

Public Document Pack



Audit and Governance Board

Wednesday, 5 July 2023 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn

S. Young

Chief Executive

BOARD MEMBERSHIP

Councillor Rob Polhill (Chair)	Labour
Councillor Andrea Wall (Vice-Chair)	Labour
Councillor John Abbott	Labour
Councillor Victoria Begg	Labour
Councillor Laura Bevan	Labour
Councillor John Bradshaw	Conservative
Councillor Eddie Dourley	Labour
Councillor Robert Gilligan	Labour
Councillor Tony McDermott	Labour
Councillor Norman Plumpton Walsh	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, 27 September 2023

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

Part I

Item No.	Page No.
1. MINUTES	1 - 4
2. DECLARATION OF INTEREST	
<p>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.</p>	
3. INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/23	5 - 32
4. ANNUAL GOVERNANCE STATEMENT - 2022/23	33 - 68
5. EXTERNAL AUDIT ANNUAL REPORT	69 - 102
6. EXTERNAL AUDIT PLAN – 2022/23 YEAR-END	103 - 130
7. 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.

8. INTERNAL AUDIT PROGRESS REPORT	131 - 276
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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, 22 March 2023
at the Civic Suite - Town Hall, Runcorn*

Present: Councillors A. Lowe (Vice-Chair), J. Bradshaw, E. Cargill, Jones, McDermott, L. Nolan and Philbin

Apologies for Absence: Councillors Polhill, Garner, Harris and Wallace

Absence declared on Council business: None

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

Also in attendance: S. Nixon - Grant Thornton UK LLP

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

	<i>Action</i>
BEB21 MINUTES	
<p>The Minutes of the meeting held on 23 November 2022, were taken as read and signed as a correct record.</p>	
BEB22 STANDARDS UPDATE	
<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 2022/23. The Board had assumed responsibility for the work of the former Standards Committee in 2021 and it was agreed that a report on Standards issues would be brought each year.</p> <p>A verbal update was given on three local matters that had been considered since the last meeting. It was reported that the Boards' Independent Persons had been consulted on these cases.</p> <p>RESOLVED: That the report be noted.</p>	
BEB23 INTERNAL AUDIT PLAN 2023-2024	
<p>The Board considered a report of the Divisional</p>	

Manager, Audit, Procurement and Operational Finance, which sought approval for the planned programme of internal audit work for 2023/24.

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 2023/24 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 emerge during the year.

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 2023/24.

BEB24 EXTERNAL AUDIT PROGRESS & SECTOR REPORT

The Board considered the external audit progress and sector report presented by the Councils' external auditor Grant Thornton UK LLP.

It was reported that the external audit of the Council accounts for 2020/21 and 2021/22 had now both been signed off. An update was also provided on the progress on the Value for Money audit - 2021/22 and the external audit of accounts for 2022/23.

RESOLVED: That the verbal progress update by the Council's external auditor Grant Thornton UK LLP be received.

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

The Board considered:

- 1) whether members of the press and public should be excluded from the meeting of the Board during consideration of the following 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.

N.B. Councillor A. Lowe declared a Disclosable Other Interest in the following item of business as he has a family member employed at St Lukes.

BEB26 INTERNAL AUDIT PROGRESS REPORT

The Board received a report from the Divisional Manager – Audit, Procurement and Operational Finance, updating them on the internal audit activity since the last progress report to the Board on 23 November 2022. It also highlighted any matters that were relevant to the Board's responsibilities as the Council's Audit Committee.

Members were referred to appendix one, which listed all the planned work for the year and its current status. The schedule of audits had been updated to reflect the progress made in completing audits since the last update to the Board. By the end of October 2022, 696 days of audit work had been completed, which represented 68% of the total planned days for the year. Planned work continued to progress but it was noted that as reported previously, planned work remained behind target due to staff turnover and delays in filling vacancies.

Appended to the report were the executive summaries of the reports issued numbering 2 to 11, as listed in the report.

RESOLVED: That the Internal Audit Progress Report and comments made be noted.

Meeting ended at 7.10 p.m.

REPORT TO:	Audit and Governance Board
DATE:	5 July 2023
REPORTING OFFICER:	Divisional Manager – Audit, Procurement & Operational Finance
PORTFOLIO:	Corporate Services
SUBJECT:	Internal Audit Annual Report and Opinion – 2022/23
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 The annual opinion is reached through the completion of a risk-based plan of work, agreed with management and approved by the Audit and Governance Board. This should provide a reasonable level of assurance, subject to the inherent limitations of any audit work. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.3 The audit opinion is informed by the assurance ratings of the individual audit assignments completed during 2022/23 and management's responses to any issues raised through internal audit work.
- 1.4 This report therefore summarises the work completed by Internal Audit during 2022/23 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 2022/23;**
- **Notes the Internal Audit Charter, which sets out the purpose, authority and responsibility of the Council's internal audit activity;**
- **Notes and endorses the safeguards established to limit any impairment to the independence or objectivity of the internal audit function.**

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 Annual Governance Statement.
- 3.3 The Council's Internal Audit Charter is attached as Appendix A to this report. It sets out the purpose, authority and responsibility of the Council's internal audit activity and forms part of the Council's Constitution. It formalises the requirement for an annual report to be produced that provides an overall internal audit opinion on the Council's control environment.
- 3.4 Appendix B to this reports sets out the arrangements in place to safeguard Internal Audit independence. These arrangements are well established and have previously been agreed with the Board. They are however presented again for information purposes. Independence and objectivity are important as they allow the Council's Internal Audit function to be able to make unbiased judgements and decisions based on the results of the audit work undertaken.
- 3.5 The Internal Audit Annual Report (attached as a separate document) summarises the internal audit work completed over the 2022/23 financial year. It includes the 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 2022/23.
- 3.6 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 annual report.
- 3.7 In summary, the Council's risk management, control and governance processes that were in place during 2022/23 are considered to be adequate and to have operated effectively during the year.

4.0 **POLICY IMPLICATIONS**

- 4.1 There are no direct policy implications arising from this report. 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 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.

5.0 **FINANCIAL IMPLICATIONS**

- 5.1 The internal audit work carried out during the year provides assurance that the Council's main financial systems are operating effectively.
- 5.2 There are however no direct financial implications arising from this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 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.

6.2 Employment, Learning and Skills in Halton

See 6.1

6.3 A Healthy Halton

See 6.1

6.4 A Safer Halton

See 6.1

6.5 Halton's Urban Renewal

See 6.1

7.0 RISK ANALYSIS

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.

8.0 EQUALITY AND DIVERSITY ISSUES

None

9.0 CLIMATE CHANGE IMPLICATIONS

None

10.0 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 2022/23	Halton Stadium, Widnes	Merv Murphy
Internal Audit reports		

Internal Audit Annual Report 2022/23

Audit and Governance Board

5 July 2023



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.

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 2022/23. Internal assessments against the standards are also undertaken periodically.

The Council's next external assessment against the standard has been delayed but will now 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 attached Appendix A).

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

During 2022/23, 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.

Section Two – Compliance with Professional Standards

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 has operational responsibility.

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 2022/23 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 are required to 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.
- 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.

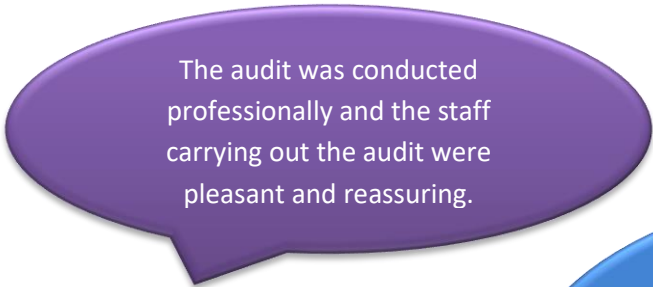
Section Two – Compliance with Professional Standards

- 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.
- Structured support, mentoring, and supervision was provided to the three members of staff who joined the team during the year. This has assisted significantly with their induction and development. It has also helped to ensure that work is undertaken in accordance with professional standards.


Internal Audit invites feedback on the quality of service provided by issuing a 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 a valuable 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 comments in the responses received that highlighted any particular areas for development.

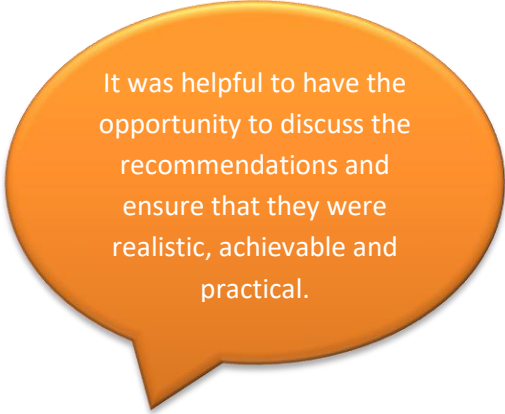
A sample of comments received in response to the questionnaires issued during 2022/23 is included below:



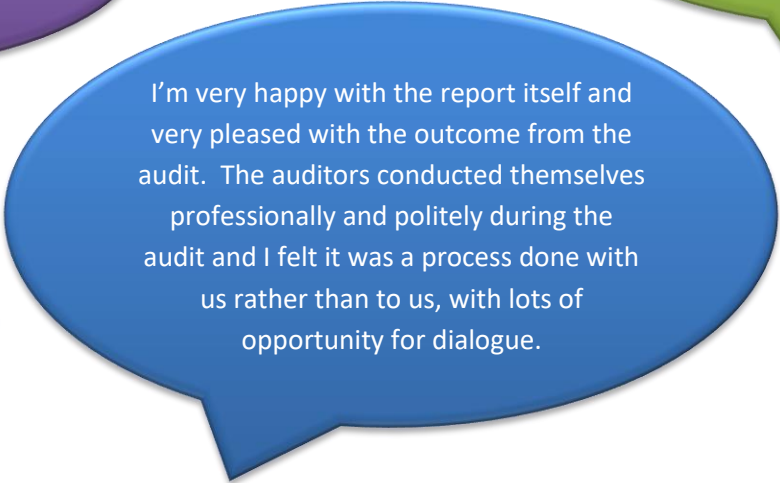
The audit was conducted professionally and the staff carrying out the audit were pleasant and reassuring.




The auditor involved myself and those involved in the audit at all stages, keeping us up to date.



It was helpful to have the opportunity to discuss the recommendations and ensure that they were realistic, achievable and practical.



I'm very happy with the report itself and very pleased with the outcome from the audit. The auditors conducted themselves professionally and politely during the audit and I felt it was a process done with us rather than to us, with lots of opportunity for dialogue.



I'm happy with the report and very pleased with the outcome from the audit. Thank you also for the way in which the audit was conducted.

Section Two – Compliance with Professional Standards

Key actions for 2023/24 to further develop the team's quality assurance arrangements are as follows:

- The five-yearly external review of Internal Audit will be completed and the results reported to the Audit and Governance Board.
- Formal staff appraisals will be reintroduced to help identify training and development needs for individual team members.
- The Internal Audit Manual is to be updated. The purpose of this manual is to provide audit staff with a source of reference for general audit procedures and methodology.

2.6 Managing the Internal Audit Activity (PSIAS standard 2000)

In 2022/23 Internal Audit 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 2022/23 Audit Plan was formally approved by the Audit and Governance Board in March 2022.

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 2022/23 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. Each assignment also takes account of value for money considerations that are relevant to the area audited.

2.9 Performing the Engagement (PSIAS standard 2300)

Robust planning, monitoring and review arrangements operated throughout 2022/23 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.

Section Two – Compliance with Professional Standards

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 and Operational Director – Finance receive full copies of all audit reports. The relevant Executive Director, 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.

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 Annual 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

Section Two – Compliance with Professional Standards

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 2022/23.

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 812 days of audit work during 2022/23 against the Audit Plan which budgeted for 1,025 days. This represents completion of just over 79% of the planned audit days for the year.

As reported to the Board throughout 2022/23, numerous changes to planned coverage were required as a result of the staffing vacancies experienced during the year. This resulted in some planned audits being deferred to 2023/24. A revised Audit Plan for 2022/23 was consequently approved by the Board at its meeting on 23 November 2022.

Section four of this report 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. The work completed is considered sufficient and wide-ranging enough to support the annual audit opinion.

Comparative information on audit coverage and outcomes is provided in the following table for the four preceding financial years.

Financial year	No. of audit days	Substantial Assurance	Adequate Assurance	Limited Assurance	Total
2022/23	812	43	3	1	47
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

A critical part of an organisation's internal control, governance and risk management framework is management's responsiveness to addressing risks and issues identified through the work of Internal Audit. Timely and full implementation of agreed actions helps to demonstrate management's commitment to maintaining effective systems of control.

