governed organisation.

There are financial challenges with rising levels of residual waste and a lack of progress with improving recycling rates across Merseyside. We reviewed the arrangements in place to manage performance on waste collection and the effectiveness of strategic waste partnership working across Merseyside and raised improvement recommendations.

Further details can be seen on pages 11-14 of this report.

Improving economy, efficiency and effectiveness

The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness. In arriving at this conclusion we have considered performance against key indicators and how the Halton benchmarks against similar Authorities. Further details can be seen on pages 15-21 of this report.

Executive summary (continued)

Opinion on the financial statements

Our audit was conducted in accordance with the requirements of the CIPFA Code of Practice, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year.

We have completed our audit of the Council's financial statements for the year ended 31 March 2021 and subject to the outcome of the CIPFA national review of accounting for infrastructure assets at Highway authorities, we expect to issue an unqualified audit opinion.

Our findings are set out in further detail on page 31.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of COVID-19, is set out on pages 6 to 21.

Financial sustainability



We considered how Halton Borough Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Background to financial sustainability for 2020/21 and ongoing financial pressures

Halton Borough Council has a good record of financial and budgetary management under a capable and consistent leadership team. This puts the Council in a good position for responding to the unprecedented financial and operational challenges brought about by COVID-19.

The Council entered the 2020/21 financial year at the outset of the first national lockdown and immediately faced a range of challenges presented by the pandemic. At an early stage the government made emergency policy announcements in response to the pandemic which impacted on the Council. Consequently the Council was at the forefront of efforts to protect local residents, including the most vulnerable, and to support local businesses.

The Government's initiatives to respond to the COVID-19 pandemic were supported by additional funding to the Council for distribution during 2020/21. For 2020/21 the Council received four tranches of un-ring-fenced grant funding to cover general costs, amounting to £12.8m. The Council has also utilised ring-fenced grant funding of £11.9m for specific services relating to Covid during the past year. Furthermore the Council acted as agent for the government in passporting funding across the Borough. This included providing funding of £24.4m in grants to support businesses that were interrupted due to COVID-19, plus a further £1.6m of grants were provided on a discretionary basis. This funding helped the Council to support residents and businesses through the year, and provided immediate funding to help mitigate some of the financial pressures caused by the pandemic. The financial sustainability challenges from the COVID-19 pandemic will however continue through the medium term and this puts pressure on the Council to maintain effective financial sustainability arrangements due to the budget gaps and consequent pressure on reserves.

The Council has a strong but reducing reserves position. At 31 March 2021, the Authority held general fund balances of £134.9m of which £128.6m are earmarked reserves. Our benchmarking shows at that date Halton to be approximately mid point compared with other similar authorities for level of general fund and earmarked reserves (excluding schools). Reserves management is seen by the Council as critical and Members understand reserves are not available to be spent to 'balance the books'. The reports provided by the Operational Director – Financial Services and verbal updates to Members on the financial pressures must continue to make clear that balancing budgets through use of reserves is not sustainable.

On 4 March 2020 Council set a balanced 2020/21 revenue budget of £115.8m. The 2020/21 outturn report reported a net underspend against budget of £2.3m and an overall increase to the General Fund balances of £6.3m despite the uncertain environment of the pandemic. The Council's outturn was achieved through careful financial management and some cushioning provided by COVID-19 grant funding to meet additional costs.

A balanced budget has been agreed for 2021/22 and is on track to be achieved. A balanced budget of £113.9m has been set for 2022/23 although with a planned transfer of £7.8m from reserves. As set out in this report, there are budget gaps to address of £11.7m in 2023/24 and £4.8m in 2024/25 and £6.6m in 2025/26. The use of reserves can only be a temporary measure to achieving long term financial sustainability. The medium term financial plan (MTFS) recognises the pressures and is constructed with due regard to expenditure drivers from inflation and service demand pressures and recognises that future annual funding settlements from government are not yet agreed.

The Council plans to remain within its borrowing limits as set out in its Treasury Management Strategy; total borrowings of £172m at 31 March 2021 are well within the authorised borrowing limit. No new borrowing was taken during 2020/21 and of the £172m outstanding, £142m relates to the contribution from the Council towards the Mersey Gateway Bridge construction costs. Management of the Mersey Gateway Bridge project including toll collection is a key aspect of the Council's financial planning and future financial sustainability whilst providing economic regeneration and reducing traffic congestion for the Borough.

Financial sustainability (continued)

How the Council identifies all the significant financial pressures it is facing and builds these into its plans

The Council produces a comprehensive Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The most recent was approved at Executive Board on 17 February 2022 and ratified by Council on 2 March 2022 covering the 2022/23 budget and set out the resources to deliver the Medium Term Financial Strategy (MTFS) to 2024/25. The budget agreement process is transparent via the Council's website publication of Board (Committee) meeting papers.

The MTFS highlights the budget issues that need to be addressed by the Council across each year covered. It reflects assumptions made to allow forecasting of available resources from various sources together with the budget pressures relating to capital and revenue spend. It also assesses the adequacy of reserves held which may impact on the Council's resources. The Council's budget setting process, which begins in the summer, is a detailed and comprehensive project.

As part of the budget setting process, the Council clearly identifies budget gaps by assessing both cost increases and income reduction for the following years. As we would expect, Government Spending Review, Dedicated Schools Grant (DSG) allocations, inflation uplifts and business rates pooling are amongst the range of factors considered. A detailed analysis of planned reserve movements and pressures is included in the budget. Budget proposals are subject to consultation with stakeholders including Council officers and Members and are presented to Executive Board for debate before submission and approval at Council.

The 2022/23 Revenue Budget makes clear that the Local Government Finance Settlement was only provisionally agreed by Government in December 2021 and therefore is subject to change which could impact the budget and MTFS. The budget also makes clear that the Council partakes in the Liverpool City Region business rates retention pool. This has resulted in the Council retaining business rates but no longer receiving Revenue Support Grant or Better Care Fund Grant. The business rate retention pooling dictates that no partner will suffer a detriment in business rates collection meaning that business rate income could fluctuate from budget (either positively or negatively). Contingencies for budget pressures such as this are built in to the budget.

In undertaking our work we have reviewed a range of the budget documents and minutes from meetings which provides us with the assurance that the budget process properly identifies the financial pressures faced by the Council.

Quarterly budget update reports are presented to Executive Board and Policy & Performance Board throughout the year, following an established timetable. It is noted that management maintained this discipline without slippage during 2020/21 despite COVID-19 pressures. This good practice was not achieved by all Councils due to the disruption caused by COVID-19.

The quarterly financial performance reports during 2020/21 were helpfully elaborated to consist of two elements, one reporting on the operational day to day spending with a separate section on the costs and funding associated with the COVID-19 pandemic. This helps Members understand and separate the performance of the Council with and without the additional pressure of COVID-19.

We have reviewed a sample of the quarterly financial performance reports presented for 2020/21. These reports are comprehensive and incorporate monitoring of the revenue budget, the capital programme and a wide range of other financial measures.

This reflects sound overall financial management in setting of the budget for 2020/21 and beyond, notwithstanding the financial pressures faced by the Council.



Financial sustainability (continued)

How the Council plans to bridge its funding gaps and identify achievable savings

As stated previously, the Council produces a Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The latest MTFS sets out the resources available to provide and deliver services to the residents of Halton Borough up until 2024/25. In summary, funding gaps of £11.7m in 2023/24, £4.9m in 2024/25 and £6.7m in 2025/26 are identified.

A key part of the MTFS is to highlight the budget pressures and gaps that need to be addressed by the Council in each of the years covered. It reflects assumptions made to allow forecasting of the level of available resources from all sources together with the budget pressures relating to both capital and revenue spending. It also assesses the adequacy and safeguarding of reserves held which may impact on the Council's resources. Management are clear that where reserves are used for balancing the budget these must be recouped in future periods so as not to jeopardise future financial sustainability. Management intend to close the budget gaps from 2023/24 onwards through efficiency savings rather than rely upon transfers from reserves, although it is too soon for these efficiency savings to be identified.

As part of the budget setting process, the Council explicitly identifies its budget reduction requirements for the following years through detailed consideration of the budgetary pressures, funding estimates, and impact of national and local initiatives and policies. We reviewed a range of budget documents and held meetings with senior officers at the Council to understand their thinking on the budget setting process. Our review confirmed that the documents were comprehensive and clearly explained as an appendix to the annual revenue budget.

The budget reports for each year are clear on the means by which the savings will be delivered and clearly articulate the size of the challenge the Council faces in the medium term. The efficiency savings however make up only a small percentage of the overall Council spend because efficiencies have been implemented on an ongoing basis in recent years already. Efficiency savings from 2023/24 onwards have yet to be identified and considered by management. Progress against savings achieved against budget is reported in the quarterly budget reports presented to Executive Board and Policy & Performance Board throughout the year.

Further details of how the Council plans to meet its budget is explained in the table alongside, including the forecast level of reserves as a percentage of net expenditure. For 2021/22 and beyond management assess a prudent minimum level of general fund reserve to be no less than £5m.

	2020/21 (£m) ACTUAL	2021/22 (£m) PLAN	2022/23 (£m) PLAN	2023/24 (£m) PLAN	2024/25 (£m) PLAN	2025/26 (£m) PLAN
Net budget	115.8	111.9	113.9	116.1	119.6	122.6
Efficiency savings	4.2	1.3	2.3	0	0	0
Net transfer to reserves	0	0	7.8	0	0	0
Budget gap	2.3 (under spend)	0	0	11.7	4.9	6.6
General Fund (excl EMR & Capital)	4.0	6.4	5.0	5.0	5.0	5.0
GF as % net budget	3.5%	5.7%	4.4%	4.3%	4.1%	4.1%

Financial sustainability (continued)

How the Council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget and MTFs are prepared under an agreed framework and are aligned to wider plans, namely the Corporate Plan but also supporting strategies in relation to investment and treasury management, capital strategy and the reserves strategy. These considerations are the starting point of the budget development process. The Corporate Plan is however due a refresh in view of recent appointments of Leader and Chief Executive. It is important that there is a consistent thread between the updated Corporate Plan, its underlying strategies and the required funding streams are earmarked in the budget strategy. An improvement recommendation is made to emphasise this matter.

Organisational intelligence is used in informing budget plans includes consideration of current year financial performance and service demand to determine spending allocations. The impact of COVID-19 pressures has been a key consideration by management as well as careful treasury management to capture borrowing costs and future Minimum Revenue Provision charges. Our 2020/21 financial statement audit provided assurance that the Council's MRP strategy is consistent with government guidance and therefore prudent.