Two follow-up audits were completed during the year and these are listed in section five of this report. The follow-up process involves Internal Audit carrying out further work to determine the progress that management has made in implementing previously agreed actions. A follow-up audit report is then issued summarising the results of this work. Each follow-up audit provides a revised assurance opinion which is informed by the extent to which the risk management, control and governance processes of the area audited have improved since the original audit.

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 from the audit work completed in the year that have implications for the Annual Governance Statement.

The ongoing funding challenges faced by the Council are widely understood and action is being taken through the Transformation Programme to address the issue and to deliver a way of working that promotes independence, is affordable, and sustainable. It should be noted that there is no evidence from the internal audit work undertaken during the year that the Council's financial challenges have as yet impacted negatively on its risk management, control and governance arrangements.

It is also acknowledged that the Council continues to respond to the Ofsted Improvement Notice issued on 13 January 2022 following the review of children's social care services. The Council recognises the significance of this issue and details of how it is being addressed are included in the Annual Governance Statement.

Section Three – Annual Audit Opinion

3.6 Overall opinion (PSIAS standard 2450)

The Council continues to maintain adequate and effective risk management, control and governance processes. This opinion is based on the internal audit work performed during 2022/23 and from cumulative knowledge and experience of the organisation.

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

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

Section Four – Internal Audit work completed in 2022/23

	Presented to Audit & Governance Board	Assignment	Assurance Level
1.	28 September 2022	Positive Behaviour Support Service	●
2.	28 September 2022	Halebank CE Primary School	●
3.	28 September 2022	Contain Outbreak Management Fund	●
4.	28 September 2022	Additional Drug Treatment Crime and Harm Reduction Activity	●
5.	28 September 2022	East Runcorn Connectivity - 2022/23 Q1	●
6.	28 September 2022	Runcorn Busway Active Travel Corridor - 2022/23 Q1	●
7.	28 September 2022	Test and Trace Support Payment Scheme	●
8.	28 September 2022	Household Support Fund - 2022/23 Q1	●
9.	28 September 2022	Supporting Families (July 2022 Grant Claim)	●
10.	28 September 2022	LCR - Brownfield Housing – Foundry Lane - 2022/23 Q1	●
11.	28 September 2022	BACS Access Controls	●
12.	28 September 2022	Highways Term Maintenance Contract – Interim Report	●
13.	23 November 2022	Bankline Payments	●
14.	23 November 2022	East Runcorn Connectivity Grant Claim - Q2 2022/23	●
15.	23 November 2022	Disabled Facilities Grant Claim - 2021/22	●
16.	23 November 2022	Town Centre Fund Grant Claim – Halton Lea - Q2 2022/23	●
17.	23 November 2022	Runcorn Busway Active Travel Corridor Grant Claim - Q2 2022/23	●
18.	23 November 2022	Runcorn Station Quarter (Phase Two) Grant Claim - Q2 2022/23	●
19.	23 November 2022	Household Support Fund - April to September 2022/23	●
20.	23 November 2022	LCR - Brownfield Housing – Foundry Lane - 2022/23 Q2	●
21.	22 March 2023	Payments to Early Years Providers	●
22.	22 March 2023	Bank Reconciliations	●
23.	22 March 2023	Pewithall Primary School	●
24.	22 March 2023	East Runcorn Connectivity Grant Claim - 2022/23 Q3	●
25.	22 March 2023	Supporting Families (December 2022 Grant Claim)	●

Section Four – Internal Audit work completed in 2022/23

	Presented to Audit & Governance Board	Assignment	Assurance Level
26.	22 March 2023	City Region Sustainable Transport - Settlement Grant Claim 2022/23	●
27.	22 March 2023	Runcorn Busway Active Travel Corridor - 2022/23 Q3	●
28.	22 March 2023	Household Support Fund - 1 October to 31 December 2022	●
29.	22 March 2023	LCR - Brownfield Housing – Foundry Lane – 2022/23 Q3	●
30.	22 March 2023	Skills Capital Investment Fund	●
31.	5 July 2023	Weston Primary School	●
32.	5 July 2023	Supporting Families (March 2023 Grant Claim)	●
33.	5 July 2023	Woodside Primary School	●
34.	5 July 2023	St Clement's Catholic Primary School	●
35.	5 July 2023	Managing the Risk of Fraud and Corruption	●
36.	5 July 2023	Highways Term Maintenance – Tender Evaluation & Contract Award	●
37.	5 July 2023	Biodiversity Net Gain - 2022/23	●
38.	5 July 2023	Runcorn Busway Active Travel Corridor - Q4 2022/23	●
39.	5 July 2023	East Runcorn Connectivity - Q4 2022/23	●
40.	5 July 2023	Household Support Fund (1 October 22 - 31 March 2023)	●
41.	5 July 2023	LCR - Brownfield Housing – Foundry Lane – 2022/23 Q4	●
42.	5 July 2023	Family Hubs and Start for Life Grant	●
43.	5 July 2023	UK Shared Prosperity Fund - Q4 2022/23	●
44.	5 July 2023	Local Cycling and Walking Infrastructure Plan - Q4 2022/23	●
45.	5 July 2023	Key Route Network – Levelling Up	●
46.	5 July 2023	City Region Sustainable Travel Settlement - Q4 2022/23	●
47.	5 July 2023	Adult Safeguarding	●

Section Five – Follow-up work completed in 2022/23

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 2022/23.

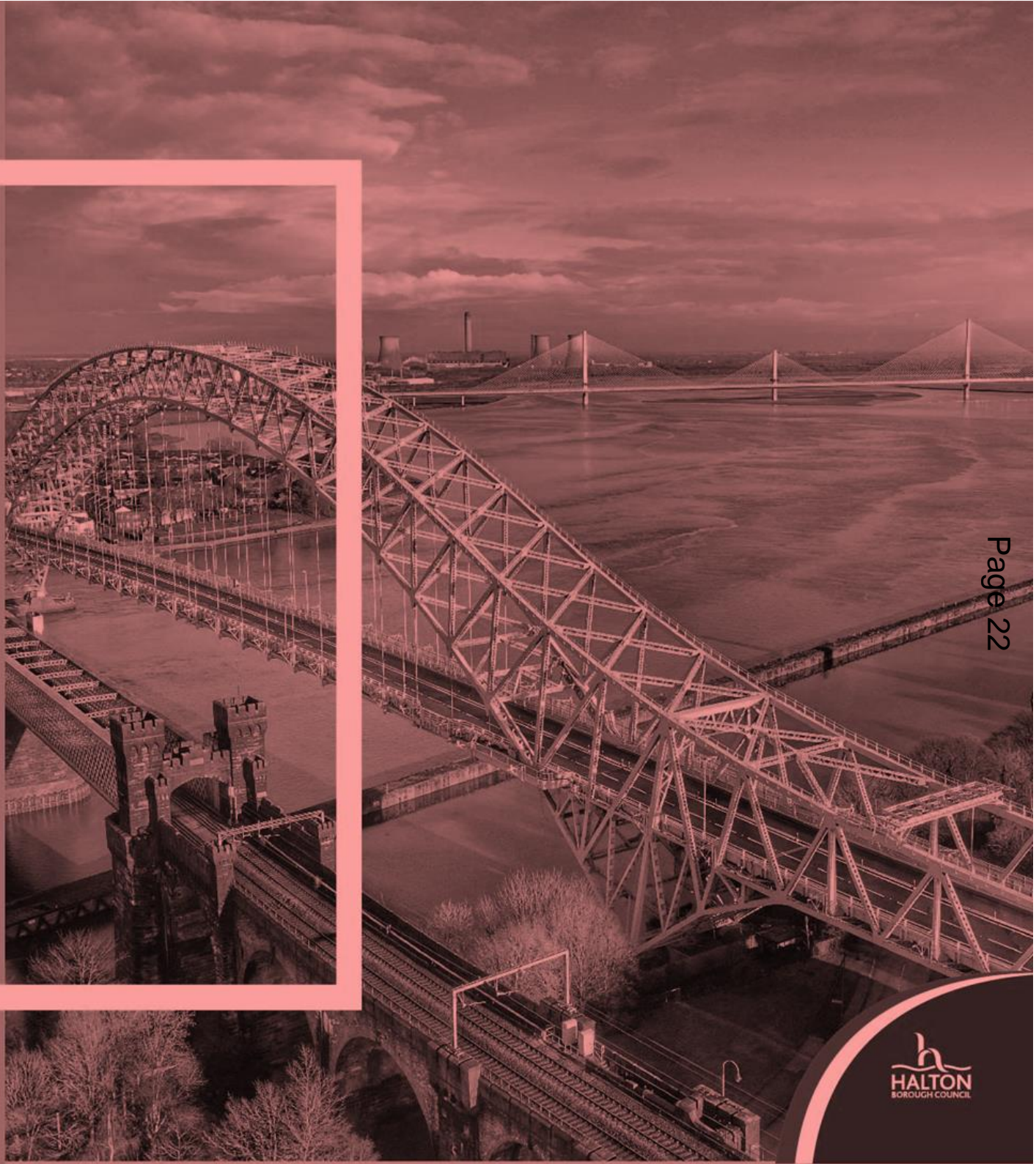
	Presented to Audit & Governance Board	Assignment	Assurance Level
1.	23 November 2022	Community Meals Service	●
2.	22 March 2023	Day care provision for children	●

Appendix A

Internal Audit Charter

Audit and Governance Board

5 July 2023



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
- 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.

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.

Appendix A: Internal Audit Charter

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.

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.

Appendix A: Internal Audit Charter

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 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.

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

Appendix A: Internal Audit Charter

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 Executive Director, Operational Director and Divisional Manager
- Operational Director – Finance
- Chief Executive
- External Audit

The internal audit function forms part of the Finance Department in the Chief Executive's Directorate. The Chief Audit Executive reports directly to the Operational Director – Finance.

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

Appendix A: Internal Audit Charter

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

Audit and Governance Board

5 July 2023



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.

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.

Safeguarding Internal Audit Independence

- 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.
- 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.

REPORT TO:	Audit and Governance Board
DATE:	5 July 2023
REPORTING OFFICER:	Operational Director - Finance
SUBJECT:	Annual Governance Statement - 2022/23
PORTFOLIO:	Corporate Services
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

This report presents the draft 2022/23 Annual Governance Statement (AGS) to accompany the 2022/23 statement of accounts. The preparation and publication of an AGS is necessary to meet the statutory requirement set out in regulation 6 of the Accounts and Audit Regulations 2015.

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

2.0 RECOMMENDATIONS:

The Board is asked to consider and approve the 2022/23 Annual Governance Statement subject to any changes or additions that members feel appropriate.

3.0 SUPPORTING INFORMATION

3.1 The Delivering Good Governance in Local Government: Framework, published by CIPFA / SOLACE, sets the standard for local authority governance in the UK. The Council's AGS for 2022/23 has been developed with reference to this guidance and is attached as an appendix to this report.

3.2 The AGS provides an overview of the governance framework that was in place during 2022/23 and up to the date the financial statements are signed off by the Council's external auditor. The document will therefore be reviewed again prior to the meeting of the Board at which the financial statements are approved.

3.3 The 2022/23 AGS describes how the Council continues to maintain a robust governance framework and also continually reviews and develops its arrangements to demonstrate good corporate governance. The document also explains how the Council's governance arrangements are underpinned by its risk management arrangements and its systems of internal control, which remain of paramount importance in the very challenging financial environment within which the Council operates.

3.4 Assurance for the AGS is taken from a number of sources, which include:

- Leader of the Council and Chief Executive – who sign the AGS to acknowledge their responsibilities

- Senior management
- S151 Officer (Operational Director – Finance)
- Monitoring Officer (Operational Director – Legal and Democratic Services)
- Members – Scrutiny arrangements, Audit and Governance Board, other Regulatory Committees / Boards
- Performance management framework
- Risk management framework
- The work of Internal Audit
- The work of External Audit
- The work of other external inspection agencies

3.5 The Council's Constitution delegates the responsibility to review and approve the AGS to the Audit and Governance Board. As such, the document will be updated if necessary to take into account any feedback from the Board.

3.6 Once approved by the Audit and Governance Board, the AGS will be signed by the Council Leader and Chief Executive who are responsible for ensuring that any significant actions identified to enhance the Council's governance arrangements are addressed.

3.7 The final signed version of the AGS will be published on the Council's website.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

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

4.2 The powers and duties of the Audit and Governance Board include responsibility for considering the Council's corporate governance arrangements and agreeing necessary actions to ensure compliance with best practice. The AGS provides a commitment to address the governance challenges identified by the Council.