The Council's budget and spending plans do not directly identify statutory areas of spend on services and discretionary areas of spend. The Council has previously attempted to make this distinction clearer, although this proved challenging due to the blurring between categories and therefore did not help Members and the public to understand the areas of spend which go beyond the minimum statutory requirements of the Council when identifying future efficiencies.

The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of public services across Halton Borough. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It incorporates summary information from both the Investment Strategy and the Treasury Management Strategy and also includes Prudential Indicators.

Capital spending at 31 March 2021 totalled £27m, which was 74% of the planned spending of £35.6m. It is not unusual for capital expenditure to slip during the COVID-19 pandemic but this should remedy itself going forward. Priority spending included Runcorn Town Centre redevelopment (£2.1m) and ongoing spend on Runcorn's Silver Jubilee Bridge (£9.9m). Each of these items is consistent with strategic priorities for the Council.

How the Council ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

The Council's financial plans are developed to be consistent with underlying key strategies and objectives of the Council, headed up by the Corporate Plan for the borough. As mentioned previously, the Corporate Plan is due a refresh with the latest iteration being 2018-20. The Council's intention was to refresh the Corporate Plan once the new Leader and Chief Executive were appointed, which has now taken place in 2022. We have made an improvement recommendation for the Council to update the Corporate Plan promptly which is particularly relevant given the focus upon post COVID-19 pandemic considerations for the Council.

We have not noted any examples of major capital investment being postponed by the Council and no dis-investment in any major service provision during 2020/21 or since.

The Council has an up to date Organisational Development Strategy (Successor of the People Plan). This very much focuses upon how to best develop the Council employees although and is not inconsistent with the Council's financial priorities.

At a high level the Corporate Plan informs current and emerging Council spending plans. Aligned to this is the Medium Term Financial Strategy (MTFS) which is updated annually alongside the annual budget. The most recent MTFS covers the period 2022/23 to 2025/26. and makes clear that it is developed to prioritise spending towards the Council's priority areas whilst protecting essential front line services and vulnerable members of the community. These are the areas we would expect the Council to be focusing upon within the financial envelope available.

Financial sustainability (continued)



How the Council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Risks are incorporated in the budget and MTFs which is agreed annually by Executive Board and ratified by full Council. The corporate risk register summarises the key strategic risks and barriers to achieving the corporate objectives, including financial risks, and these are referenced within the 2020/21 budget setting report. The corporate risk register also provides visibility about the management actions which are either in place or brought into action to mitigate the impact of these risks. Risks are further considered at each of the quarterly budget monitoring reports to Council for reassessment. More commentary regarding the corporate risk register is included in the Governance section of this report.

Financial risk is a set heading within Board reports and this is a helpful reminder of the importance of financial sustainability for the Council and the duty to operate within the budget.

A separate Budget risk register is maintained alongside the Corporate Risk Register and updated and reported on a quarterly process. This gives more detail at a drilled down level on the financial risks facing the Council than the high level Corporate Risk Register. This includes the financial risk areas we would expect the Council to be drawing attention to.

There is a clear pressure on the Council's reserves in the medium term. Reserves are refreshed annually to reflect organisational priorities and the financial risks and pressures are clearly explained by the Operational Director – Financial Services. The risk to reserves features in the Budget risk register. We have made an improvement recommendation that the Corporate Risk Register could be elaborated to make clearer the financial risk faced by the Council and the unsustainability of relying upon reserves to balance the budget.

A significant contingency budget is held corporately. Access to this is addressed through Finance Standing Orders. The 2022/23 budget includes a general contingency of £0.5m which is considered sufficient by management to cover the potential for price changes and increases in demand led budgets, as well as a general contingency for uncertain and unknown items. An additional £3.7m has been included in the contingency budget for 2022/23 to enable the estimated 2021/22 budget overspend to be funded on a permanent basis. These levels of contingency appear reasonable.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages its financial sustainability. We have not identified any risks of serious weaknesses. We have identified two opportunities for improvement which are set out at page 24.

Governance



We considered how Halton Borough Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards
- for the Mersey Waste partnership – we reviewed the effectiveness of partnership governance arrangements in Merseyside for waste management

How the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has a well established risk management system in place which is embedded in the governance structure of the organisation. The risk management arrangements incorporate directorate risk registers informed by detailed assessments of the key risks impacting each area. The risk register is RAG ([Red Amber Green] rated and scored with named lead officers and mitigating actions. There is a column to link to the relevant Council priority which adds cohesion to the Council's arrangements. Each risk is assessed for impact and likelihood, along with the relevant mitigating controls and actions. For 2020/21 the annual review and update of the Corporate Risk Register was approved by the Business Efficiency Board on 21 July 2020. The Council's risk management processes are also used to inform the work of internal audit. We have reviewed the risk management strategy along with examples of service risks on the Corporate Risk Register. Our review confirms the strategy is clear and detailed, and the registers appear comprehensive, containing sufficient and appropriate detail for Council officers and Members. Further financial risk is included within the Budget Risk Register which has been reviewed under the Financial Sustainability section of this report.

The Council reports its risk registers through its governance framework, culminating in regular reports to the Audit and Governance Board. Our attendance at the Audit and Governance Board meetings confirms that the Board understands its role in the risk management framework. It provides challenge to management on the risk registers and examines the correlation between risks and mitigating actions.

The Council has a team of internal auditors, led by the Divisional Manager – Audit, Procurement & Operational Finance (the Chief Internal Auditor), which provides assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The annual Internal Audit plan is ordinarily agreed with management at the start of the financial year and is reviewed by the Audit and Governance Board prior to final approval. The plan is based on an assessment of risks the Council faces and to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work is supplemented by ad hoc reviews in respect of suspected irregularities and other work to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach.

A five yearly independent assessment of Internal Audit takes place, which is due for 2022. There is no identified non-compliance by Internal Audit with the Public Sector Internal Audit Standards and the service is considered to be effective and well run.

In 2020/21, the COVID-19 pandemic impacted significantly on Internal Audit's plans as reported at Audit and Governance Board meetings. This arose due to remote working and re-deployment of internal auditors to other tasks such as audit of COVID-19 related grant claims. This is the common across the local government sector in 2020/21 and demonstrates the flexibility and value added by the Internal Audit service at Halton.

A detailed Internal Audit progress report has been observed as presented to each Audit and Governance Board meeting, including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Board to effectively hold management to account. At the end of each financial year the Divisional Manager – Audit, Procurement & Operational Finance provides an opinion based on the work completed during the year. For 2020/21 the Head of Risk and Internal Audit concluded that Halton Council has an adequate but effective control environment.

Governance (continued)

How the Council approaches and carries out its annual budget setting process

The Council produces a comprehensive Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The most recent was approved at Executive Board on 17 February 2022 and ratified by Council on 2 March 2022 covering the 2022/23 budget and set out the resources to deliver the Medium Term Financial Strategy (MTFS) to 2025/26.

The role of Members in setting the budget is clear from the Member's Budget Working Group which met regularly during 2020/21 to consider budget saving proposals in the context of the Council's corporate objectives and strategic priorities. We have reviewed papers from the Group and conclude that it operates effectively and focuses on the relevant topics. The Member's Budget Working Group provides a valuable link to the views of local electors as key stakeholders in the budget priorities.

During 2020/21, the annual budget was updated regularly and the likely financial position outturn was reported to Management Team, Executive Board and upwards to full Council. The in-year forecasts proved reliable giving assurance that the financial position is properly understood and the budget process works correctly, despite the unprecedented impact of COVID-19 and associated cost pressures, lost income and accounting for COVID-19 related grant income. The accompanying reports and information supporting the budget identify issues as they arose which impact the expected outturn. The outturn report also identifies reasons for variances and compensating actions required.

We noted good engagement and ownership of budgets by budget holders as part of the annual budget setting process. Budget setting guidance notes are circulated annually to budget holders and set meetings are held with dedicated central finance managers to secure ownership and buy in. The Operational Director – Financial Services engages with the Executive Team by invitation and with Executive Board at numerous staging posts during the budget process.

External stakeholder engagement is also undertaken as detailed in the budget setting report including the general public, local electors and partners of the Council such as Halton Clinical Commissioning Group as a stakeholder to deliver integrated health and social care services utilising a pooled budget arrangement.

How the Council ensures effective processes and systems are in place to ensure budgetary control

The Council has well established budget monitoring arrangements in place. The Finance team is headed by the Operational Director – Financial Services (s151 Officer) role which is aligned into the Council's management portfolio structure under the Strategic Director for Enterprise, Community and Resources. Members of the Finance Team are assigned to specific service areas and work closely with budget holders to review, discuss and agree the financial pressures and issues impacting on specific service areas.

The Council's spending during 2020/21 was dominated by the additional pressures resulting from the COVID-19 pandemic. Additional costs and income losses relating to COVID-19 totalled approximately £25m, which was funded by a combination of general and specific Government grants. Processes were put in place to ensure this funding was properly managed, utilised for the correct purposes, separately accounted for and correctly reported upon. 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 control spending as far as possible and mitigate overspends.

Our 2020/21 financial statements audit provided assurance that the Council was accounting properly for COVID-19 related grant funding with a distinction between pass through agency grants and where the Council was acting as principal in allocating grant funding.

Treasury Management activity is reported to Executive Board at six month intervals including at year-end. We consider these reports to be comprehensive to update Members on the key activities undertaken on the money market, as required by the Treasury Management Policy. The report also provides the necessary supporting information on the economic outlook, interest rate forecast, short term borrowing rates, longer term borrowing rates, borrowing and investments, budget monitoring, new long term borrowing, policy guidelines and treasury management indicators. We noted that no new debt or debt rescheduling was required or undertaken during 2020/21.

Our 2020/21 audit has not identified any evidence of serious weaknesses in final accounts processes or material errors in draft accounts, or failure by the Council to meet statutory reporting deadlines. Our detailed financial statement audit is reported separately in the Audit Findings Report. An unqualified audit opinion is issued for 2020/21 with the majority of audit matters being presentation and disclosure matters. Resourcing in the central finance team has remained consistent in recent years with full cooperation with the external audit team which has contributed to a positive audit outcome.

Governance (continued)

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

The Council's decision making arrangements are established in the Council Constitution. The Constitution is transparent on the Council's public website. Decisions are either made by members (Council or other decision making committees) or delegated to portfolio leads, or senior officers.

All key decisions of the Council are publicly available on the Council's website. Prior to decision making the Council has a range of overview and scrutiny committees that challenge and scrutinise Council decisions.