4.3 There are no direct financial implications arising from this report.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

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

5.2 Employment, Learning and Skills in Halton

See 5.1 above

5.3 A Healthy Halton

See 5.1 above

5.4 A Safer Halton

See 5.1 above

5.5 Halton's Urban Renewal

See 5.1 above

6.0 RISK ANALYSIS

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

7.0 EQUALITY AND DIVERSITY ISSUES

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

8.0 CLIMATE CHANGE IMPLICATIONS

8.1 None arising directly from this report.

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

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2016)	Halton Stadium, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2016)		

2022/23

HALTON BOROUGH COUNCIL - ANNUAL GOVERNANCE STATEMENT



What is Governance?

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

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

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

Halton Borough Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on the Council's website.

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

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

The system of internal control is a significant part of the Council's governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The Council's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they happen, and to manage them efficiently, effectively and economically.

What is the Annual Governance Statement?

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

In this document the Council:

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

The annual governance statement reports on the governance framework that has been in place at Halton Borough Council for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

How has the Annual Governance Statement been prepared?

The initial review of the Council's governance framework was led by a small core group of officers supported by other officers across the Council. The core group comprised:

- [The Operational Director – Legal and Democratic Services](#)

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

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

- [The Operational Director – Finance](#)

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

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

- [The Divisional Manager – Audit, Procurement & Operational Finance](#)

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

In preparing the annual governance statement the Council has:

- Reviewed the Council's existing governance arrangements against its Local Code of Corporate Governance
- Considered any areas where the Local Code of Corporate Governance needs to be updated to reflect changes in the Council's governance arrangements and best practice guidance
- Taken account of various sources of assurance over the operation of the Council's governance framework
- Assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period

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

The Audit and Governance Board provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Board reviews and approves the annual governance statement.

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

The Council aims to achieve good standards of governance by adhering to the following key principles set out in the best practice guidance 'Delivering Good Governance in Local Government: Framework 2016':

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

The following pages provide a summary of key elements of the Council's governance framework and explain how these principles were applied during 2022/23.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

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

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council has a Constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed and updated in May 2022.
- One of the roles of the Audit and Governance Board is to promote high standards of member conduct. Members of the Board were kept updated during the year of standards issues that had arisen.
- The Operational Director – Legal and Democratic Services provided legal advice to the Council throughout the year as the Council’s Monitoring Officer. One of the key functions of that role is to ensure the lawfulness and fairness of decision-making. There are no known instances of the Council failing to comply with relevant laws and regulations during the 2022/23 financial year.
- 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, staff bulletins, registers of gifts and hospitality, whistle-blowing procedures, HR policies and fraud awareness training. The Local Code of Corporate Governance is subject to annual review.
- A complaints process exists for members of the public to raise concerns about standards exhibited by members which can be accessed through the Council’s website.
- All new employees undergoing the corporate induction process during 2022/23 were made aware of the Employees’ Code of Conduct. There is an established disciplinary procedure which is invoked when an employee deliberately breaches rules and/or commits acts of misconduct, which are considered sufficiently serious as to warrant formal investigation.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council takes fraud, corruption and maladministration seriously and has established a suite of policies and processes which aim to prevent or deal with such occurrences. On 28 September 2022 the Audit and Governance Board received an annual report summarising the operation of the Council's counter fraud and corruption arrangements
- The Council publishes an annual Modern Slavery Act Transparency Statement that sets out the Council's actions to understand the potential modern slavery risks related to its business. It also explains the steps the Council has taken to ensure that no slavery or human trafficking takes place in its own business or through its supply chains.
- A corporate complaints procedure operated throughout the year to receive and respond to any complaints received. An annual report summarising the complaints received, trends and outcomes is presented each year to the Corporate Policy and Performance Board. The latest report, which covered 2021/22, was presented at the Board's meeting on 24 January 2023. Complaints received are used to inform the development of the Council's services and policies
- Arrangements exist to ensure that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
 - Registers of disclosable pecuniary interests were maintained
 - Registers of gifts and hospitality were maintained
 - Opportunities to declare disclosable pecuniary interests and disclosable other interests were provided at the start of meetings.
- The Council's higher value procurement activity is undertaken in accordance with the Public Contracts Regulations 2015 (PCR 2015). Following the Cabinet Office publishing a Procurement Policy Note in February 2023, the Council has incorporated provisions within its procurement processes which allow for the discretionary exclusion of suppliers that fail to comply with the Modern Slavery Act 2015 and / or breach environmental, social, or labour law obligations.

KEY PRINCIPLE:

Ensuring openness and comprehensive stakeholder engagement

SUPPORTING PRINCIPLES:

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

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- Information on the Council's performance, finances and the democratic running of the Council is routinely published on the Council's website. The Council also fully complies with the reporting requirements of the Local Government Transparency Code 2015.
- The Council's Constitution is published on the Council's website. It explains the Council's decision-making processes and delegated authorities. All key decisions taken by the Council are also publically available on the Council's website.
- The Council engages with key partners and institutional stakeholders in various ways. Formal partnerships include the Health and Wellbeing Board, the Safer Halton Partnership, the Halton Children's Trust and the Halton Learning Alliance. An executive director from the Halton Clinical Commissioning Group (CCG) is also a member of the Council's Management Team.
- The Health and Wellbeing Board provides a key forum for public accountability of the NHS, Adult Social Care, Children's Services, Public Health and other commissioned services relating to the wider determinants of health in Halton. The Board met on four occasions during 2022/23. Its work included:
 - Receiving updates on the One Halton Place Based Partnership, which included details of the senior leadership team and governance structures of One Halton and the various work streams that had been established
 - Receiving the Public Health Annual Report (2021/22)
 - Receiving the Adult Social Care Annual Report (2021/22)
 - Receiving the Halton Safeguarding Adults Annual Report (2021/22)
 - Being updated on the duty placed on Integrated Care Boards (locally NHS Cheshire and Merseyside) and their partner trusts to prepare a Joint Forward Plan by 30 June 2023

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- During 2022/23, Clinical Commissioning Groups were dissolved as a statutory requirement of the Health and Care Act 2022 and were replaced by Integrated Care Systems (ICS's). An Integrated Care System consists of an Integrated Care Board (ICB) and Integrated Care Partnership (ICP). From 1 July 2022 Halton became part of the ICS and ICB covering the whole of Cheshire & Merseyside, which includes nine local authority areas. Each area is required to establish a Place Based Partnership (PBP). Locally, this is known as 'One Halton', which brings together Halton stakeholders to work collaboratively on health and care arrangements. One Halton's future role is to:
 - Understand and work with Halton's communities
 - Join up and co-ordinate services around population needs
 - Address social and economic factors that influence health and wellbeing (wider determinants of health)
 - Support quality and sustainability of local services

One Halton has been developed to be a Joint Committee to the ICS. The ambition is for services to be commissioned as close to residents as possible.
- Engagement with citizens and service users is carried out using a variety of methods, including a range of survey techniques and sampling techniques. During 2022/23 the Council consulted on a range of issues, which included:
 - Electric Vehicle Charging: Consulting with road users about their vehicle ownership and whether they would consider switching to an electric vehicle, as well as their opinions on electric charging points in the Borough.
 - The Brindley Extension: Asking services users of the Brindley and the library if the new extension plans satisfy accessibility requirements.
 - Fit4Life Teens: Asking young people in the borough about healthy lifestyles, including exercise, sleep, how they like to learn and be supported around healthy lifestyles, and any barriers to living a healthy lifestyle.
 - Housing and community businesses: An opportunity for residents of Runcorn Town Centre to give their feedback about housing and business possibilities in the area.
 - Spike Island Play Equipment: Asking parents of children with additional needs to gauge their thoughts on play equipment in Halton's parks and to get their ideas for improvements, specifically to Spike Island if finances allow.
 - Supported Housing: An opportunity for staff, parent carer and tenants to feedback about the service.
 - Reconnecting Runcorn Creative and Digital Skills Centre: Asking residents of Halton about their knowledge of creative and digital community and voluntary organisations, statements about Runcorn Town Centre, access to Runcorn Town Centre and any ideas for the proposed centre.
 - Foster Carer Training: An opportunity for foster carers to feedback about the different types of training offered.
- In setting its budget the Council listens to the views of the public and the experience of elected members through their ward work. Individual consultations took place in respect of specific budget proposals and equality impact assessments were completed where necessary.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

- Defining outcomes
- Sustainable economic, social and environmental benefits

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The long-term vision for Halton is set out in the Council's Corporate Plan, which defines the Council's priorities and how it hopes to achieve them. It also explains the Council's values and principles. Whilst the priorities contained within the existing plan remain relevant, the plan is due to be updated. During 2022/23, the decision was taken that an extensive consultation exercise would be undertaken with key stakeholders in developing the new Corporate Plan. This is to take place during 2023/24 with the new Corporate Plan being developed for 2024/25.
- The Council's Corporate Planning Framework provides the means by which the Council's activities are developed and monitored. A regular system of reporting to the Council's Management Team, Executive Board and Policy and Performance Boards records progress against key business plan objectives and targets.
- Directorate and Departmental Business Plans were produced for 2022/23 that described key developments and emerging issues relating to each department of the Council. The plans formally set out key objectives, milestones and measures for each business area.
- On 14 April 2022, the Executive Board formally approved a Climate Change Strategy & Action Plan for the Council's operations and activities. The Action Plan is predominantly focused on reducing the Council's own carbon production. However, during the lifetime of the Plan, the Council has committed to broaden the scope and develop proposals to provide a broader Borough-wide Strategy.
- On March 16 2023, the Council's Executive Board approved the principles set out in the LCR Zero Waste 2040 Strategic Framework to reduce waste related carbon emissions. The Board also approved continued partnership working with Merseyside Recycling and Waste Authority (MRWA) and the other LCR local authorities to deliver action to meet our individual and collective climate targets and objectives.
- During 2022/23 the Council committed to a project to extend the Council's existing Solar Farm and create a micro grid connecting the Municipal Building, Lowerhouse Lane depot and the new leisure centre in Moor Lane. The project will include a battery storage scheme in order to maximise the use of solar PV power overnight and support the use of heat pumps at the new leisure centre. It will also provide an EV electrical charging infrastructure at Lowerhouse Lane Depot to enable electrification of the Council's vehicle fleet.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council routinely publishes information on the Council's vision, strategy, plans, finances and performance on its website.
- The Council has continued to generate social value through its procurement activity. Details of the Council's approach to social value in procurement, and examples of outcomes achieved, were shared in the Procurement Update report to the Audit and Governance Board on 28 September 2022.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes economic, social and environmental benefits

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council's Corporate Planning Framework in operation during the year provided the means by which the Council's activities were developed and monitored.
- There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities. They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive. The Lead Member for Scrutiny also meets regularly with the S31 Scrutiny Officer and chairs the Scrutiny Chairs Group, comprising the Chairs of each of the Scrutiny Boards.
- Performance monitoring reports were produced throughout the year recording progress against key business plan objectives and targets. These reports were presented to the Council's Management Team, to the Executive Board, and to the Policy and Performance Boards.
- The Council operates a corporate complaints procedure and specific complaints procedures for Adult Social Care, Children's Social Care, schools, and complaints relating to elected members. These procedures allow the Council to identify areas where things may have gone wrong and to put them right and prevent them from happening again.
- The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under Best Value terms. The Council's procurement activity is undertaken in line with the Council's Procurement Strategy and within clearly defined rules set out in Procurement Standing Orders, which are reviewed and updated annually.
- The Council's internal audit team carried out a comprehensive programme of audits during the year reviewing both front line and support services. The implementation of recommendations arising from the work of internal audit assists the Council in identifying and managing risks that may impact on the achievement of intended outcomes. Implementation of agreed actions from internal audit reports is monitored by the Audit and Governance Board through a robust follow up process.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council recognises that it has a responsibility to manage both internal and external risks as a key component of good corporate governance. 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. In order to manage risks effectively the Council operates a formal process to identify, evaluate and control risks. The Council's Corporate Risk Register summarises the key strategic risks faced by the Council and includes details of arrangements established to ensure that intended outcomes are achieved.
- The Council continued to implement a Children and Young People's Improvement Plan in response to the OFSTED inspection in October 2021. The plan sets out how the Council will ensure that children and young people in Halton are safeguarded and achieve the Council's aspiration that all its services for children and young people are good or better.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

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

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council retained the North West Charter for Elected Member Development Exemplar Level status. Elected members were also provided with the opportunity for an annual review to identify their development requirements, which are set out in a Member Action Plan.
- The Council has a Member Development Group that monitors key performance indicators in relation to member development. Its remit also includes raising awareness of learning and development updates. The group also provides a forum for members to raise any other training or support issues to help them in their roles.
- Members of the Audit and Governance Board received training during the year to assist them in their role as the Council's Audit Committee.
- The Council operates ongoing processes to identify the personal development needs of employees. The information gained from these processes is used to inform the design of the corporate training programme and to source specialised professional training.
- The Council operates a Leadership and Management Framework to ensure continuous development of those employees who do not require a recognised leadership qualification. The framework comprises 39 leaders and managers and specific modules include:
 - The Manager's Role in Change Management
 - Developing and Leading High Performing Teams
 - Conflict Resolution
 - Leadership Skills for Effective Partnerships
 - Influencing Skills
 - Problem Solving and Negotiation Skills
 - Working Effectively with Elected Members
 - Understand organisational policies & procedures, which included finance, payroll, ICT and information governance, and procurement.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council's Organisational Development Team offers continuous leadership development through its accreditation with ILM (City & Guilds). Specific qualifications were delivered during 2022/23, such as Level 3 in Leadership and Management. As a result, 23 employees developed specific skills and knowledge regarding leadership and gained recognised qualifications.
- The Council provides performance coaching training to support leaders, managers and employees to maximise potential and enhance performance. During 2022/23, 30 leaders have taken advantage of the training to focus on improving their leadership capabilities.
- The Council offers its employees the opportunity to apply for funding to support their academic development that is linked to the Council's priorities, thereby increasing individual capacity and supporting succession planning. During 2022/23, the Council supported 17 employees to gain a variety of academic qualifications, such as Masters Degrees, BA Degrees and Diplomas.
- The Council is maximising the Apprenticeship Levy by commissioning MSc in Leadership & Management qualifications to seven employees that will support leadership succession planning as identified in the Organisational Development Strategy.