Directors commission Divisional service heads and their teams to produce reports related to major decisions. These are supported by professional experts such as property, accountancy and Internal Audit where appropriate. Where significant, draft proposals are reviewed by Executive Team. All treasury and capital investment decisions are assessed and approved internally prior to revenue/capital allocations within the annual budget and subsequent Council sign-off.

The Operational Director – Financial Services (statutory s151 Officer) role is aligned into the Council's management portfolio structure under the Strategic Director for Enterprise, Community and Resources. The s151 officer role is not a Strategic Director role but is invited to attend Management Team and does attend Executive Team Meetings and Audit and Governance Board. Not being a Strategic Director does not have a perceived detrimental impact upon the decision making process at the Council and is common across local government.



Governance (continued)

How the Council monitors and ensures appropriate standards.

The Council's arrangements to monitor compliance with legislation and regulatory standards are clearly set out in the Constitution. The Monitoring Officer has overall responsibility for compliance with both legislation and standards. Our audit has not uncovered any evidence of significant non-compliance with the body's constitution (which is publicly available on the Council website) or breaches of legislation or regulatory standards during the year that has led to an investigation by any legal or regulatory body.

Senior officers and Members at the Council are considered to exhibit the leadership and the standards of behaviour expected in public office. This is reinforced by the Monitoring Officer's annual report on standards which confirms that there have been no upheld complaints against Members or breaches of the Code of Conduct for 2020/21 or 2021/22.

The Council has its own high level local Code of Corporate Governance setting out expectations from Members and officers regarding conduct and behaviour etc. This is revisited and refreshed annually as required. Members and officers must adhere to the Code. Beneath this sit Codes of Conduct which clearly set out expectations of behaviour by Members and officers. Reminders are issued annually for declarations of interest/gifts and hospitality from Members and officers and these operate adequately.

A satisfactory Gifts and Hospitality policy is in place and we have not noted any significant breaches during 2020/21. The policy covers the key areas expected as set out in the Constitution. The Monitoring Officer is responsible for overall compliance.

Satisfactory arrangements are also in place for officers and Members to make declarations of interest, under the control of the Monitoring Officer. The completeness and integrity of Member interests for 2020/21 was assured during the financial statements audit under Related Party testing. This is supported by the Codes of Conduct which include a table setting out for Members what would be disclosable interests. The Monitoring Officer is responsible for overall compliance.

Although available on the Council website, the transparency of the registers of interests, gifts and hospitality for Members could be improved if they were more clearly signposted for the public to view on the website. This would identify any trends existing across political groups or committees in receipt of gifts, hospitality or interests which could be seen by the public to fetter independence. We have highlighted this area as an improvement recommendation on page 25.

The Council had a Standards Committee with co-opted independent members during 2020/21 and 2021/22. The role of the Committee is to promote high standards of member conduct and behaviour. No matters were brought to the attention of the Monitoring Officer / Standards Committee which required formal investigation. It is intended that the powers and duties of the Standards Committee will be transferred to the Audit & Governance Board from 1 April 2022. This is largely an efficiency measure as the business of the Standards Committee was relatively small.

Our audit has not found any evidence of significant or repeated departure from key regulatory and statutory requirements or professional standards.

A complaints process for the public to make complaints about standards exhibited by Members is published on the Council website. This includes the arrangements for raising a complaint and how it will be processed, including contact details for the Monitoring Officer. The process is clearly explained to deliver good governance.

For officers there is an established disciplinary process should matters arise.

Conclusion

Overall, we are satisfied that there are no significant weaknesses in the Council's governance arrangements and we have not identified any risks of serious weaknesses. We have identified one opportunity for improvement at page 25.



Improving economy, efficiency and effectiveness



We considered how Halton Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Overview of Arrangements for Ensuring Economy Efficiency and Effectiveness

The Council has established and appropriate arrangements to ensure economy, efficiency and effectiveness. Our work has not identified any risks of significant weakness. However, we have raised some improvement recommendations around the partnership working regarding the Mersey Gateway Bridge which was an area of specific focus during our review.

Use of Financial and Performance Information to identify areas for improvement

There is adequate monitoring and reporting of performance across the directorates within the Council. Quarterly monitoring reports are produced and presented at the relevant supporting committee for the directorates and also the Executive Board where decision making takes place. There is an overview of issues and progress against key service objectives, milestones and performance targets. These reports have a sufficient level of detail, have a RAG rating system and are subject to scrutiny. The Council's MTFS looks at service plans and options over the longer term. Any one-off savings are identified and any service demand pressures.

Benchmarking is in place within the Adult and Social Care directorate. An example of this is The Adult Social Care Outcomes Framework (ASCOF) benchmarking that measures how well care and support services achieve their outcomes. We noted that benchmarking is not as consistent across the rest of the Council. This is something that the Council should consider particularly in Finance that would help identify areas for improvement by benchmarking costs and performance against similar bodies in particular areas facing pressure.

Halton Council have a good track record of delivering to budget. Based on our 2020/21 benchmarking data, this shows that Halton Council have slightly lower than average long-term borrowing as a proportion of long-term assets at 19.3%, which is positive. Halton have an above average ratio of reserves as a proportion of net cost of services. They ranked 3 out of 34 Unitary Authority Councils, which is very high. They are ranked 19 out of 34 Unitary Authority Councils.

In addition to this, we noted that the highest unit costs were in Adult & Social Care and Cultural and Related Services. We reviewed the breakdown of these unit costs with very high costs across Adult and Social Care such as commissioning and service delivery, learning disability support, physical support, sensory support and social care activities. For cultural and related the highest unit costs were within community centres and public halls, open spaces and sports and recreation facilities. Although these are rated high the Council delivered within budget and these high costs are in line with the objectives of the Corporate Plan.

Improving economy, efficiency and effectiveness

Evaluation of services provided to assess performance and identify areas for improvement

We have explored how the Council evaluates its services to continuously improve. This is done through key regulator inspections, performance reporting and internal audit reviews. There is regular review and monitoring of service delivery through performance management reports at directorate level and Executive Board. Recommendations are made through the external audit process which are considered at the Audit and Governance Committee and Executive Board.

Performance Management Reports are produced on a quarterly basis for Adult Social Care and Health, Children and Young People, Corporate Services, Enterprise Community & Resources and Environment and Urban Renewal. These reports aim to set out the issues and progress against key service objectives, milestones and performance targets each quarter. The reports are comprehensive and provide sufficient detail for the reader. There is a section for progress against the Council's Key Performance Indicators (KPI) for the relevant directorate and the performance against them is rated using a traffic light progress symbol and direction of travel indicators. Where high risk areas are identified from the Council risk register, there are separate high risk reports on performance reported. Overall, the Council appears to be on course or too early to say at this stage to achieve the majority of its objectives. For each target there is supporting commentary on the progress. Where it is likely that the objective will not be achieved the commentary provides detail of the reasons for this. Overall, performance across directorates tends to be good and on track with most objectives having a green or yellow rating. Per review of the quarterly performance reports an area with several objectives that are unlikely to be met is within Children and Young People. Where this is the case there is commentary on why this has happened. Each objective is updated on a quarterly basis with progress.

The Council's Internal Audit Annual Report for 2020/21 reported that the Council continues to maintain an adequate and effective risk management, control and governance process. Assurance opinions for reviews during 2020/21 are:

- Substantial Assurance – 46
- Adequate Assurance - 5
- Limited Assurance – 1

Service Inspection

Ofsted is one of the key regulators at the Council who carried out their latest inspection in 2021. This was a focused visit which looked at the Council's arrangements for children in need and those who are subject to a child protection plan. The Council received a score of 'requires improvement to be good'. The key finding being that there were significant weaknesses in social work practice and deficits in management oversight and supervision that have failed to safeguard and promote children's welfare. The areas for priority action are:

- Assessment and management of risk to children
- Management oversight and supervision to provide effective support and challenge.

The review concluded that the Council should prepare an improvement plan within 70 days. At the time of our review the Council has submitted this improvement plan to Ofsted and is awaiting approval. We have recognised that as this plan has been put in place it should continue to be monitored going forward once a conclusion has been reached on the plan by Ofsted.

The action plan consists of three key areas for development being:

- Leadership, Management and Workforce
- Improving quality of frontline practice
- Quality assurance and performance

The action plan details how progress will be measured using a RAGB rating system in line with the Ofsted findings.

Improving economy, efficiency and effectiveness

Delivering the role within significant partnerships, engagement with stakeholders and monitoring performance against expectations

The Council's Corporate Plan sets out the objectives and visions for the Council which has been developed with partners. However, as noted at recommendation 2 within this report the Corporate Plan is due a refresh.

The Council participates in various partnership arrangements. An example being the One Halton partnership which we have identified as having good arrangements in place. This will form part of the new integrated care system (ICS) and will build on this partnership and collaboration. The Health and Wellbeing board has delegated the overseeing of the One Halton ICS to the multi-agency One Halton ICP Board. In order to deliver the objectives of the partnership this Board will provide leadership, engage with key stakeholders, identify priorities, oversee governance arrangements and promote joint working through the partnership.

There are adequate arrangements in place for overseeing the delivery of the ICS with the addition of the One Halton Partnership Finance & Performance sub-committee and the Operations and Delivery sub-committee that have board representation across the partnership. Each month an update report is prepared and a revised governance structure has been put in place. The Council are transparent about One Halton through the update reports provided.

Procurement of services

The Council has a procurement strategy in place which covers the period 2020-2023. This strategy is regularly updated and has oversight from the Business Efficiency Board with the update reports reported through the Executive Board. We have not found any evidence of the body failing to operate a fair procurement strategy. All contracts over £1m or those not in line with the standards are presented to the Executive Board for scrutiny and approval of the procurement. The decision for each item is clearly set out. Anything over £1,000 at the Council must go through procurement. Procurement update reports are presented at the Audit and Risk Committee. The purpose of these is so the Council can have oversight over the procurement arrangements and its activity. For example, the Agency Worker Contract for procurement was presented at the Executive Board in November 2021 as the value was likely to exceed £1m.

Where there is any outsourcing, partnerships or shared service agreements these are generally managed at the service level. Oversight of these are provided at the relevant committee for the service line that would review any issues.

Improving economy, efficiency and effectiveness

Mersey Gateway Bridge

As part of the annual 2020/21 audit, we have performed an assessment of the arrangements that Halton Council has in place to improve the economy, efficiency and effectiveness of its arrangements around the Mersey Gateway Bridge.

The Mersey Gateway Bridge opened in October 2017. This was a major capital scheme which saw the completion of the new six lane toll bridge over the river Mersey. The new bridge provides a multitude of economic and regional benefits. The project was funded through a mixture of capital payments from the Council and monthly unitary charge payments to Merseylink paid using the toll income raised.

The Mersey Gateway Crossings Board (MGCB) was set up as required by the government for the day to day management of the Mersey Gateway Bridge project acting as an interface between the Mersey Gateway Bridge management and the Council.

Toll collection is undertaken through a contract with Emovis. They are responsible for the delivery of the open road toll system and carry the financial risk of collection of tolls. Whereas the Council carries the traffic risk where there is insufficient crossing. Where tolls are not collected, the tolling operator has to pay over to the Council the difference between theoretical and actual revenue raised.

Performance Monitoring, Governance and Risk Management

Project Finance Reports are produced which provide an overview of the financial performance of the Mersey Gateway Project. These reports are to be quarterly however we noted that there was a nine month project finance report which ran from March 2021 to December 2021.

The project finance report was sufficiently detailed providing background on the project and financial overview. This helps stakeholders understand the financial performance of the Mersey Gateway Bridge Project. We have reviewed the project finance report for the 9 months to December 2021 and can see that it is comprehensive and incorporates financial performance, capital borrowings and consideration of risks. In addition to this, the Council has a section for the Mersey Gateway project on the Council risk register.

In terms of learning from similar crossings, this is limited as there is no other local government organisations that operate an open road tolling scheme. The closest scheme is Dartford Crossing where MGCB and Dartford team are in regular contact. There is also UK Toll operators group to which the MGCB belongs to. Monthly progress meetings are held between MGCB and Emovis which discusses the progress of the DMPA contract. There is also an opportunity here to raise any issues and discuss improvements. The Council has member representation on both the Mersey Gateway Audit Committee and Mersey Gateway Crossings Board.

It was noted that the reports are provided to the Council and occasionally reported through committees. We identified through our review of the Executive Board minutes that these reports had not been presented in the year 2020/21 therefore we recommend that these are formally communicated through **Executive Board** to ensure appropriate oversight from the Council. This emphasises the point that there should be greater oversight from the Council over the performance of the toll collection operator.

There have been two internal audit reviews that had a focus on the Mersey Gateway Bridge that provided substantial assurance.

Recommendation:

There should be greater oversight from the Council over the performance monitoring of Emovis. It is clear that there is engagement between the Mersey Gateway Crossings Board and Emovis however this should be formally communicated through the Council and a reporting channel through the appropriate committee and Executive Board on an appropriate basis.

Improving economy, efficiency and effectiveness

Toll collection

Emovis are responsible for toll collection. The MGCGB produce quarterly statistics that detail toll collection rates and penalty charge notice statistics. The toll collection rate for Mersey Gateway Bridge is currently at 97%. We have assessed the toll collection rates and penalty charge notices against the Dartford Crossing statistics as a benchmark. The collection rate of 97% is relatively good compared to 'Dart Charge' data for the Dartford crossing which for 2021 had a compliance rate of 94.9%. We note that various improvements have been made to help increase toll payments such as the introduction of the smartphone App 'Merseyflow Quick Pay' that can be downloaded for payment. We have noted that there is continuous engagement between Emovis and Mersey Gateway Crossings Board on ways to improve toll collection. We identified that there have been collection issues due to external bodies not maintaining accurate driver records. It is evident from conversations with the MGCGB and the Council they acknowledge the issues and have plans to rectify them or have done in the past.

Recommendation:

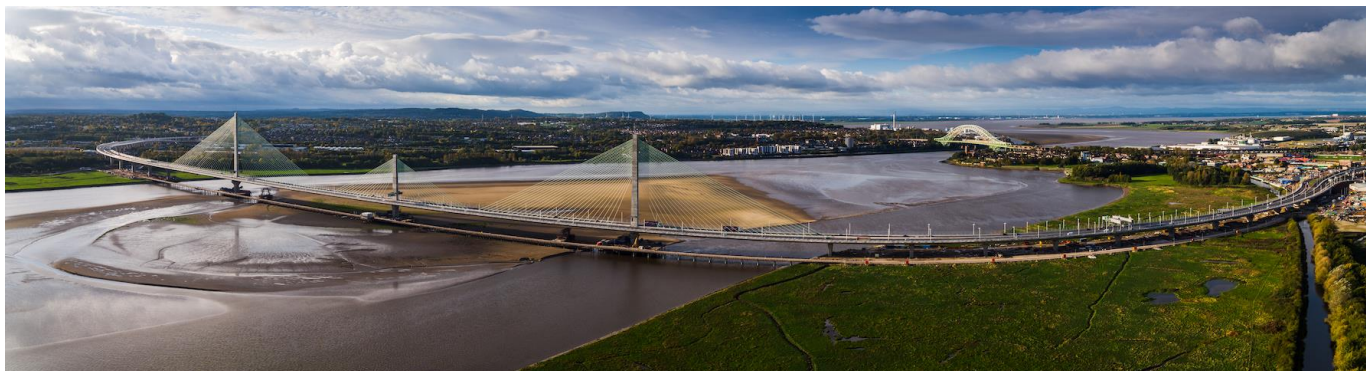
A clear action plan should be put in place focused on toll collection outlining the issues and measuring the performance against these objectives on a regular basis to improve economy, efficiency and effectiveness in this area. This should be reported through the relevant committee at the Council to ensure appropriate oversight.

Penalty Charge Notice

A penalty charge notice (PCN) is issued if a toll has not been paid within 24 hours which can be caused by a variety of issues. Crossings are paid through prepayment, exemption, emergency, local user discount scheme or paying on time with the app. If the PCN is not paid within the required timescale, it is registered as a debt and passed to debt collection. There is a cost to the Council for registering this debt which should be reviewed by the Council against the recoverability of the PCN debt. A PCN is issued for around 2.5% of crossings which is a considerably low rate. Per the Dartford Crossing data for 2021, the total amount of PCNs issued per total number of crossings is around 3.7%. Therefore the rate for the Mersey Gateway Bridge is considerably low provided this is an open road tolling system.

Recommendation:

Although the penalty charge notice rate is low, when a debt is registered this is a cost each time to the Council. The Council should put in place a process of reviewing how many PCN's proceed to debt registration and review this against recoverability.



Improving economy, efficiency and effectiveness – Cross cutting review – Waste management

Waste Disposal Contract – focused review

As part of the annual 2020/21 audit, we have performed an assessment of the arrangements that Halton Council has in place to improve the economy, efficiency and effectiveness of its waste management services.

Halton is not a Merseyside Council but has been working in partnership with the Merseyside Recycling & Waste Authority and the 5 District Authorities in Merseyside on waste management matters since 2006.

In particular, we have focused on how well the Council is working with authorities in Merseyside to optimise costs across the region and to achieve its own environmental objectives.

Waste collection arrangements

Waste and recycling collections are undertaken in-house by Halton Council. Residual waste is disposed of via a Resource Recovery Contract whilst kerbside collected recyclables and garden waste are processed via a Waste Management and Recycling contract; that also includes the management of Halton's two Household Waste Recycling Centres.

Weekly collections alternate between residual and comingled dry recyclates, with a small number of properties retaining a weekly sack collection due to issues with storage of wheeled bins. Garden waste is chargeable (introduced in 2015) for 44,000 properties across 40 weeks, i.e. 20 collections a year.

Local intermediate storage facilities are used to bulk up residual waste prior to delivery directly to the Merseyside Recycling & Waste Authority. These storage and onward transport arrangements are procured and managed directly by Halton.

At the time of this audit being undertaken, a “pilot” food waste service was operating in Halton and serving 3,000 properties. However, following a review, this service was withdrawn at the end of January 2022.

Waste disposal arrangements

MWDA dispose of the Council's waste via two main contracts:

1. Waste management and recycling contract (WMRC) that provides management of the Household Waste Recycling Centres (HWRCs), Materials Recycling Facilities (MRFs) and transfer stations and any subsequent haulage of the waste to treatment or disposal. This contract is with Veolia and expires in 2029; and
2. The disposal of the residual waste is via energy from waste (EfW) and landfill of untreatable wastes. This contract is with Merseyside Energy Recovery Limited (MERL)¹ and expires in 2044.

Contractual Relationship with MRWA

The relationship between Halton Borough Council and MRWA differs from that which exists between MRWA and the Districts. As a Unitary Authority, there is no statutory obligation for Halton and MRWA to work together on waste disposal matters. Instead, the relationship between the Authorities is detailed within formal, legally binding, Inter Authority Agreements. The financial arrangements between Halton and MRWA also differs from that between MRWA and the Merseyside District Councils. Halton is not party to the Levy and instead pays MRWA on a ‘cost pass-through’ basis for all costs directly associated with the services provided to Halton under the RRC and WMRC.

For garden waste there is a set tonnage fee, whereas for household waste centres there are set fees depending on the service charge for each centre plus tonnage based fee. Recyclates are charged based on facilities management fee plus a proportion of the overall costs based on throughput [tonnage]. No profit share mechanism exists on any sale of recyclates.

Halton indicated that they were comfortable with this relationship and fee structure.

Waste management (continued)

Local Partnerships' Strategic Review of Waste Management (2016)

In 2016, Local Partnerships were commissioned to perform a Strategic Review of Waste Management across the Liverpool City Region. Key findings of this report were that:

- MWDA run an efficient waste disposal service (limited savings potential)
- Significant economies could be gained from 'joining up' the entire waste management system

In particular, there was a recommendation to consider the formation of a Joint Waste Authority, which would become part of the Liverpool City Region Combined Authority using a governance model similar to that already in place for Mersey Travel. Implementation of common collection practices and policies is noted at the first step for future innovation, including asset sharing and optimisation of vehicle rounds. Halton officials worked with the Local Partnerships team in their preparation of this report at the time.

Performance: Recycling Rates

The table below describes the recycling rates by year in Halton Borough Council, taken from WasteDataFlow.

	17-18 recycling %	18-19 recycling %	19-20 recycling %	20-21 recycling %
Halton Borough Council	43.50%	38.90%	37.50%	39.30%
National average	39.30%	40%	40.20%	39.10%
Difference	4.20%	-1.10%	-2.70%	0.20%

It can be seen that Halton Council's recycling rate is above the national average (by 0.2% in 2020-21). For comparison, the Merseyside Councils' average recycling rate is 13.0% below the national average for the same time period.

Historically there has been an EU target for the UK to recycle at least 50% of household waste by 2020. More recently, The government's Circular Economy Package (July 2020) includes a target to recycle 65% of municipal waste by 2035.