Further qualifications accessed through the Apprenticeship levy in 2022/23 were:

- Social Work Degree L6 x 3
- Finance Assistant L2 x 2
- Business Administrator L3 x 1
- Horticulture L2 x 2
- Quality Practitioner L4 x 1
- Heavy Vehicle Service & Maintenance Technician L3 x 1

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the policy, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.
- The Council has a well-established Audit Committee (the Audit and Governance Board), which met regularly during 2022/23. The Board has clearly defined responsibilities and provides oversight and challenge in regard to the Council's governance, risk management, audit, efficiency and improvement, accounts, procurement, and counter fraud and corruption arrangements.
- The Council has embedded risk management arrangements. Directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions. The Corporate Risk Register was reviewed and approved by the Audit and Governance Board at its meetings on 6 July 2022 and 23 November 2022. The Council's risk management processes are also used to inform the work of internal audit. The Council's risk management arrangements were also reviewed during the year by Zurich Resilience Solutions. The purpose of the review was to provide critical friend feedback by highlighting areas of development and to identify strengths to provide assurance.
- The Council has a Head of Internal Audit and a continuous internal audit service, which has been externally assessed as conforming to the Public Sector Internal Audit Standards. Internal audit plays a key role in reviewing and improving the effectiveness of the Council's risk management, governance and control arrangements. No restrictions are put on the role of internal audit and management regularly engages internal audit to examine specific areas which are causing concern.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Head of Internal Audit provides an annual opinion on the Council's risk management, control and governance processes. The annual opinion is based upon the internal audit work completed during the year. The opinion covering 2021/22 was presented to the Audit and Governance Board on 6 July 2022 and concluded that 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.
- The Council has a well-established information governance framework. The Data Protection Officer is supported by the Information Governance Service, which plays a key role in ensuring that the Council remains compliant in data protection and security arrangements. The Information Governance Service is responsible for, and oversees, data management and risk, corporate data security policies, staff training and the production of monitoring reports and annual reports to the Council's Senior Information Risk Owner. The Council had no cause to report any data breaches to the Information Commissioner's Office during 2022/23.
- Ongoing pressures within demand-led services, especially Adults and Children's Social Care, meant that significant overspending against budget was forecast for the year. Spending continued to be closely monitored and tightly controlled with regular reporting to the Chief Officers Management Team and Executive Board. Regular transaction and forecasting reports were shared with service managers and a budget recovery plan was implemented within the Adult Services Directorate to help manage the forecast overspend. Similar recovery plans will be implemented in Children's Services during 2023/24 to help manage the level of net spend within the directorate.
- The Council produces a Medium Term Financial Strategy (MTFS), which is refreshed each year. The Strategy covering the period 2023/24 – 2025/26 was approved by the Executive Board at its meeting on 17 November 2022. The MTFS represents the "finance guidelines" that form part of the medium term corporate planning process. These guidelines identify the financial constraints which the Council will face in delivering its key objectives over a three-year period, and are an important influence on the development of the Corporate Plan, Service Plans and Strategies.
- Quarterly reports on the Council's overall capital and revenue net spending position together and forecast outturn position were presented to the Executive Board throughout the year.
- The Council produces an annual Capital Strategy which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Strategy is reviewed and approved annually by Executive Board.
- In compliance with the requirements of the CIPFA Prudential Code and the CIPFA Treasury Management Code, the Council produces an annual Treasury Management Strategy Statement. This sets out the Council's strategy for borrowing and also includes an Annual Investment Strategy; which sets out the Council's policies for managing its investments. The strategy enables the Council to maximise its financial yield whilst keeping within the principles of security and liquidity as set out in the Prudential Code. The Treasury Management Strategy Statement is reviewed and approved annually by Executive Board. A half-yearly update report and annual report on treasury management activity is also provided to the Executive Board.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council operates a robust performance management framework with performance monitoring reports being produced each quarter recording progress against key business plan objectives and targets. The reports were presented to the Council's Management Team, to the Executive Board and to the Policy and Performance Boards.

KEY PRINCIPLE:

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

SUPPORTING PRINCIPLES:

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

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council complies with the Local Government Transparency Code 2015 and publishes a wide range of information on its website. This includes details of meetings, minutes and agendas, policies and plans, the Council Constitution, the Statement of Accounts, details of members' allowances and expenses, details of senior staff pay, contract awards, and details of land and building assets.
- The Council operates clear and effective processes for dealing with Freedom of Information (FOI) requests and Subject Access Requests (SAR).
- All Council meetings are open and can be attended by members of the public with the exception of those where confidential or personal matters may be disclosed.
- On 8 February 2023, the Council's external auditor issued a 2020/21 unqualified audit opinion, Value for Money assessment and National Audit Office (NAO) Assurance Statement enabling the audit of the Council's 2020/21 financial statements to be closed. The VFM assessment provides assurance that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- On 1 March 2023, the Council's external auditor issued a 2021/22 unqualified audit opinion and NAO Assurance Statement. The VFM assessment was subsequently issued on 11 May 2023. This again confirmed that the Council's external auditor has not identified any significant weaknesses with the Council's governance arrangements or the arrangements in place to improve economy, efficiency and effectiveness.
- The Council has established various ongoing arrangements that provide effective assurance. These include the work of Internal Audit, the Council's risk and performance management arrangements, the work of the Information Governance Group, the work of the Policy and Performance Boards and the work of the Audit and Governance Board.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

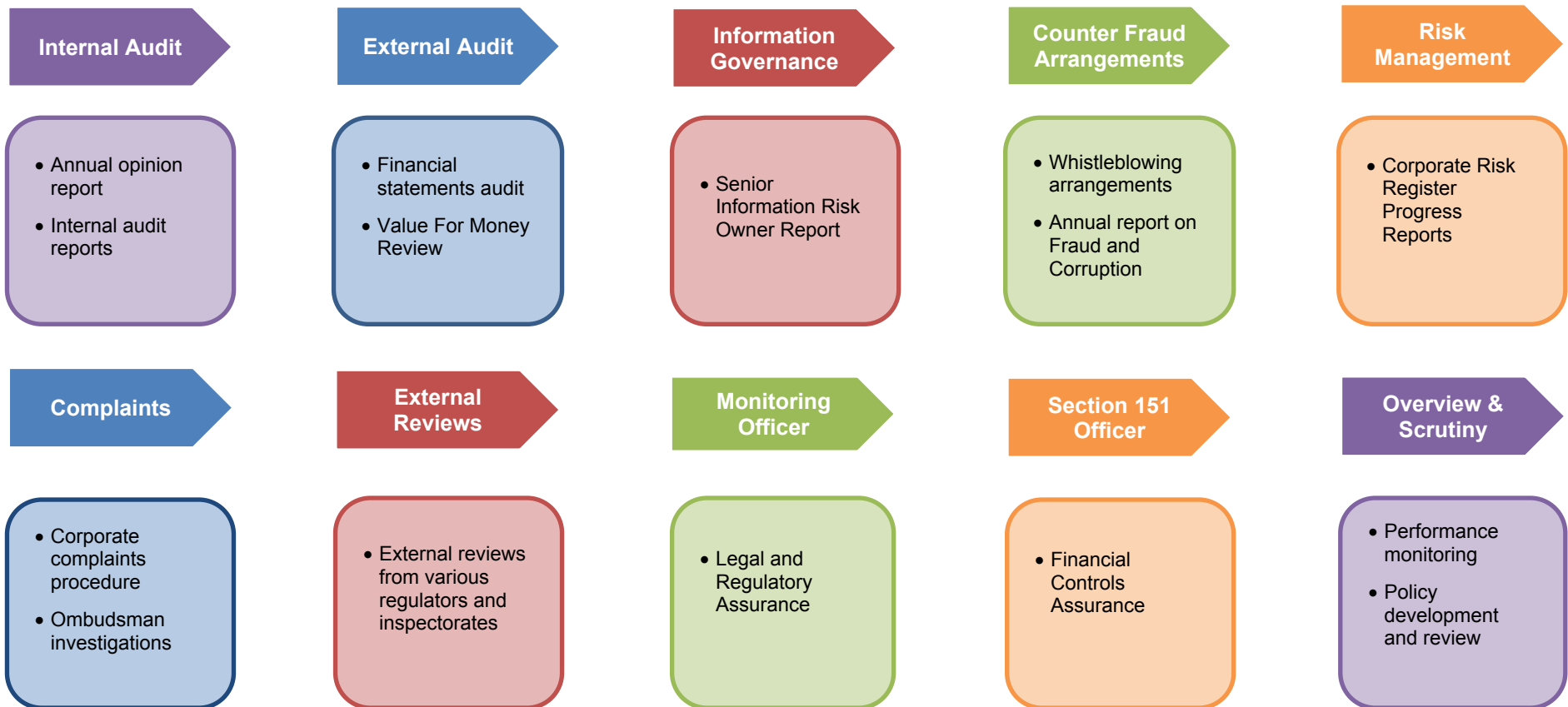
- The Adult Social Care Annual Report is an embedded part of the reporting cycle for the Council and, whilst not a mandatory requirement, it is recognised as being good practice by the Association of Directors of Adult Social Services (ADASS). The 2021/22 report, which was presented to Executive Board on 19 January 2023, included information on the successes and achievements across Adult Social Care, details of progress against performance metrics, some of the challenges faced, how the Council responded to community needs, and details of future activities to be further developed. It also served as a review mechanism for Adult Social Care to consider as part of ongoing continuous service improvement measures.
- The Council operates a whistleblowing procedure and has well-publicised arrangements for employees and the wider community to raise any concerns relating to fraud, misconduct or other issues. Five whistleblowing complaints were received during the year and 44 referrals from members of the public. All whistleblowing complaints and referrals received were assessed and investigations undertaken where sufficient information was provided.

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

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

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

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



How has the Council addressed the governance issues from the 2021/22 Annual Governance Statement?

The 2021/22 annual governance statement contained six key governance issues. Details of these issues and how they were addressed are provided below:

Issue:

Corporate Plan

The long-term vision for the Council is set out in the Council's Corporate Plan, which defines the Council's priorities and how it hopes to achieve them. The current Corporate Plan has expired and work is underway in developing an updated version of the Corporate Plan during 2022/23.

What we did:

Following a joint meeting of Executive Board and the Council's Management Team in December 2022 it was agreed that the Council would adopt an interim plan until March 2024 in order to provide adequate opportunity for meaningful consultation on the Council's future priorities to take place.

Please see the following section on 'Governance Issues for 2023/24' for further information on what is planned.

Issue:

Organisational Structure

The Council appointed a new Chief Executive who started in his role in April 2022. The role of the Chief Executive, assisted by the senior management team, involves the day to day leadership and management of the Council and responsibility for delivering the priorities set out within the Corporate Plan.

Since arriving in April 2022, the Chief Executive has taken the opportunity to reflect on the Council's senior management structure. This was to ensure that the Council is in the best position to respond to the changing environment in which it operates. That includes ensuring that the Council has senior oversight of its key priorities and that there is strong corporate support to underpin the functions of the organisation.

To achieve this, in consultation and with the agreement of the Council's Leader, the organisation is to move from the existing two directorate model, to a new five directorate structure.

The new structure is designed to ensure a clear focus on the delivery of priorities that have and will continue to emerge. It will also enable the Council to build on its successes and take advantage of new opportunities.

The five new directorates are:

- Adults Directorate
- Chief Executive's Directorate
- Children's Directorate
- Environment & Regeneration Directorate
- Public Health Directorate

What we did:

The new five directorate organisational structure for the Council was implemented with effect from 1 December 2022.