Recommendation: The Council should consider its annual recycling rates in line with the national average and in the context of national targets (65% by 2035). It should put in place plans for improving efficiency and effectiveness in this area.

Performance: Financial

The table below sets out the cost (or forecast cost) to the Council for waste collection and disposal, including on a cost per tonne basis.

	2019/20 [Prior Year]	2020/21 [Current Year]	2022/23 [Forecast]	2023/24 [Forecast]
Cost (£) - collection	£0.949m	£0.939m	£1,100m	£1,150m
Cost (£) - disposal	£7.933m	£7.952m	£8,420m	£8,600m
Budget (£) - collection	£1.147m	£1.042m	£1,105m	£1,127m
Budget (£) - disposal	£7.941m	£7.975m	£8,409m	£8,577m
Tonnage* (tonnes)	60,535	63,363	61,512	61,803

We can see that tonnages have increased (e.g. due to Covid 19 changes in behaviour) and that the overall cost of waste collection and disposal is expected to increase.

Recommendation: The increase in waste tonnages collected could create a budget pressure in the coming years which could impact the Council's ability to set a balanced budget in future. It should consider opportunities for savings and / or how this pressure will be managed, to ensure continuity of service to residents.



Waste management (continued)

External Governance (interaction with MWDA and other Councils)

MWDA Board

MWDA is a local government body consisting of nine elected Members representing the five Merseyside Councils. The board of nine elected members include three from Liverpool City Council, two from Sefton MBC, two from Wirral Council and one each from Knowsley MBC and St Helens MBC. Members meet to consider high level matters such as policy, strategy and budget in relation to waste treatment/disposal. However, their decision making ability is limited and many decisions will need to be ratified separately by all five Merseyside Councils.

Halton has a different relationship with the MWDA and, as such, Halton Council's representative only has observer status on the MWDA Board.

The observer is an elected Halton Councillor whose portfolio includes responsibility for waste. The observer meets regularly with the Divisional Manager who has responsibility for waste.

Recommendation: Consideration should be given to formalising the relationship between MWDA observer and the official responsible for waste, while the current relationship works well, this is not guaranteed if either party was to change role.

Recommendation: It would be useful to provide Members with the performance context alongside the cost of waste management, e.g. KPIs which include benchmarking with national average / targets in relation to recycling rates / cost of waste management.



Liverpool City Region Strategic Waste Management Partnership (2021)

The Liverpool City Region Strategic Waste Management Partnership's purpose is to collectively address regional waste management issues and provide a single voice on waste management affairs. Areas of particular consideration include implications of new waste management legislation, housing growth, the environment and climate emergency and the financial pressures on regional waste management.

The partnership agreed Terms of Reference in June 2021, which have been signed up to by the Merseyside Councils plus Halton Borough Council. The partnership will meet quarterly and will work with the MWDA on regional waste management issues.

A key area highlighted for "increasingly urgent" action is an update to the current levy mechanism (which does not impact Halton).

The Terms of Reference contain a commitment to review the recommendations contained in the Local Partnerships' Strategic Review of Waste Management (2016).

Leaders and Mayors will be provided with quarterly updates from the Liverpool City Region (LCR) Strategic Waste Management Partnership. In the October 2021 briefing it is noted that there will be a £9m cost increase across the five councils in 2022/23 due to increases in household waste collected as a result of Covid-19 related shifts in behaviour. Again, Halton is not impacted by this change.

Recommendation: The LCR Strategic Waste Management Partnership does not currently include the MWDA. As waste management relates to both collection and disposal, it could be beneficial to formally include the MWDA within the partnership and this alongside a framework to allow recommendations from the MWDA to be formally considered will enable collaborative working and decision making.

Recommendation: The MWDA, Merseyside Councils and Halton Council should work together to review and conclude upon the optimal governance model to ensure transparency and collaboration and to drive economy, efficiency and effectiveness for waste management services.

Waste management (continued)

Waste Management Conclusion

As a challenge for many authorities, the Council is seeing increases in municipal waste tonnages arising, leading to higher costs of waste disposal. There is also a challenge to improve recycling rates, which currently sit at 31.5%, 7.6% below the national average. Furthermore, national recycling targets have increased from 50%, to 65% by 2035. There are therefore significant challenges in achieving economy, efficiency and effectiveness for waste management services.

Due to the unique nature of Halton's relationship with the MWDA they are not subject to the perverse incentives caused by the waste levy that impacts the other councils. As such, they are better positioned to manage the pressures arising from increased municipal waste. Halton will need to work with the Merseyside councils to prepare for legislative changes.

The Liverpool City Region Strategic Waste Management Partnership has recently been established. This is a positive step to improve transparency and collaboration between the Merseyside Councils with Halton council. It has the aim of improving economy, efficiency and effectiveness for waste management services. This partnership currently does not include the MWDA itself, however, there is a commitment to work with the MWDA on regional waste management issues. While Halton is not directed by this Liverpool City Region initiative, the above recommendations would improve transparency for the council.



COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income in the collection rates of Council Tax and Business Rates, and expenditure which has seen additional pressures, most notably on children's services and adult social care.

For 2020/21 the Council received four tranches of un-ring-fenced COVID-19 related grant funding to cover general costs, amounting to £12.8m. The Council has also utilised ring-fenced grant funding of £11.9m for specific services relating to COVID-19. Additionally, the Council acted as agent for the government in passporting funding across the Borough. This included providing funding of £24.4m in grants to support businesses that were disrupted due to COVID-19, plus a further £1.6m of grants provided on a discretionary basis. This funding helped the Council to support residents and businesses through the year, and provided immediate funding to help mitigate some of the financial pressures caused by the pandemic. The financial sustainability challenges from the COVID-19 pandemic will however continue through the medium term and this creates pressure to maintain effective financial sustainability arrangements due to the budget gaps and consequent pressure on reserves.

The main budgetary pressure has been the increasing costs and demand of providing children's social care services, particularly the cost and numbers of out of borough residential placements. Some of these costs have been mitigated by funding from COVID-19 grant.

There has been a reduction in some variable costs due to the pandemic, notably with closures to both leisure and cultural services.

The Council has maintained a good oversight of its COVID-19 related costs and income losses. These were identified early and subject to detailed monitoring and scrutiny. The MTFS was reviewed and updated during the year, and detailed quarterly reporting against the budget to Council was maintained throughout the year.

Despite the 'cushion' provided by governmental COVID-19 funding, which resulted in a £2.4m underspend against plan for 2020/21, the Council expects these financial pressures to be ongoing. Whilst it has set a balanced budget for 2021/22 and 2022/23, with savings and efficiencies built in, the Council will need to maintain its high level of monitoring and scrutiny over its finances in order to achieve this budget as explained in the financial sustainability section.

Governance

As a result of the lockdown restrictions announced on the 16 March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding Members' meetings online.

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. The Coronavirus (Flexibility of Local Authority and Police and Crime Panel Meetings) Regulations 2020 came into force on 4 April 2020. This put in place the ability for Councils to hold meetings virtually, so long as they meet certain criteria specified in the Regulations.

Financial performance and forecast of the Council's outturn continued to be reported quarterly to both the Executive Board and Policy & Performance Boards during 2020/21. For ease of understanding financial performance reports consisted of two elements; operational day to day spending with a second reporting separately on the costs and funding associated with the Covid-19 pandemic.

Procurement of goods, services or works required to deliver services continued to be undertaken in line with the Council's Procurement Strategy and within clearly defined rules set out in Procurement Standing Orders. Where emergency procurement activity took place in response to COVID-19 a detailed record of decisions and actions was maintained should any legal challenge emerge. The records set out the reason for the decision, alternative options considered and rejected, background documents and any consultation undertaken.

The response of Internal Audit to meet the COVID-19 emergency in 2020/21 meant that a substantial amount of normal audit time was spent on assisting with oversight and control of the governments business rates-based grant schemes. Time was also spent on other administrative tasks, which were an organisational priority. Internal audit has demonstrated it can offer a responsive service, adapting its annual plan to accommodate new reviews required as a result of changed circumstances.

COVID-19 arrangements (continued)

Improving economy, efficiency and effectiveness

Through the Council's partnerships across Cheshire and the Liverpool City Region, and as part of the Cheshire Resilience Forum, the Council worked to deliver a co-ordinated regional response to the pandemic and this has operated effectively. For example, working with local health partners, emergency services and the military, the Council put in place local testing arrangements and established arrangements to prevent and manage local outbreaks.

The Council prioritised supporting the most vulnerable in the community and monitoring of key performance indicators shows that critical services continued to be delivered successfully including accommodation for the homeless. The Council also worked with social care providers to look after people living in residential and nursing homes or in receipt of domiciliary care. Waste collection services continued to run to normal timetables throughout the year.

The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic and there has been a good level of continuity of service. Enabling staff to work from home also supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission. PPE was also sourced and provided to all Council staff where this was deemed necessary.

The Council has maintained its quarterly reporting of performance against the targets throughout the year. This has enabled those charged with governance to understand which of the Council's activities have been most impacted and the extent of this impact.

Partnership working is a key theme of the Council's plan, and work with community partners increased during the pandemic.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the COVID-19 pandemic.



Improvement recommendations



Financial sustainability

Recommendation 1	The latest Corporate Plan covers the period 2018-20 and is due for a refresh and alignment with other key/strategic plans and priorities.
Why/impact	The Council's strategies should cascade down from and have a clear linkage to the overall Corporate Strategy. This should feed down to the MTFS and annual budget based upon the priorities established in the Corporate Strategy.
Auditor judgement	Delays in updating the Corporate Strategy could lead to the Council losing sight of key priorities and the funding streams that accompany them.
Summary findings	The Corporate Strategy was last updated for the period 2018-20.
Management comment	The refresh of the Corporate Plan was delayed due to the pandemic and subsequently due to the departure of the Chief Executive. The new Chief Executive has now re-started the process with the intention of shortly working with Executive Board to re-establish the Council's priorities and prepare the updated Corporate Plan for approval by Council. The next update of the MTFS will be aligned to those updated priorities.
Recommendation 2	Consideration should be given to expanding the finance risk on the Corporate Risk Register to go beyond funding pressures but to explain expenditure pressures and the pressure on reserves.
Why/impact	Risk 9 on the Corporate Risk Register concerns the pressures on the Council's finances and focuses upon pressure from funding reductions. The financial risk goes beyond funding pressures alone and this is important enough to make clear on the Corporate Risk Register.
Auditor judgement	Risk 9 could be elaborated to include more detail on the financial challenges and budget gaps facing the Council as set out in the Medium Term Financial Plan 2022-2026. In particular the risk could set out the pressures arising from inflationary uplifts, interest rate rises and increased service demand pressure. The risk could reference the reducing reserves position of the Council and make clear that using reserves to balance the budget is not a sustainable option for the Council in the medium or long term.
Summary findings	We consider it right to include a finance risk on the Corporate Risk Register but this should be elaborated to pinpoint the funding, expenditure and service demand pressures and to emphasise that it is not a sustainable option to rely upon reserves to plug budget gaps.
Management comment	Agreed that at the mid-year review of the Corporate Risk Register, Risk 9 will be expanded to also reflect the expenditure pressures and also the pressure on reserves having utilised reserves to balance the 2022/23 budget.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations (continued)



Recommendation 3	Consider the creation of a central register of gifts, hospitality and interests for Members which is available for inspection on the Council's external website.
Why/impact	Whilst Member's gifts, hospitality and interests are available to view on the Council's external website this requires scrolling through the biography of each individual Member.
Auditor judgement	It is not immediately apparent if there are any disclosable of interests or gifts and hospitality by any particular board or political grouping.
Summary findings	Whilst a process operates to gather Member's interests, gifts and hospitality, transparency could be improved by making this information available in a single place on the Council's external website. Having to check against each Member separately is piecemeal and makes it less transparent to check the overall complexion of Member's disclosures.
Management comment	The Council will consider arrangements for the creation of a central register of gifts, hospitality and interests for Members.

Improvement recommendations (continued)



Improving economy, efficiency and effectiveness

Recommendation 4	We noted that benchmarking is not as consistent across the rest of the Council. This is something that the Council should consider particularly in Finance that would help identify areas for improvement by benchmarking costs and performance against similar bodies in particular areas facing pressure.
Why/impact	This could result in areas for improvement not being identified.
Auditor judgement	Benchmarking should be performed consistently across the Council as a whole particularly in Finance.
Summary findings	The Council undertakes benchmarking for its Adult and Social Care and Children and Young People directorates however this has not been as consistent across other areas of the Council.
Management comment	It is intended to develop cost and performance benchmarking data in collaboration with the LCR councils for key service areas, and utilising data provided by LG Futures, to support the Council's development of budget proposals for the next three years.

Improvement recommendations (continued)



Improving economy, efficiency and effectiveness

Recommendation 5

(based upon Mersey Gateway Bridge)

a) There should be greater oversight from the Council over the performance monitoring of Emovis. It is clear that there is engagement between the Mersey Gateway Crossings Board and Emovis however this should be formally communicated through the Council and a reporting channel through the appropriate committee and Executive Board on an appropriate basis.

b) A clear action plan should be put in place focused on toll collection outlining the issues and measuring the performance against these objectives on a regular basis to improve economy, efficiency and effectiveness in this area. This should be reported through the relevant committee at the Council to ensure appropriate oversight.

c) Although the penalty charge notice rate is low, when a debt is registered this is a cost each time to the Council. The Council should put in place a process of reviewing how many PCN's proceed to debt registration and review this against recoverability.

Why/impact

There are financial risks associated with the collection of tolls and penalty charge notices. This could result in inappropriate oversight from the Council over the Mersey Gateway Bridge performance. The Council should ensure there is appropriate monitoring over the toll collection rate and operator.

Auditor judgement

There are financial risks associated with toll collection and penalty charge notices.

Summary findings

We reviewed the arrangements in place around the Mersey Gateway Bridge performance management and toll collection.

Management comment

Discussions will be held with the Chief Executive of the Mersey Gateway Crossings Board, to agree an improved framework for reporting progress with MG related matters to Executive Board and the Council.

Improvement recommendations (continued)



Improving economy, efficiency and effectiveness

Recommendation 6

(based upon Mersey Waste governance and performance review)

- a) The Council should consider its annual recycling rates in line with the national average and in the context of national targets (65% by 2035). It should put in place plans for improving efficiency and effectiveness in this area.
- b) The increase in waste tonnages collected could create a budget gap / pressure in the coming years which could impact the Council's ability to set a balanced budget in future. It should consider opportunities for savings and / or how this pressure will be managed, to ensure continuity of service to residents.
- c) Consideration should be given to formalising the relationship between MWDA observer and the official responsible for waste, while the current relationship works well, this is not guaranteed if either party was to change role.
- d) It would be useful to provide Members with the performance context alongside the cost of waste management, e.g. KPIs which include benchmarking with national average / targets in relation to recycling rates / cost of waste management.
- e) The LCR Strategic Waste Management Partnership does not currently include the MWDA. As waste management relates to both collection and disposal, it could be beneficial to formally include the MWDA within the partnership and this alongside a framework to allow recommendations from the MWDA to be formally considered will enable collaborative working and decision making.
- f) The MWDA, Merseyside Councils and Halton Council should continue to work together to review and conclude upon the optimal governance model to ensure transparency and collaboration and to drive economy, efficiency and effectiveness for waste management services.

Why/impact

There are financial and environmental challenges with rising levels of residual waste and below average recycling rates across Merseyside. The Liverpool City Region Strategic Waste Management Partnership has recently been established. This is a positive step to improve transparency and collaboration between the Merseyside Councils with Halton council. It has the aim of improving economy, efficiency and effectiveness for waste management services. This partnership currently does not include the MWDA itself, however, there is a commitment to work with the MWDA on regional waste management issues. While Halton is not directed by this Liverpool City Region initiative, the above recommendations would improve transparency for the council.

Auditor judgement

There are financial challenges with rising levels of residual waste and a lack of progress with improving recycling rates across Merseyside.

Summary findings

We reviewed the arrangements in place to manage performance on waste collection and the effectiveness of strategic waste partnership working across Merseyside.

Management comment

- a) Council will develop plans to meet future targets
- b) This will be considered as part of the Medium-Term Financial Strategy process
- c) The Council consider the arrangements in place to be sufficient
- d) Council recognise the benefit of performance data and will look to provide where possible
- e) This is a matter for the LCR Strategic Waste Management Partnership to decide
- f) Consideration of governance options will form part of the future work undertaken by Halton and its LCR partners

Opinion on the financial statements



Audit opinion on the financial statements

We have completed our audit of the Council's financial statements for the year ended 31 March 2021 and subject to the outcome of the CIPFA national review of accounting for infrastructure assets at Highway authorities, we expect to issue an unqualified audit opinion.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report and Annual Governance Statement.

Audit Findings Report

More detailed audit findings can be found in our Audit Findings Report which was published and reported to the Council's Audit and Governance Board on 23 March 2022 and is published on the Council's website.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

There has been a delay by the National Audit Office in issuing the WGA consolidation packs to Councils. We will complete our work on the Whole of Government Accounts consolidation pack once the information for audit is available.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers in support.

Issues arising from the accounts:

All adjusted and unadjusted misstatements identified for the Council's 2020/21 financial statements are disclosed within the 2020/21 Audit Findings Report at Appendix C.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.

There are no matters to report regarding these responsibilities.



Appendices

Appendix A - Responsibilities of the Council



Role of the Operational Director Financial Services (the Chief Financial Officer / section 151 Officer):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

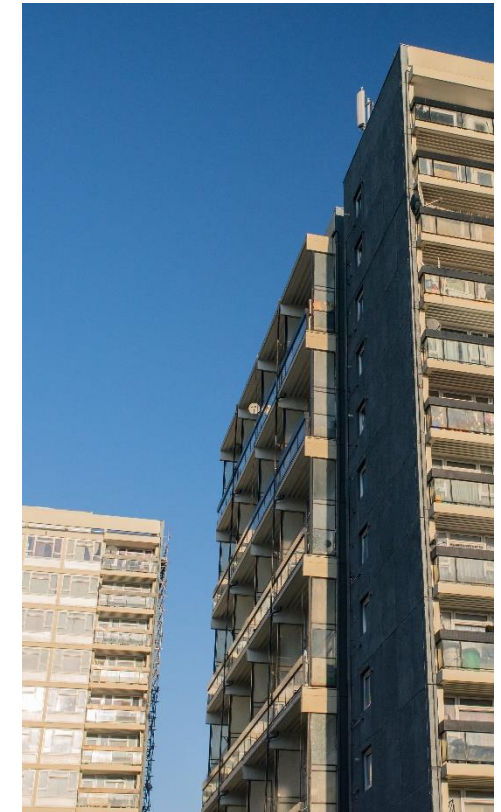
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	24 - 27

Appendix C -Use of formal auditor's powers

For information only, we bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any statutory recommendations.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any applications to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for a judicial review.

Appendix D – Final proposed audit fees 2020-21

Scale fee published by PSAA	£81,076
<i>Ongoing increases to scale fee first identified in 2019/20 and 2020/21</i>	
Raising the bar/regulatory factors	£4,375
Enhanced audit procedures for Property, Plant and Equipment	£6,250
Enhanced audit procedures for Pensions	£3,750
Additional work on Value for Money	£20,000
ISA 540	£6,000
<i>Journals testing</i>	£7,000
Additional costs relating to PPE accounting (Assets held for sale) – non-recurrent	£1,000
Additional VFM cost – Waste Management review and responses to identified risks – non-recurrent	£7,000
Final 2020/21 fee (To be agreed by PSAA)	£136,451



REPORT TO: Audit and Governance Board
DATE: 6 July 2022
REPORTING OFFICER: Operational Director, Finance
PORTFOLIO: Leader
SUBJECT: External Audit Plan – 2021/22 Year-End
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the External Audit Plan relating to the 2021/22 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 2021/22 year-end, be noted.

3.0 SUPPORTING INFORMATION

3.1 The External Audit Plan for 2021/22 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 2021/22.

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 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.

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

9.1 None under the meaning of the Act.

Halton Borough Council Audit Plan

Year ended 31 March 2022

27 June 2022



Contents



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Section	Page
Key matters	3
Introduction and headlines	4
Significant risks identified	5
Other risks identified	7
Accounting estimates and related disclosures	9
Other matters	12
Materiality	13
Value for Money Arrangements	14
Risks of significant VFM weaknesses	15
Audit logistics and team	16
Audit fees	17
Independence and non-audit services	19
Digital Audit	20
Appendix 1: Progress against prior year recommendations	22

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 Council 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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Key matters

Factors

Council developments

The Council has set a balanced budget for 2021/22 and 2022/23 although recognises that funding pressures exist further into the medium term financial plan which require addressing.

We have continued to hold regular meetings with the senior finance team at the Council. During these meetings we discuss a range of key issues regarding the Council's general developments, current and projected financial performance and emerging financial reporting issues.