Issue:

Funding

The Council continues to face significant financial challenges over the coming years. Demand for Council services, particularly within social care, continues to rise; costs are increasing rapidly with pay and price inflation and there are income shortfalls across many service areas. Whilst the impact of the Covid-19 pandemic is much reduced, the Council is bearing ongoing costs for which there is no Government funding, which adds pressure to the Council's budget.

Looking forward there remains huge uncertainty regarding the Government's plans for the future funding of local government. A number of proposed changes to the funding regime have been deferred, including the Fair Funding Review and the national roll-out of business rates retention. It is still unclear whether or not Government will return to these proposals.

This makes financial planning extremely difficult at the current time. The Medium Term Financial Strategy forecasts that the Council may need to identify £25m of budget savings in order to set balanced budgets for the three years commencing 2023/24.

To achieve permanent, sustainable, budget reductions of this magnitude will require fundamental changes to how the Council operates and delivers services. Utilising specialist, external support the Council is currently developing a three-year Transformation Programme, in order to bring about such changes via a number of work streams. This work includes supporting the implementation of the Children's OFSTED improvement plan and bringing Children in Care costs under greater control.

In light of these financial pressures, a key challenge for the Council is to maintain sufficient service capacity and robust governance arrangements in order to continue to deliver its corporate objectives and strategic priorities for 2023/24 and beyond.

What we did:

Spending during 2022/23 was closely monitored and reported upon. Continued spending pressures upon demand-led services, especially Adults and Children's Social Care, led to an overall outturn overspend of £4.4m against budget. However, this was significantly less than the £7m forecast at the end of quarter three. The Council's robust governance arrangements were essential in delivering this improved outcome.

The Members' Budget Working Group met regularly during 2022/23 to consider budget saving proposals in the context of the Council's corporate objectives and strategic priorities. Fundamental to their assessment was a desire to protect the borough's most vulnerable residents and the services provided to them. Savings proposals were considered and recommended to Executive Board and Council which covered a three year period, in order to provide additional time for more challenging proposals to be fully developed and implemented.

Given the scale of the financial challenge facing the Council, external support and expertise was commissioned during the year to develop a three year Transformation Programme "Reimagine Halton". This is intended to fundamentally change the way many services are delivered and make them more cost effective.

Despite significant funding constraints and increasing demand for services resulting in the need to make significant budget savings, the Council was able to set a balanced budget for 2023/24.

However, it was necessary to utilise £8.4m of one-off reserves to achieve a balanced budget. This approach was agreed by Council in order to provide time for the Transformation Programme to be developed and implemented, which it is estimated will deliver at least £20m of budget savings over three years. The implementation of the Transformation Plan and approved budget savings proposals, will be monitored regularly by Executive Board and the Budget Working Group.

Issue:

Children's Services

An improvement notice was issued to Halton Borough Council following an OFSTED inspection in October 2021. Two areas were for priority action.

- The assessment and management of risk to children, including the frequency of visits to children, in line with assessed risk and needs
- Management oversight and supervision to provide effective support and challenge

In response to the inspection the Council has developed a Children and Young People's Improvement Plan. The plan sets out how the Council will ensure that children and young people in Halton are safeguarded and achieve the Council's aspiration that all its services for children and young people are good or better.

This Improvement Plan sets out key actions that focus on what the Council needs to do to ensure that its work makes a difference to the children, young people and families that are supported and safeguarded.

Progress in implementing the Improvement Plan will be monitored through the Halton Improvement Board. The Board consists of the Council's key partner agencies and corporate colleagues who have a vital role to help create the environment where good social work can flourish.

The responsibility to implement the agreed actions in the Improvement Plan sits with all staff throughout the organisation who have shared accountability for the outcomes achieved for children and families. The accountable lead officers for delivering the plan and driving improvements will, through the Children and Young People Service Improvement Meeting (CYPSIM), ensure tasks are completed, risks assessed and progress reported to the Improvement Board.

What we did:

The Children's Improvement Board meets monthly to oversee progress with responding to the issues raised by the OFSTED inspection. The Board is independently chaired and includes: the Chief Executive, Executive Board Portfolio Holder for Children's, Director of Children's Services, representatives from the DfE, representatives from Children's Services and other Council departments, Schools, Police, Health and other Partner Organisations. A detailed improvement action plan has been developed and is being closely monitored and updated on an ongoing basis.

Issue:

Central register of gifts, hospitality and interests for Members

In the external auditor's Annual Report 2020/21 it was noted that the transparency of the registers of gifts, hospitality and interests for members could be improved if they were more clearly signposted for the public to view on the Council website.

What we did:

The Council is currently exploring publishing the registers of gifts, hospitality and interests online and it is anticipated that this issue will be addressed early in 2023/24.

Issue:

CIPFA Financial Management Code

The CIPFA Financial Management Code (The Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code therefore sets the standards of financial management for local authorities.

The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to manage:

- the short, medium and long-term finances of a local authority
- financial resilience to meet foreseen demands on services
- unexpected shocks in their financial circumstances

Each local authority is required to demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the Code is a collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team.

The Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

It is intended that work will be undertaken during 2022/23 to ensure that the Council complies with the CIPFA Financial Management Code. This will take the form of a self-assessment against the key questions included in the Financial Management Code. An action plan will be produced to address any areas requiring further development.

What we did:

Work in completing the self-assessment against the CIPFA Financial Management Code remains ongoing. It is anticipated that this will be completed in 2023/24 and an action plan will be produced to address any areas for further development.

What are the governance issues for 2023/24?

The Council's governance arrangements are kept under constant review and the following Action Plan sets out key areas of focus for the Council in maintaining and developing its governance arrangements in 2023/24.

Issue	Lead Officer	Timescale
<p><u>Corporate Plan</u></p> <p>The Council's current Corporate Plan is an expired version. In light of the changes brought about by the COVID-19 pandemic, the shifting national political and economic landscape, and the ever increasing challenges, facing the organisation it was thought timely to reconsider the Council's priorities and set a new plan for the coming 3 to 5 years. This will also tie in with the emerging transformation work around 'Reimagine Halton'.</p> <p>In order to provide adequate opportunity for meaningful consultation, and ultimately produce a Corporate Plan which is totally unique and meaningful to the people of Halton, it has been decided to adopt an interim plan. During this time consultation will take place with all community groups, voluntary groups, partner agencies etc. and will be deemed 'The Big Conversation'.</p> <p>'The Big Conversation' is all about engaging with the public so that they understand the challenges that the Council is facing. It is an approach between the Council and everyone who lives or works in Halton to work together in order to create an improved borough in all aspects of everyday life.</p> <p>During this period of transition it is important to point out that Halton Borough Council will continue to deliver its statutory services and work towards achieving its current Corporate Plan priorities, more specifically, looking after Vulnerable People and Children, as well as focusing on Urban Renewal and the Environment.</p> <p>In terms of timescales, an interim Corporate Plan will be in place until the end of March 2024, with a new Corporate Plan taking effect as from April 2024.</p>	<p>Chief Executive</p>	<p>31 March 2024</p>

Issue	Lead Officer	Timescale
<p><u>Risk Management</u></p> <p>During 2022/23, Zurich Resilience Solutions (ZRS) were commissioned to review the Council's Corporate Risk Register. The review provided an objective view on the quality and relevance of the risk information contained within it and assessed the following areas:</p> <ul style="list-style-type: none"> • Structure • Scope & Content • Risk Descriptions • Controls & Scores <p>The process also involved benchmarking against other comparable public sector organisations.</p> <p>Each of the categories reviewed was given a RAG (red, amber, green) rating in order to articulate strengths and development areas. Observations and recommendations to support the further development of the risk register were also made and will be implemented during the course of 2023/24.</p> <p>ZRS also conducted a review of the Council's Risk Management Policy and Toolkit. The purpose of the review was to provide critical friend feedback by highlighting areas of development and to identify strengths to provide assurance. Although ZRS concluded that the Risk Management Policy was fit for purpose, an opportunity was identified to move away from a traditional document and to develop a more dynamic and relevant document. This will be addressed in 2023/24 in a refresh of the policy.</p> <p>Similarly, ZRS concluded that the Risk Management Toolkit was clear and contains best practice information. However, opportunities were identified to modernise the document and to include more infographics to help improve its accessibility. Again this will be addressed in 2023/24.</p>	<p>Corporate Director - Chief Executive's Delivery Unit</p>	<p>31 March 2024</p>

Issue	Lead Officer	Timescale
<p><u>Transformation Programme</u></p> <p>The Council designed a transformation programme in the latter half of 2022/23, branded 'Reimagine Halton'. It is a three-year transformation programme focused on achieving a way of working that promotes independence, is affordable and sustainable. It builds on the Council's many strengths; and will make Halton a more resilient place externally and internally.</p> <p>From a governance perspective, the programme was approved for implementation at Full Council in March 2023. It formally commenced on 1 April 2023, and is an addition to the Council's establishment using a mix of seconded employees from other service areas and external expertise. The programme is funded through a capitalisation order of £7m across the period April 2023 to March 2026. The programme is tasked with saving £2m in 2023/24, £8m in 2024/25 and £10m in 2025/26.</p> <p>The Executive Board is the accountable Board for the delivery of the programme and monthly reporting and dialogue will take place between the programme and the Executive Board.</p> <p>Portfolio Holders will have involvement in transformation projects that fall within their areas of responsibility. Governance arrangements have been developed and will be applied to each project within the programme to ensure clarity, transparency and accountability. In addition there will be a bi-monthly update to all Elected Members, commencing July 2023.</p>	<p>Corporate Director - Chief Executive's Delivery Unit</p>	<p>Ongoing</p>

Issue	Lead Officer	Timescale
<p><u>Children’s Services</u></p> <p>In response to the Ofsted improvement noticed issued in October 2021, the Council has developed a Children and Young People’s Improvement Plan. This sets out how the Council will ensure that children and young people in Halton are safeguarded and achieve the Council’s aspiration that all its services for children and young people are good or better. It also details key actions that focus on what the Council needs to do to ensure that its work makes a difference to the children, young people and families that are supported and safeguarded.</p> <p>Progress with implementing the Improvement Plan is monitored through the Halton Improvement Board. The Board consists of the Council’s key partner agencies and corporate colleagues who have a vital role to help create the environment where good social work can flourish.</p> <p>Responsibility to implement the agreed actions in the Improvement Plan sits with all staff throughout the organisation who have shared accountability for the outcomes achieved for children and families. The accountable lead officers for delivering the plan and driving improvements will, through the Children and Young People Service Improvement Meeting (CYPSIM), ensure tasks are completed, risks assessed and progress reported to the Improvement Board.</p> <p>One of the key workstreams within the Transformation Programme also relates to supporting the improvement of Children’s Services. It has been recognised that additional capacity was required to provide support and challenge to the service in order to achieve the objectives of the Ofsted Improvement Plan. The workstream provides that capacity, enabling a high challenge / high support scenario to provide resources to explore, design, and implement transformation-related initiatives alongside those being brought about in an operational context by the services themselves.</p> <p>This is designed to provide a level of innovation and pace to the improvement trajectory that could not be achieved in a ‘business as usual’ environment. The governance of this activity is the same as that applied to other projects within the Transformation Programme.</p>	<p>Executive Director – Children’s</p>	<p>Ongoing</p>

Certification

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

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

Signed on behalf of Halton Borough Council:

Stephen Young - Chief Executive

Date -

Mike Wharton - Leader of the Council

Date -

REPORT TO: Audit & Governance Board

DATE: 5 July 2023

REPORTING OFFICER: Operational Director, Finance

PORTFOLIO: Corporate Services

SUBJECT: External Audit Annual Report 2021/22

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the 2021/22 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 2021/22 External Audit Annual Report be noted, including recommendations laid out on pages 11,15 and 22 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 CLIMATE CHANGE IMPLICATIONS

- 9.1 None

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

- 10.1 None under the meaning of the Act.