We have also attended each Audit and Governance Board to provide audit updates and to gain a clear understanding of matters concerning risk management and Internal Audit reports.

Recovery from Covid 19 pandemic

The Covid-19 pandemic continued to have a significant impact on the normal operations of the Council. During 2021-22 the Council has been focused on response and recovery. It has had to work differently at all levels to be able to deliver all of its required services effectively. The Council has continued to receive Covid related grant funding from the government for distribution to businesses and residents.

Infrastructure Assets

CIPFA has established a task and finish group to address an issue regarding the derecognition of parts of infrastructure assets following 'replacement' expenditure. The group will consider the issues arising, and how it might assist in their resolution. Such assistance might take the form of producing additional guidance on this issue, or including clarifications in the accounting code.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, will be agreed with the Section 151 Officer.
- We will consider your arrangements for managing and reporting your financial resources as part of our Value for Money work.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control.
- We will review the accounting treatment for Covid-19 funding for compliance with the code and applicable financial reporting standards.
- We will review your accounting treatment for Infrastructure Assets against the requirements of the code and the implications of any additional guidance or clarifications issued by CIPFA.
- We will continue to provide you with sector updates via our Audit and Governance Board updates.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Halton Borough Council ('the Council') 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 agreed 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 the Council. We draw your attention to both of these documents.

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 Council financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Board); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Governance Board of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Land & Buildings and Investment Property
- Valuation of the Pension Fund Net Liability

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.

Materiality

We have determined planning materiality to be £8.795m (PY £7.421m) for the Council, which equates to 2% of your prior year gross expenditure for the previous 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 £0.44m (PY £0.37m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risk of significant weakness:

- The Council has identified budget gaps within its medium-term financial plan which will need to be addressed to secure financial sustainability. A balanced budget of £113.9m has been set for 2022/23 although with a planned transfer of £7.8m from reserves, however there are budget gaps of £11.7m in 2023/24 and £4.8m in 2024/25 and £6.6m in 2025/26. The use of reserves can only be a temporary measure to achieving long term financial sustainability.

Further detail is provided at page 15. We will continue to assess the Council's arrangements and will provide a commentary against all key lines of enquiry in the Auditor's Annual Report. Should we identify any further areas of significant weakness as part of our further work we will bring them to your attention.

Audit logistics

Our planning and interim audit work visit took place in March and April 2022 and our final visit will take place between July and September. Management have committed to providing draft financial statements, together with working papers by 30 June 2022, being a month earlier than the statutory deadline in order to facilitate an early audit.

Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. These are planned to be delivered by the statutory deadline of 30 November 2022.

Our fee for the audit will be £134,951 (TBC) for the Council, subject to the Council delivering a good set of draft financial statements and working papers and allowing us to complete an element of the audit fieldwork in person at the Council.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

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
ISA240 revenue and expenditure recognition risk	<p><u>Revenue</u></p> <p>ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition. This presumption can be rebutted if the auditor concludes there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Council, mean that all forms of fraud are seen as unacceptable <p>Although the risk of fraud is rebutted, we recognise the risk of error in revenue recognition and this is addressed through the responses to risk detailed across.</p> <p><u>Expenditure</u></p> <p>In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure.</p> <p>This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure.</p>	<p>N/A as rebutted.</p> <p>Despite revenue and expenditure recognition not being a significant risk we will still undertake the following procedures to ensure that revenue and expenditure included within the accounts is materially correct:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for income and expenditure recognition for appropriateness and compliance with the Code • update our understanding of the Council's system for accounting for income and expenditure and evaluating the design of relevant controls • undertake detailed substantive testing on the income and expenditure streams in 2021/22, including sample testing of material revenue and expenditure transactions • document our understanding of the full nature of additional Covid-19 related income and expenditure • review the accounting treatment of all new income and expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards
Management over-ride of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council 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 for the Council.</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 • 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 (cont.)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the Pension Fund Net Liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk 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 Council'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 (an 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 Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council 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 Cheshire Pension Scheme 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
Valuation of Land & Buildings & Investment Property	<p>The Council revalues its land and buildings on a rolling basis. Investment Property is valued annually. Revaluations are shared between the Council's Internal Valuer and an external valuation expert, Sanderson Weatherall.</p> <p>These valuations represent 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.</p> <p>Additionally for land and buildings, management will need to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the valuation of land and buildings as a significant risk for the Council.</p>	<p>For assurance over the balance sheet valuation of land & Buildings and Investment Property (including valuations undertaken by both the internal and external valuation experts) we will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the valuation estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write out to the valuation expert and discuss with the valuer 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 year end

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Accounting for Mersey Gateway Bridge Private Finance Initiative (PFI) liability	<p>The Mersey Gateway Bridge PFI scheme is large and high profile to the residents of the borough.</p> <p>PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information.</p> <p>We therefore identified the accuracy and presentation of the Mersey Gateway Bridge PFI scheme as a risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the PFI model and assumptions contained within; Obtain an understanding of any changes to PFI contracts made since the prior year; Compare the PFI model to the prior year model to identify any changes; Review and test the output produced by the PFI model to generate financial balances within the financial statements; and Review the disclosures relating to the PFI scheme for compliance with the Code and the International Accounting Standard IFRIC12.
Accounting for grant revenues and expenditure correctly	<p>The Council (as with all other Local Authorities) has been the recipient of significant increased grant revenues during the 2021/22 financial year relating to Covid-19.</p> <p>In common with all grant revenues, the Council will need to consider for each type of grant whether it is acting as agent or principal, and depending on the decision how the grant income and amounts paid out should be accounted for.</p>	<p>We will:</p> <ul style="list-style-type: none"> Discuss with management to understand the different types of material grants received during 2021/22 and any conditions applicable; Understand the conditions for payment out to other entities, businesses and individuals; Therefore understand whether the Council should be acting as agent or principal for accounting purposes; and We will test material grant revenues to see whether the Council has accounted for these correctly.

Other risks identified (cont.)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Value of Infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note</p>	<p>Infrastructure assets includes roads, highways, streetlighting and bridge assets. Each year the Council spends a material sum on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £640m, with the majority relating to the Mersey Gateway Bridge.</p> <p>In accordance with the Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address:</p> <p>The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets.</p> <p>The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.</p> <p>For the avoidance of any doubt, these two risks have not been assessed as a significant risk at this stage, but we have assessed that there is some risk of material misstatement that requires an audit response.</p>	<p>We will:</p> <ul style="list-style-type: none"> Reconcile the Fixed Asset Register to the Financial statements; Using our own point estimate, consider the reasonableness of depreciation charge to Infrastructure assets; Obtain assurance that the UEL applied to Infrastructure assets is reasonable; and Document our understanding of management's process for derecognising Infrastructure assets on replacement and obtain assurances that the disclosure in the PPE note is not materially misstated.

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.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

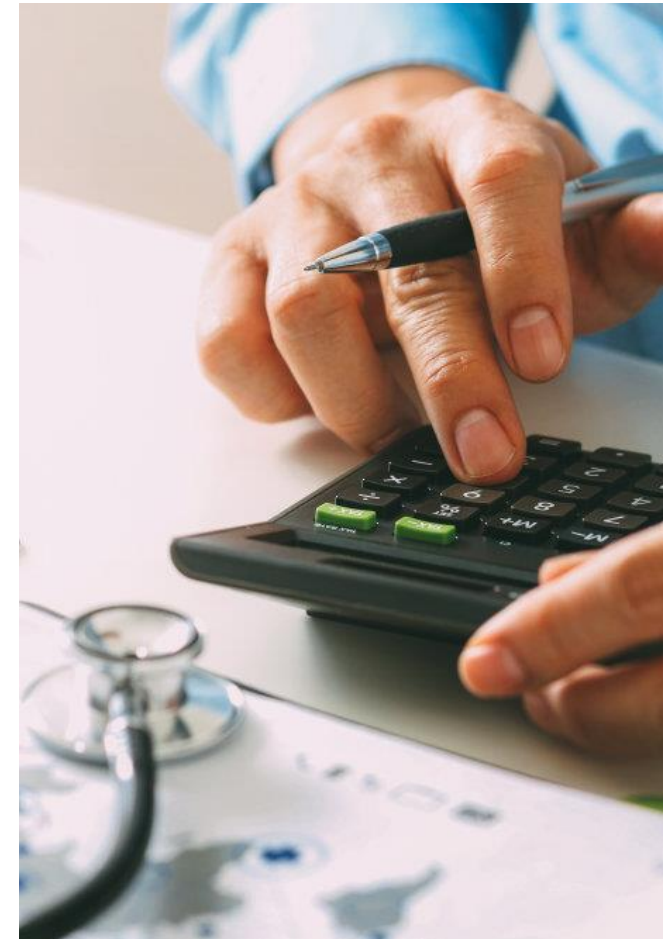
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Board members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures (cont.)

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, and investment properties
- Depreciation
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- PFI liability estimate

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Accounting estimates and related disclosures (cont.)

Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have addressed additional written enquiries to management and to those charged with governance in order to obtain the expanded understanding of the Council's internal controls required under ISA (UK) 540. The responses to these enquiries will be presented by management at the 6 July 2022 Audit and Governance Board.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

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 our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set 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 legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - 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.

Materiality

The concept of materiality

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 Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £8.795m (PY £7.421m) for the Council, which equates to approximately 2% of your 2020/21 gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £34,000 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.

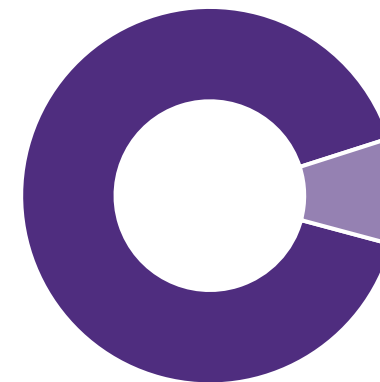
Matters we will report to the Audit and Governance Board

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 Audit and Governance 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 Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.44m (PY £0.37m).

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

Prior year gross operating costs

£439.7m



■ Prior year gross expenditure

■ Materiality

Materiality

£8.795m

Council financial statements materiality (PY: £7.421m)

£0.44xm

Misstatements reported to the Audit and Governance Board (PY: £0.37m)

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risk we have identified is detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risk of significant weakness

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



Financial Sustainability – addressing budget gaps in the medium-term financial plan

The Council has identified budget gaps (deficits) within its medium-term financial plan (MTFP) which will need to be addressed to secure financial sustainability. A balanced budget of £113.9m has been set for 2022/23 although with a planned transfer of £7.8m from reserves, however there are budget gaps of £11.7m in 2023/24 and £4.8m in 2024/25 and £6.6m in 2025/26. The use of reserves can only be a temporary measure to achieving long term financial sustainability.