Halton Borough Council Auditor's Annual Report 2021/22

10 May 2023

Contents

Section	Page
Executive summary	3
Opinion on the financial statements and use of auditor's powers	5
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	6
Financial sustainability	7
Improvement recommendations	11
Governance	12
Improvement recommendations	15
Improving economy, efficiency and effectiveness	16
Improvement recommendations	22
Follow-up of previous recommendations	23
Opinion on the financial statements	27
Appendices	
Appendix A – Responsibilities of the Council	29
Appendix B – Risks of significant weaknesses, our procedures and findings	30
Appendix C – An explanatory note on recommendations	31



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.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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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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 Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	In our 2021/22 Audit Plan we identified a risk of significant weakness concerning how the Council would be able to address its significant budget gaps in the medium term financial plan	No significant weaknesses in arrangements identified, but one improvement recommendation made	No significant weaknesses in arrangements identified, but one improvement recommendation made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No significant weaknesses in arrangements identified, but one improvement recommendation made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but one improvement recommendation made	↔

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

The Council is operating in an increasingly uncertain financial environment brought about by increased costs and demand led pressures in children and adult services and inflationary pressures brought about by war in Ukraine. The Council set a balanced budget of £111.4m for 2021/22 and reported a year end overspend of £1.2m above this level. Future sustainability is a greater issue for the Council given the funding gaps within the Medium Term Financial Plan. We identified this as a risk of significant weakness in our Audit Plan to investigate how the Council would be able to address its significant budget gaps. This is planned to be addressed by the Council through a large scale Transformation Programme which will require careful monitoring to address slippage should it occur and to avoid any further pressure on reserves which are also at a historically low level.

Further details can be seen on pages 7-11 of this report.



Governance

The Council has appropriate arrangements for ensuring that it makes informed decisions and properly manages its risks. Our work this year has focussed on continuing to build our knowledge and understanding of the governance arrangements in place at the Council, building on our prior year work. We note that the Council has enhanced its governance structure through extending the number of directorates from two to five, thus improving oversight and governance. We have not identified any significant weaknesses in arrangements, but we have made an improvement recommendation for the Council to continue its focus on developing an up to date Corporate Plan.

Further details can be seen on pages 12-15 of this report.



Improving economy, efficiency and effectiveness

The Council has demonstrated that appropriate arrangements are in place to secure economy, efficiency and effectiveness in its use of resources. We note that our benchmarking analysis of unit costs compared to other similar councils indicates that the Council's services are generally delivered at high cost compared to nearest neighbours. Whilst this does not prevent the Council from driving out further efficiency, management recognise in the Transformation Plan that the opportunity for top-slicing of budgets is increasingly difficult and that savings will need to come from genuine transformation of service delivery and consideration of local priorities, which the Council has developed in its Transformation Plan, although this will take a number of years to implement.

Further details can be seen on pages 16-22 of this report.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 1 March 2023. Our findings are set out in further detail on page 26.



Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 1 March 2023, following the statutory override regarding reporting of infrastructure assets. Our findings are set out in further detail on page 26. We are unable to issue our audit completion certificate due to a national issue arising from the triennial valuation of the Local Government Pension Scheme.

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 issue 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 an Application 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 Judicial Review.

Securing economy, efficiency and effectiveness in the Council’s 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.

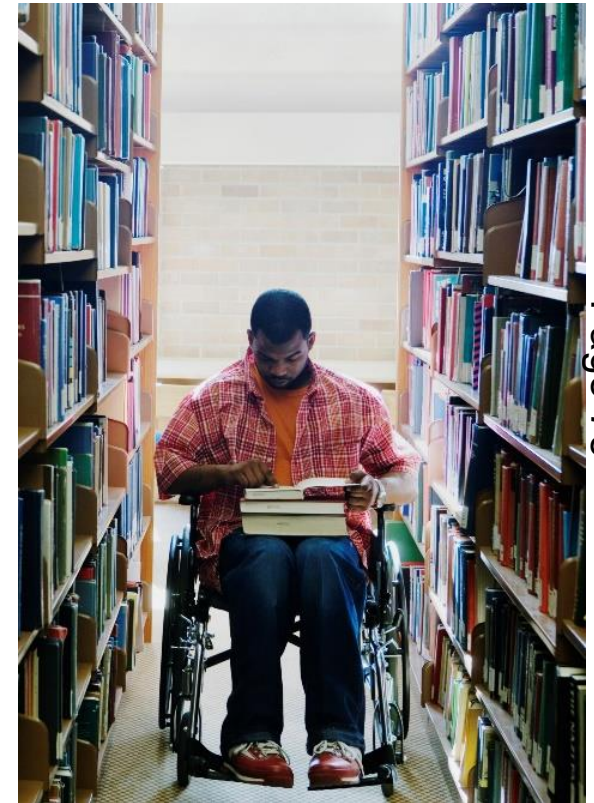


Improving economy, efficiency and effectiveness

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 the Council’s arrangements in each of these three areas, is set out on pages 7 to 22. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how Halton Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Background

There is no doubt that reduced central government funding has meant immense challenges for the local government sector. This has been compounded by the ongoing impact of Covid-19 on the Council's finances and service delivery, particularly increasing the pressure on adults and children's services with the likelihood of no further central government support.

Towards the end of the 2021/22 financial year, the Council's finances were adversely impacted by the war in Ukraine, the effect of which has been acutely felt throughout 2022/23 in terms of cost inflation especially energy costs and salaries.

In our 2021/22 Audit Plan we identified a risk of significant weakness concerning how the Council would be able to address its significant budget gaps in the medium term financial plan. We have addressed this through a review of the Council's Transformation Plan within this section and the wider budget setting and monitoring processes in the Governance section.

2021/22 has been an unprecedented period for the Council in managing its financial sustainability and uncertainties remain, with a consequent pressure on the Council's reserves.

The 2021/22 budget and outturn

On 3 March 2021 the Council set a 2021/22 net revenue budget of £111.4m. The budget was properly aligned to wider service improvement and development priorities. We found no evidence of services developing plans in silo or producing conflicting or competing elements.

Stakeholders were consulted during the development of the budget and savings plans using various methods to listen to the views of the public, including Members own experiences through their Ward work.

Individual consultations took place in respect of specific budget proposals and equality impact assessments were completed where necessary.

The 2021/22 financial statements showed a net spend for the year of £112.6m being £1.2m above the approved budget of £111.4m. Slippage and non-delivery of saving proposals were reported quarterly in sufficient detail to Executive Board/Council and to Senior Management Team through the established quarterly monitoring process. This helped to reduce the forecast slippage at Q2 and Q3 through appropriate intervention.

The Council's spending during 2021/22 included the overhanging additional pressures resulting from the COVID-19 pandemic. Additional costs and income losses relating to COVID-19 were largely funded through a combination of general and specific Government grants, thus limiting the impact on general fund. Appropriate oversight processes were put in place to ensure this funding was properly managed and utilised for the correct purposes, separately accounted for and correctly reported.

Achievement of savings needs to be considered in the context of overall budget delivery, and planned savings are relatively low given that the Council has already endured many years of austerity and funding cuts.

Out of Borough Residential Care continued to be the main budget pressure (Children and Families Department) as the costs and demand for residential care have continued to rise year on year. More detail of unit cost and demand is within the 3 E's section of this report.

There is an informal and formal process which the Council goes through prior to approving savings. This includes Senior Management Team, Budget Working Group, Political Parties, Trade Unions, Executive Board and Council. The savings schemes are transparent in annual budget reports which are agreed by Members when the budget is approved.

Financial sustainability

At 31 March 2022 the Council held earmarked reserves set aside to cover known future one-off costs totalling £131.9m, an increase of £3.3m from £128.6m at the same point in 2021. The Council's General Fund Reserve was £5.149m at 31 March 2022. There was an unplanned transfer of £1.118m from earmarked reserves to cover unfunded costs of Covid during 2021/22 which is not unreasonable.

At 31 March 2022 the council tax position in the Collection Fund showed the Council had a gross surplus position of £2.8m (which is shared with major preceptors).

At 31 March 2022 the Business Rates position showed the Council had a gross deficit position of £5.3m. Under regulations this deficit balance can be spread over the next 3 years. A deficit is not unusual due to the pressures on local business caused by Covid-19 and associated business disruption.

The 2022/23 financial position

Looking ahead, the 2022/23 budget was agreed at Executive Board on 17 February 2022 and recommended for approval by Council on 2 March 2022 together with 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. A balanced budget of £113.9m was set for 2022/23 although with a planned transfer of £7.8m from reserves. This indicates financial sustainability pressure on the Council.

The latest 2022/23 budget performance was presented to the Executive Board on 16 February 2023 together with a forecast outturn at departmental level. In overall terms net spend to 31 December 2022 was £4.947m over budget and the outturn forecast for the year predicted that net spend would be over the approved budget by £7.098m. To contain the overspend it was agreed that spending would continue to be limited to only essential items with Strategic Directors to take urgent action to identify savings cuts.

The main cost pressures responsible for the overspend are identified as the 2022/23 pay award, being £3.232m above the budgeted uplift, together with the wider impact of inflation at 10.4% on costs. As a result of the overspends it is forecast that the Council's earmarked reserves will reduce to £97.017m due to draw downs to meet service costs.

The 2022/23 Revenue Budget makes clear that the Local Government Finance Settlement was only provisionally agreed by Government in December 2021 and therefore 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 although may require revisit should slippage occur.

In undertaking our work we have reviewed a range of 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 and recognises the severity of external pressures such as price inflation.

However, as financial year 2022/23 has progressed the true impact of funding pressures, demand for services and inflationary costs have become more apparent. On 17 November 2022 the Executive Board approved the Medium Term Financial Strategy (MTFS) identifying the following funding gaps: 2023/24 £21.1m, 2024/25 £1.9m, 2025/26 £2.0m (total £25m over three years).

Management are aware that the MTFS gaps are also dependent on unknown items such as fair funding review, New Homes Bonus, business rates retention, health and social care future government strategy.

Management recognise that bridging gaps of this magnitude requires transformational change and have set about a Transformation Plan to bring about future financial sustainability.

Financial sustainability

Actions taken by the Council – MTFP & Transformation Plan

As an initial response to the financial situation the new Chief Executive of the Council implemented a number of short-term measures including:

- Increased scrutiny on all new expenditure; and
- Reductions in non-essential expenditure across services.

Notwithstanding these short-term responses, Management recognise that transformational change is required given the magnitude of savings required. An estimated £24.095m savings is required and proposed against a net operational budget of approximately £140.88m which must be achieved to secure future financial sustainability for the Council. This is to be secured through a combination of savings and restructuring.

In response to the challenge the Council acted swiftly and has created a Transformation team led by an experienced transformation officer which reports directly to the Chief Executive. It was quickly recognised that bold and creative thinking was required with clarity on communication, resource input, governance and decision making.

Key to the Transformation Plan is gaining control of the Childrens services budget and overspend and rethinking wider service delivery models, especially where Halton's service delivery is outside peer group performance (either significantly above or significantly below). The Plan addresses different delivery methods for service delivery to drive savings and wider partnership working, including the setting up of arms length delivery bodies eg for economic redevelopment.

The 2023/24 Budget and Medium-Term Financial Plan (MTFS) was approved by Council on 8 March 2023 alongside the granular transformation plans. The Transformation Plan concentrates upon the five programme theme areas in the table alongside. Each of these themes is underpinned by detailed plans.

The Council plans to fund the costs of the Transformation Plan including initial costs of set up by way of flexible use of capital receipts under the flexibilities offered by central government. This amounts to £7m and a strategy has been approved by full Council as required by Regulations.

Achieving transformational savings at this level are risky and should significant slippage occur then reserves will be impacted and could fall below minimum prudential levels. We have raised an improvement recommendation to emphasise that management must closely monitor achievement of the plan. This is particularly relevant given that the larger savings are programmed in the latter years meaning that up front investment is key.

Transformation Programme theme	23/24 Savings (£m)	24/25 Savings (£m)	25/26 Savings (£m)
Adults / Adults with Learning Difficulties	1.035	4.139	5.174
Children's Services	0.302	1.208	1.51
Special Educational Needs (SEND)	0.1	0.4	0.5
Accelerating Development & Growth Income & Asset Realisation	0.1	0.4	0.5
Optimised Services	0.463	1.853	2.316
Total	2.0	8.0	10.0

Financial sustainability

Capital Strategy

The Council's capital strategy is included in the 2021/22 Council Budget report and MTFS, along with capital financing and treasury management activity. Capital spending at 31 March 2022 was £20.364m which was 85% of the capital programme plan of £24.08m, in part owing to the lack of resources available to deliver projects. These have been rolled over into future years. No major capital investments have been postponed or cancelled by the Council.

The capital strategy is consistent with wider corporate priorities and is considered to be consistent with the Council's revenue plans. Slippage is addressed through the quarterly reporting process, and the annual strategy must clearly address how proposals fit with Council priorities. The Council prepares and reports a rolling capital programme to forecast the probable level of capital spend over the next three years, along with the likely sources of funding. The Council also maintains a capital reserve, which has been generated from revenue contributions in order to support funding the capital programme.

In a change to capital strategy, the Council plans to fund Transformation costs through flexible use of capital receipts in the medium term.

Financial Risk management

Risks are incorporated into the budget and MTFP which is agreed annually by the Council. The annual budget report includes a summary of the corporate risk register, is updated regularly and is included in the quarterly finance reports presented to Executive Board and Council.