In response to this risk we will:

- meet with management to review the steps taken by management to address the budget gaps in the MTFP
- test the robustness of assumptions within the MTFP where budget gaps are addressed
- ensure that the financial position is clearly explained to Members in budget monitoring reports and financial plans

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and 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 and value for money work. Maintains regular contact with senior officers and regularly attends the Audit & Governance Board to provide audit updates.

Andrew McNeil , Assistant Manager

Key audit contact for the finance team, responsible for the day to day management and delivery of the audit work including supervision of junior team members.

Audited body responsibilities

Where audited bodies 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 audits. 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 agreed timetable 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 items for testing
- 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.

Audit fees

In 2018, PSAA awarded a contract of audit for Halton Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £81,076. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

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, as detailed on page 9 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22, as set out below, is detailed overleaf and has been agreed with the Operational Director – Financial Services.

	Actual Fee 2020/21	Proposed fee 2021/22
Halton Council Audit	£137,076*	£134,951*

* TBC. Note there will be an additional fee if audit work is completed off-site.

Assumptions

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

- prepare a good quality set of financial statements by 30 June 2022, 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
- make available desk space within the finance section for auditors to perform the audit on site when required

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 \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£81,076
<i>Ongoing increases to scale fee first identified in 2019/20 and 2020/21</i>	
Raising the bar/regulatory factors	£4,375
Enhanced audit procedures for Property, Plant and Equipment	£6,250
Enhanced audit procedures for Pensions	£3,750
Additional work on Value for Money	£20,000
ISA 540	£6,000
<i>Journals testing</i>	£7,000
Additional costs relating to PPE accounting (Assets held for sale) – non-recurrent	£1,000
Additional VFM cost – Waste Management review and responses to identified risks – non-recurrent	£7,000
Final 2020/21 fee (To be agreed by PSAA)	£136,451
Adjust for non-recurrent element of 2020/21	£(8,000)
FRC response – Hot Review / Engagement Quality Control Reviewer	1,500
Infrastructure assets	5,000
Total audit fees excluding VAT. (To be agreed by PSAA)	£134,951

Independence and 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 that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies. We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

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 Council's policy on the allotment of non-audit work to your auditors. 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.

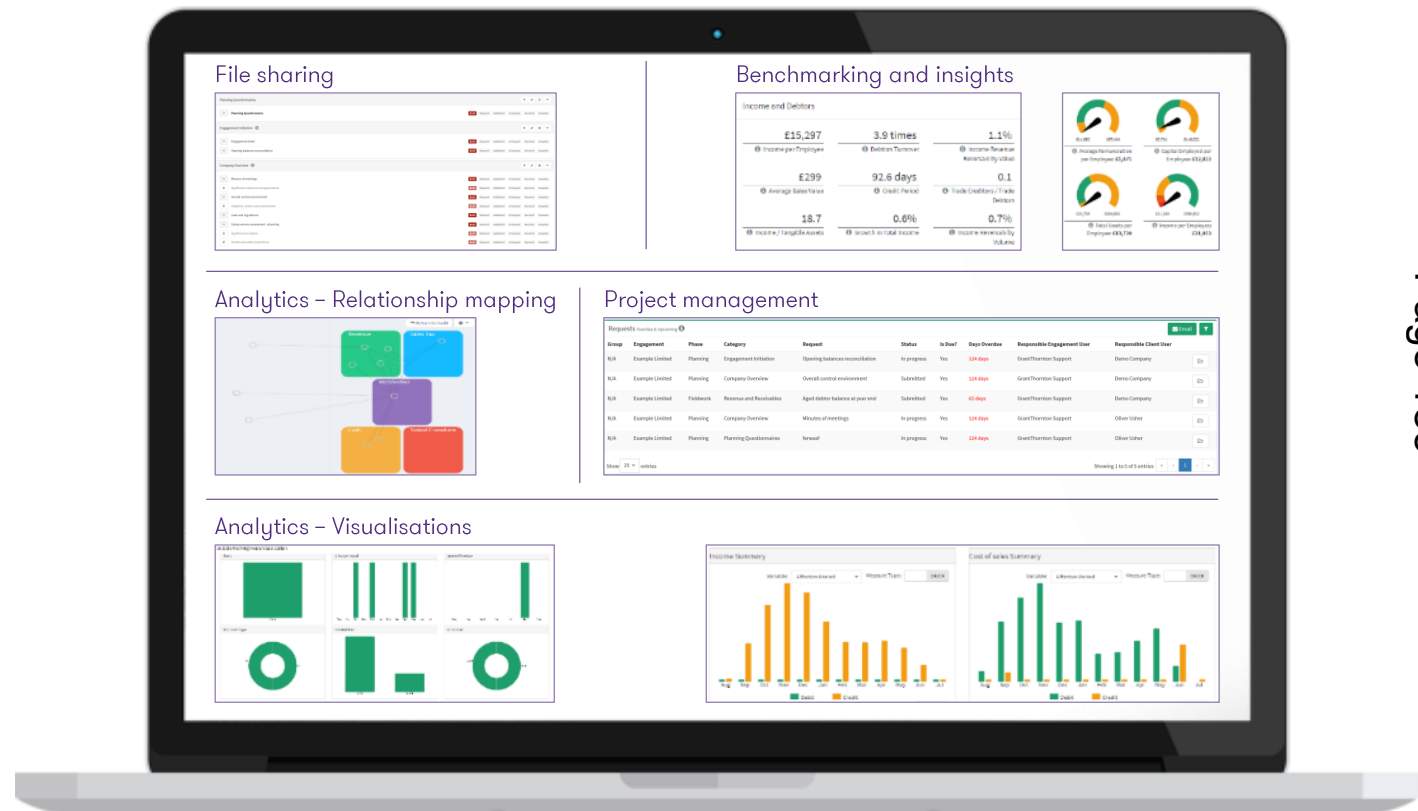
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefits Subsidy Certification	19,344*	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 £19,344 in comparison to the planned total fee for the audit of £134,951 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.
Teachers' Pension Agency Certification	7,500*	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 £7,500 in comparison to the planned total fee for the audit of £134,951 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.
	26,844*		* TBC

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Council's financial statements, which resulted in 7 recommendations being reported in our 2020/21 Audit Findings Report. **As part of our risk assessment we have also considered the impact of unadjusted prior period errors.**

The 2020/21 recommendations are shown below. We will follow up progress on implementation of these recommendations and report fully in our Audit Findings Report.

Priority	Issue and risk	Recommendation	Update on action taken
Medium	1. Management undertake a rolling programme of revaluations to ensure that all assets are revalued at least every five years on an agreed schedule. The revaluation by the professional valuer is dated 31 October 2020. This presents the risk that assets not revalued and/or revalued assets at 31 October contain material movements at the year end.	<p>Management should undertake an annual assessment to quantify and clearly evidence whether:</p> <p>1. the assets not revalued as part of the five-year cycle are not materially misstated, 2. the movement between the valuation date and 31 March 2021 on revalued assets is not materially misstated.</p> <p>Management response</p> <p>As indicated in the management response to the 2019/20 Audit Findings Report, the Council is to move from a five yearly to a three yearly valuation cycle from 2021/22 to gain more assurance on the overall valuations. The valuation date will move to 31 January to give further assurance.</p>	TBC upon receipt of draft 2021/22 financial statements and working papers
Medium	2. The Council's bank reconciliations contain a high volume of historic reconciling items. This presents the risk that the Council's bank account may be incorrectly recorded in the general ledger.	<p>Review the reconciling items on bank reconciliations with a view to writing off any items that will not be cleared with particular reference to historic items.</p> <p>Management response</p> <p>Included within the bank reconciliation are 69 historic items totalling £93k. The Council will review this balance with a view to clearing.</p>	TBC upon receipt of draft 2021/22 financial statements and working papers
Medium	3. Certain organisations were disclosed as related parties in the 2020/21 disclosure note but did not meet the definition of related parties in accordance with section 3.9 of the Code.	<p>Ensure that related party disclosures are consistent with the guidance set out in the Code.</p> <p>Management response</p> <p>There have been significant improvements to the related party transaction note between the 2019/20 and 2020/21 statement of accounts. Work is already underway to ensure the note is improved further and consistent with guidance.</p>	TBC upon receipt of draft 2021/22 financial statements and working papers

Appendix 1: Progress against prior year audit recommendations (cont.)

Priority	Issue and risk	Recommendation	Update on action taken
Medium	4. We note that there is a year on year improvement in supporting working papers. They could be improved further if debtor and creditor populations are cleansed to remove contra items, which will make audit sample selection more focused on true year end balances and thus increase efficiency during the audit.	<p>Improve the quality of year end working papers by preparing a cleansed schedule of debtor and creditor populations (which does not include matching debit and credits to offset)</p> <p>Management response</p> <p>The Council will work with the External Auditor to agree a format of these working papers for future years.</p>	TBC upon receipt of draft 2021/22 financial statements and working papers
Medium	5. We note that there is a year on year improvement in supporting working papers. They could be improved further if a year on year analytical review was prepared to explain significant variances. This will also assist management in assuring that values are in accordance with expectations	<p>Prepare a year-on-year analytical review of significant movements at 31 March 2022 and thereafter.</p> <p>Management response</p> <p>Analytical review will be built into the closedown timetable.</p>	TBC upon receipt of draft 2021/22 financial statements and working papers
Low	6. The presentation of the financial statements would be improved for the reader if the 2019/20 Comprehensive Income and Expenditure Statement (CIES) comparator values were included in tabular format on the same page as the current year CIES. Similarly the prior year comparator notes would be better placed chronologically after the current year notes.	<p>Change the presentation of prior year comparators in the 2021/22 financial statements.</p> <p>Management response</p> <p>The presentation of comparator information has not been raised as an issue by any reader of the accounts. Regardless if there is available resource time the Council will review this.</p>	TBC upon receipt of draft 2021/22 financial statements and working papers
Low	7. Finance Team do not undertake any routine checking of the existence of assets held on the fixed asset register, and rely on notification by the staff responsible for the asset regarding any potential disposals or obsolescence.	<p>Control recommendation that the Finance Team undertake regular testing of assets held on the asset register for existence and making subsequent amendments where necessary.</p> <p>Management response</p> <p>The Council's Internal Audit team carry out checks as part of their programme of work on control of assets.</p>	TBC upon receipt of draft 2021/22 financial statements and working papers



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