Sensitivity analysis is undertaken as part of the budget setting process with specific consideration of: Government funding levels; Council tax and NNDR collection rates; Pay awards; Energy costs; Fuel inflation; Food inflation; and Interest rates. We recognise that the Council (In common with other Local Authorities) could not have anticipated the impact and extent of cost inflation arising from the war in Ukraine when the 2021/22 budget and MTFS was proposed. However the risk register has been updated to report the financial challenges now faced.

Conclusion

The Council's financial position has become significantly more challenging due to increased user demand and complexity of service provision, along with the impact of inflation and the cost-of-living crisis, combined with workforce pressures.

A failure to deliver savings schemes with appropriate contingencies in place will further intensify this pressure. The greatest risk is around the Council's use of reserves in the short to medium term. Reserves are a one-off resource therefore developed plans need to be in place to replenish these or the Council may be forced to curtail non-statutory activities. The need to build up reserves has been acknowledged by Management.

The infancy of the Transformation Plan and magnitude of the savings required poses challenges to the Council and they must ensure rigorous monitoring of the position of savings going forward, with key risk assessments and development of mitigating actions on a regular basis. We have raised an improvement recommendation to emphasise the importance of monitoring the Council's Transformation Plan to future financial sustainability.

Improvement recommendation



Financial sustainability

Recommendation 1

The members and senior officers of the Council must recognise the severity of the Council's medium term financial outlook and the need to deliver upon the key themes of the Transformation Plan. The Council should take the following steps to help this process:

- Review the process of setting savings schemes and monitoring these throughout the financial year to build a greater element of contingency and allowance for slippage.
- Corporate and member oversight and challenge of proposed savings must be robust, with responsible managers held to account, to make sure savings are credible, accurately valued, have realistic timing and phasing of delivery, and have been properly assessed for quality impact and risk.
- Corporate and member monitoring of savings delivery should be sufficiently regular and robust to drive delivery in line with plan and help to develop mitigating actions as soon as possible when delays or risks are met.

Why/impact

The Council's financial position is becoming significantly more challenging due to increased demands and complexity of service provision, along with the impact of inflation and the cost-of-living crisis, combined with workforce pressures. A failure to properly develop and risk assess savings schemes with appropriate contingencies in place will further intensify this pressure. The greatest risk is around the Council's use of reserves in the short to medium term. Reserves are a one-off resource therefore developed plans need to be in place to replenish these or the Council may be forced to curtail non-statutory activities.

Auditor judgement

The Council has not had in place large savings schemes in recent years, so now has a large cultural shift in order to achieve planned savings targets to bridge budget gaps. The infancy of the arrangements to develop and monitor savings going forward poses challenges to the Council and they must ensure rigorous monitoring of the position of savings going forward

Management Comments

Approved savings are reviewed on a quarterly basis and reported to Chief Officers Management Team and Executive Board. Updates on work of the Transformation Plan will be reported on a regular basis to Executive Board.

Governance



We considered how Halton 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; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management

The Council has a Corporate Risk Management Policy which was last updated in February 2019. This sets out aims and objectives, categories of risks (strategic or operational), risk scoring, roles and responsibilities, plus other relevant information.

The risk management process within the Council, clearly sets out the risk strategy in a clear and detailed format, providing members and Council officers with sufficient and appropriate detail. The report includes relevant management actions, control opportunities and trends in a digestible format.

Throughout 2021/22 this policy operated and met the basic requirements of risk management, risk recording and scoring for the Council. The Council is currently reviewing the risk register, policy and toolkit with their insurer and an update is expected during 2023.

The risk management arrangements are suitably embedded. Directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions. This enables the Council to manage the risk actively and act where necessary.

The risk register is RAG rated and scored with named lead officers and mitigating actions. There is a column to link to the relevant Council priority.

The Corporate Risk Register was last reviewed and approved by the Audit & Governance Board at its meeting on 23 November 2022 and has been regularly reviewed throughout the year.

To support managers, the Council has a Manager's toolkit guide (updated April 2019) explaining how risk management is integrated into business processes. This is a helpful guide to explain what is meant by risk and how risks should be reported, controlled, monitored and reviewed.

The Council's risk management processes are also used to inform the work of internal audit.



Governance

Change in operational structure

A new Chief Executive was appointed to the Council in April 2022. Throughout the 2021/22 financial year and up until December 2022 the Senior Management Structure consisted of Chief Executive with two Strategic Directors. Beneath the Strategic Directors sat several operational directors including the Operations Director Financial Services (s151 Officer).

However with the arrival of the new Chief Executive in April 2022 the structure has expanded from two Strategic Director positions sitting below the Chief Executive to four directorates plus the Chief Executive's Directorate. The new directorate structure comprises:

- Adults Directorate
- Chief Executive's Directorate
- Children's Directorate
- Environment & Regeneration Directorate
- Public Health Directorate

Beneath each Executive Director sit Operational Directors, including the Operational Director of Finance (s151 Officer) who reports directly to the Chief Executive. There are six Policy and Performance Boards each aligned to the Council's six corporate plan priorities.

The revised structure benefits the Council by being more responsive to the changing environment and ensures senior oversight of key priorities, linked to the large scale transformation plans which are outlined in the Financial Sustainability section of this report. Recruitment to the new Executive Director posts has taken some time with the Executive Director – Environment & Regeneration post remaining unfilled until May 2023.

Council decision making and oversight

Within the Council, arrangements are in place to ensure that all relevant information is provided to decision makers before making major decisions. Directors commission service leads and their teams to produce reports related to the major decisions, which are supported where necessary by professional experts. Draft proposals are reviewed by the responsible directorate senior leadership teams.

All investment decisions within the Council are assessed and approved internally prior to the revenue or capital allocations provided, through the annual budget, which then is signed off by the Executive Board. This system allows for segregation of duties regarding financial decisions, and enables for healthy deliberation and challenge to be incorporated into the decision making process.

The Council's decision making arrangements are established in the Council's constitution, which is publicly available on the Council's website. Decisions are either made by members (Council, or other decision making committees) or delegated to senior officers. The Council Constitution clearly sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed and updated by management in May 2021.

Internal Audit has provided effective oversight throughout 2021/22. The Head of Internal Audit provides an annual opinion on the Council's risk management, control and governance processes based upon the internal audit work completed during the year. The opinion covering 2021/22 was presented to the Audit & Governance Board on 6 July 2022 and concluded that the Council's risk management, control and governance processes in place during 2021/22 were considered to be adequate and to have operated effectively during the year.

The long term vision for the Council would normally be published in the Council's Corporate Plan. However as set out on the Council website, the current version of the Plan covering the period 2018-20 has expired and replacement is overdue, although the core priorities remain relevant. A new Corporate Plan is anticipated from April 2024 to allow due consideration to take place of consultations and changes in government policy, with a particular reference to the Council's ambitious Transformation Plan and savings programme. In the meantime the Council considered developing an interim Corporate Plan but have decided to continue with their previous Corporate Plan until March 2024 whilst a "big conversation" takes place.

Whilst we understand that time and energy is required to develop a meaningful Corporate Plan given the changing environment in which the Council operates, we consider that the Plan should be developed as soon as possible, especially given the challenges faced in the Transformation Plan referenced in the Financial Sustainability section of this report. We have raised this matter as an Improvement Recommendation on page 15, which is repeated from the prior year Auditor's Annual Report.

Governance

Investigation of fraud and corruption

From our review of the Council's central resources, it is clear that there are arrangements in place in respect of the prevention and detection of fraud. These are covered within the Council's constitution, codes of conduct and whistleblowing policy. A Code of Conduct for Members and Officers is in place together with a Whistleblowing Policy, each of which has been reviewed and considered adequate for its purpose. There is a high level Code of Conduct for Members summarising the principles of office. This is supported by a detailed Code of Conduct developed to be consistent for Members across the Liverpool City Region.

Elected members follow a Code of Conduct to ensure high standards in the way they undertake their duties. This Code was updated in 2021 and 2022 upon recommendation by the Audit & Governance Board. A new Model Code of Conduct for elected members was adopted in 2021 based on the Local Government Association (LGA) Model Councillor Code of Conduct. The 2021 changes to the Code of Conduct were extensive and therefore training was provided for all Members in September 2021 facilitated by an expert external consultant. Further relatively minor changes were made to the Code of Conduct during 2022.

The Monitoring Officer provides training to new elected members on the Code of Conduct, and also feeds back to Audit & Governance Board annually on a summary of complaints raised, the last being 22 March 2023. No major matters were raised.

The Council is alert to the risk of Fraud and this features highly in the Council Constitution which is published on the external web site. Included is the Anti-Fraud, Bribery and Corruption Policy and the Fraud Response Plan which sets the right tone to anyone considering committing a fraud against the Council.

All new employees attend a corporate induction process where they are made aware of the Code of Conduct and anti-fraud measures in place at the Council.

An annual update on counter fraud is presented to Members by the Head of Internal Audit. On 28 September 2022 the Audit & Governance Board received an annual report summarising the operation of the Council's counter fraud and corruption arrangements. The report does not highlight any significant control deficiencies leaving the Council open to Fraud, and provides good evidence of the seriousness which is attached to counter fraud by the Council.

The Council operates a whistleblowing procedure and has well-publicised arrangements for employees and the wider community to raise any concerns relating to fraud, misconduct or other issues. All whistleblowing complaints and referrals received are assessed and investigations undertaken where sufficient information is provided.

The Council had a Standards Committee until May 2021 when the powers and duties of the Standards Committee transferred to the Audit & Governance Board (formerly the Business Efficiency Board). This was primarily for business efficiency reasons since the Standards Committee met only once annually and therefore absorbing the role into the Audit & Governance Board, which meets quarterly meant that any matters arising could be reported more promptly. No matters were brought to the attention of the Monitoring Officer for reporting to Audit & Governance Board during 2021/22 (or 2022/23) which required formal investigation.

Gifts, hospitality and declaration of interests

A satisfactory gifts and hospitality policy is set out in the Councils' constitution together with a policy for declaration of interests. Audit inspection of the registers confirmed that declarations are made within the required timeframe. It was noted however that within our previous Value for Money assessment that gifts and hospitality declarations were not clearly visible on the Council's website and could not be interrogated by political party for Members. This has been updated and became available from 2021/22.

Conclusion

The Council has appropriate arrangements for ensuring that it makes informed decisions and properly manages its risks. Our work this year has focussed on continuing to build our knowledge and understanding of the governance arrangements in place at the Council building on our work in the prior year. We have not identified any significant weaknesses in arrangements, but we have made one improvement recommendations for the Council to enhance its arrangements in regard to updating of the Corporate Plan.

Improvement recommendation



Governance

Recommendation 2

The latest Corporate Plan covers the period 2018-20 and is due for a refresh and alignment with other key/strategic plans and priorities, including the Council's Transformation Plan

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 Medium Term Financial Strategy (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 Comments

The Council has in place an interim Corporate Plan until the end of March 2024. A new Corporate Plan will take effect as from April 2024. A detailed report on the process for putting in place the interim and new Corporate Plan was reported to Executive Board on 16 March 2023.

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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Overview of Arrangements for Ensuring Economy Efficiency and Effectiveness

Halton Council has established and appropriate arrangements to ensure economy, efficiency and effectiveness. Our work has not identified any risks of significant weakness. A detailed review of the Mersey Gateway and the Waste Services function was reported in our 2020-21 Auditor's Annual Report with no significant deficiencies in arrangements. Improvement Recommendations arising in 2020/21 in these two areas are followed up at pages 24 and 25.

Performance Management

There is adequate monitoring and reporting of performance across each of the directorates within the Council. Quarterly monitoring reports are produced and presented at the 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. Service demand pressures are identified and addressed.

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 new Chief Executive has been keen to address since taking office in April 2022.

Halton Council have a good track record of delivering to budget although financial pressures are becoming more extreme. Based on the CIPFA financial resilience index for 2021/22 compared to nearest neighbours, Halton Council has a lower than average level of unallocated reserves, although an unusually high level of earmarked reserves. This is largely due to the Mersey Gateway reserve of £73.4m. This is ringfenced for spend on Mersey Gateway only and cannot be utilised by the Council for any other purpose and should not therefore provide any false comfort on the level of reserves available.

The Council's Corporate Plan 2018-20 outlines the Council's vision, priorities and values, and it is against these that the Council manages performance against its stated key outcomes. However it has been noted that the Plan is out of date and overdue a refresh. This is expected to take place during 2023/24.



Improving economy, efficiency and effectiveness

Performance monitoring and unit cost analysis

The Council is structured with an Executive Board comprising ten portfolio holders (reduced to nine portfolio holders in May 2022), whose areas of responsibility reflect the Council’s corporate priorities. There are six Policy and Performance Boards (aligned to each of the six corporate priorities) and an Audit & Governance Board, (attended by the external auditor) which also reflects on corporate priorities and undertakes an overview and scrutiny role. Financial and non-financial key performance indicator data is reported to Policy and Performance Boards on a quarterly basis and is published on the Council’s website.

Performance against service objectives for 2021/22 was reported to 16 June 2022 Executive Board in the annual “Directorate Performance Overview Report”. In year performance is reported quarterly to Executive Board throughout the year. The Directorate Performance Overview Reports provide a strategic summary of the key issues arising from performance in the relevant quarter for each Directorate and is aligned to Council priorities or functional areas.

Our analysis of value for money draws upon benchmarking of service information extracted from a variety of sources including our own CFO Insights analysis, CIPFA financial resilience indices and detailed year end RO returns compiled by the Council.

On 3 March 2021 the Council set a 2021/22 net revenue budget of £111.4m. The 2021/22 financial statements shows a net overspend for the year of £1.2m. The continued push to reduce spending during the second half of 2021/22 resulted in all departments’ operational net spending to be under the approved budget for the year, with the exception of Children & Family Services.

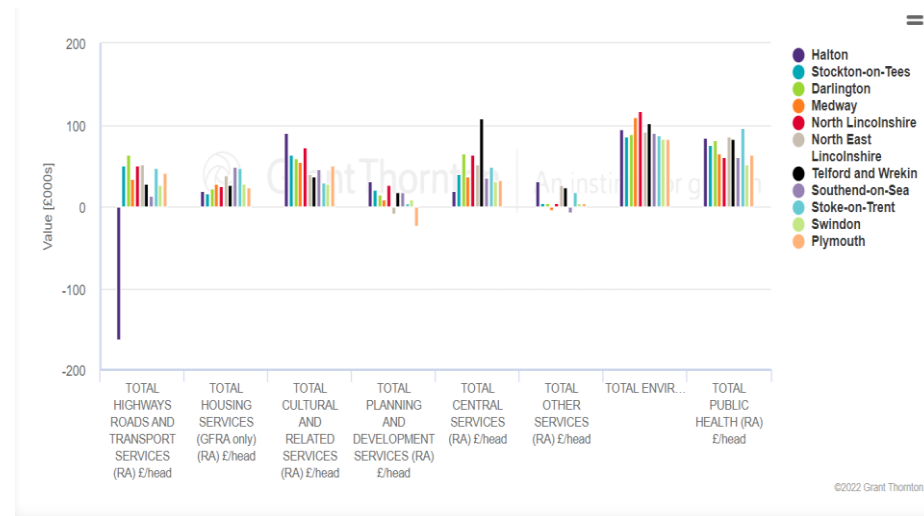
The main budget pressure for the Children & Families department was for out of borough residential placements due to increase in unit cost and demand. Spend for the year was £12.5m against budget provision of £8.9m, resulting in an overspend of £3.6m. Demand pressures have increased annually. The average number of children being placed in out of borough residential placements has increased to 70, an increase of 84% in seven years. Alongside the demand increase there has been a corresponding increase in costs with the average annual package cost of care rising from £0.115m to £0.178m (55%) over the period 2014/15 to 2021/22.

The Council is also seeing demand pressures within Adult Social Care, although the increase in costs relating to this for 2021/22 has been offset by a transfer of funds from the Complex Care Pool budget (hosted between the Council and Halton Clinical Commissioning Group). In addition, the Council has also used remaining funding from Covid grants to help mitigate these costs.

The pages which follow compare Halton Council to nearest neighbour comparator councils based upon factors such as size, population age, demographics and educational attainment. In summary the unit cost is very high for Education, Adult Social Care, Cultural, Planning & Development and other services making the total unit cost per head averaging as very high.

We have raised an improvement recommendation for management to investigate where the Council is an outlier to pinpoint either areas for savings or data quality issues.

Unit Cost Analysis Chart – Halton budget spend by service area compared to nearest neighbour



Improving economy, efficiency and effectiveness - Unit cost comparisons overview

Standard RO block	Relative position in 2021/22	Comments
Housing Services	VERY LOW	<ul style="list-style-type: none"> Halton benchmarks very low for Housing services unit cost. Housing benefits administration is low as are rent allowance and rent rebates discretionary payments
Environmental & regulatory	HIGH	<ul style="list-style-type: none"> Halton benchmarks high for Environment and regulatory services unit cost. High outliers include: Community safety crime reduction, Environmental health food safety, Pest control, Port health levies, Waste minimisation.
Planning & development	VERY HIGH	<ul style="list-style-type: none"> Planning and Development is ranked very high unit cost overall, particularly within the economic development and business support sub-categories.
Highways & transport	VERY LOW	<ul style="list-style-type: none"> Halton ranks very low in Highways and transport services compared to its neighbours. It is however noted that Street lighting is very high at £11.42, a significant increase from £4.72 as per the 2020/21 RO Structural maintenance is very high at £9.89 compared to £3.04 per the 2020/21 RO financials. Road safety education and safe routes are very high at £2.23 against £1.19 per the 2020/21 RO.
Cultural & related	VERY HIGH	<ul style="list-style-type: none"> Halton benchmarks very high for cultural and related services unit cost. In particular: Open spaces is very high at £37.99. Recreation and sports is very high at £32.38.
Central services	VERY LOW	<ul style="list-style-type: none"> Halton benchmarks very low for central services unit cost.

Improving economy, efficiency and effectiveness - Unit cost comparisons overview

Standard RO block	Relative position in 2021/22	Comments
Education Services	VERY HIGH	<ul style="list-style-type: none"> Halton benchmarks very high for education services unit cost. Suggested areas for Council follow up are: Early years 0-4 very high at £1 214.40 compared to £1 681.31 for the 2020/21 RO Other education and community budget very high at £702.95 against £462.46 for the 2020/21 RO
Children Social Care	AVERAGE	<ul style="list-style-type: none"> Halton benchmarks average for children's social care services unit cost. Suggested areas for Council follow up are: Other children's and family services 0-17 very high at £72.14 compared to £55.30 as per the 2020/21 RO Sure starts children's centres/flying start and early years very high at £59.73 compared to £57.10 for the 2020/21 RO.
Adult Social Care	VERY HIGH	<ul style="list-style-type: none"> Halton benchmarks very high for adult social care services unit cost. Suggested areas for Council follow up which are very high outliers are: Commissioning and service delivery. Learning and disability support adults (18-64). Mental health support -adults 18-64. Sensory support adults (18-64) Sensory support older people 65+ Support with memory and cognition older people 65+
Public Health	HIGH	<ul style="list-style-type: none"> Halton benchmarks high for public health services unit cost. Suggested areas for Council follow up which are very high outliers are: Children 5-9 public health programmes. Health protection -local authority role in health protection (prescribed functions) Msc. Public health services -children 0-5 services (prescribed functions) NHS health check programme (prescribed functions) Obesity -adult 18+ Obesity- children 0-17

Improving economy, efficiency and effectiveness

Procurement and Contract Management

The Council has a procurement strategy in place which covers the period 2020-2023. This strategy is regularly updated and has oversight from the Audit & Governance Board with the update reports reported through the Executive Board. The strategy is underpinned by procurement standing orders to ensure Best Value in procurement is achieved. We have not found any evidence of the Council 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.

Outsourcing, partnerships and shared service agreements are generally managed at service level. Oversight of these are provided at the relevant committee for the service line that would review any issues.

Throughout 2021/22 the Council has continued to review its services to identify where changes to the way in which services are delivered can realise efficiencies. This captures seeking improved procurement, better utilisation of assets, changes to staff terms and conditions and collaborative working with other Councils and partner agencies, and increased income from external sources. Whilst this has helped manage costs during 2021/22, the scale of savings required in the Transformation Plan is of a greater magnitude and will require an unprecedented driving down of costs through improved procurement and contract management.

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

The Council's Corporate Plan 2018-20 sets out the objectives and visions for the Council which has been developed with partners. However, as noted under the governance section of this report the Corporate Plan is out of date and due a refresh. This has been delayed to enable the new Council Chief Executive and Leader to play a prominent role, and to capture the core themes of the Council's Transformation Plan which is designed to resolve the Council's budget deficits in the MTFS.

During 2021/22 the Council worked jointly with NHS colleagues to establish the Cheshire and Merseyside Integrated Care System (ICS) and at the local level to establish the One Halton Place Based Partnership, prior to the abolition of Clinical Commissioning Groups from 1 July 2022. 2022/23 is a transitional year during which the detailed arrangements will be developed for the operation of the new structures.

The One Halton Place Based Partnership Board has been meeting monthly to oversee the development of the partnership arrangements. A number of sub-groups have also been established to take aspects of the work forward. These include the Finance and Performance Sub-Group which is developing a methodology to provide place based financial reporting and control.

During 2021/22 there has continued to be close co-operation between the Council and Halton Clinical Commissioning Group (HCCG) to deliver integrated health and social care services utilising a pooled budget arrangement. On 1 July 2022 HCCG was dissolved and its function became part of the Cheshire and Merseyside Integrated Care System (ICS).

The Council participates in various other 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) which came into effect on 1 July 2022 and builds 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 is intended to 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.

The Mersey Gateway Bridge opened in 2017 completing a £1.86bn project for the Council and its partners. The partnership arrangements were reviewed and reported in the 2020/21 Auditor's Annual Report with no significant deficiencies. Emovis Ltd have continued to operate the toll system under the "Merseyflow" brand.

The Council is an active member of the Liverpool City Region (LCR) Combined Authority and works closely with the other five member councils in respect of a number of key service areas. These include economic regeneration, highways and transport services. Alongside this, the Council is part of the LCR Business Rates Retention pilot scheme, which is designed to incentivise councils to develop their local economy by enabling retention of any resulting growth in business rates. The pilot scheme continues through 2023/24, however participation in the scheme beyond March 2024 is uncertain.

Improving economy, efficiency and effectiveness

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 Council developed a Children and Young People's Improvement Plan in response to the OFSTED inspection in October 2021. The plan sets out how the Council will ensure that children and young people in Halton are safeguarded and achieve the Council's aspiration that all its services for children and young people are good or better.

The improvement plan to address weaknesses 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.

A focused re-inspection of Children's Services by Ofsted took place 23-24 November 2022 with their report issued 13 January 2023.

The re-inspection confirmed that improvement had taken place, specifically regarding the effectiveness of the work being done by the iCart team (Integrated Contact and Referral Team) and Duty Assessment Team front-door services to ensure vulnerable children and families benefit from timely and proportionate interventions and support.

Ofsted inspectors noted that the new chief executive had secured corporate commitment and significant financial investment to children's services in the council's drive to improve social work practice.

The report also noted that the newly established senior leadership team, referenced in the Governance section of this report, had accelerated the much-needed pace of change to the local authority's improvement journey.

But the report said there were areas which could be improved including the quality of social workers' supervision and the consistency of audit practice.

Conclusion

The Council has demonstrated that appropriate arrangements are in place to secure economy, efficiency and effectiveness in its use of resources. We note that the Council has an ambitious Transformation Plan from 2023 onwards to address the significant budget deficits within the MTFs. This will impact on service delivery and procurement, to name a few areas in order to drive down costs.

The impact of the Covid pandemic is still being felt on services and on the Council's financial position and this is likely to continue in the medium term. The gross cost and loss of income attributed to Covid in 2021/22 is £18.0m. This was met through a combination of specific government grants (£10.9m), general grant, compensation for the loss of fees and charges and the balance of £1.1m funded directly by the Council from a review of earmarked reserves.

Legacy costs of the pandemic are not yet known going forward but it is expected that some areas will continue to experience costs or loss of income. This will need to be managed carefully given the likelihood that there will be no further financial support from Government.

We also note that our benchmarking analysis of unit costs, compared to other similar councils, indicates that Halton Council's services are generally delivered at high cost, with some outliers at high cost for management review are highlighted in this report. Management recognise in the Transformation Plan that the opportunity for further top slicing of budgets is increasingly difficult and that savings will need to come from genuine transformation of service delivery and consideration of local priorities, which is likely to take a number of years to implement.

Our work identified no risk of significant weaknesses in arrangements.

Improvement recommendation



Improving Economy, efficiency and effectiveness

Recommendation 3

Review the areas where the Council is identified as an outlier in service delivery cost compared to nearest neighbour cohort.

Why/impact

Understanding the cost base will furnish management with accurate information to drive out efficiencies and help seek out best practice. This is key as the Council implements its Transformation Plan to reduce costs on a previously unseen magnitude.

Auditor judgement

Compared to nearest neighbour cohort, the Council is very high / high cost in the following service areas:

- Environmental & regulatory
- Planning & development
- Cultural & related
- Education
- Adult Social Care

Summary findings

Our analysis of value for money draws upon benchmarking of service information extracted from a variety of sources including our own CFO Insights analysis, CIPFA financial resilience indices and detailed year end RO returns compiled by the Council.

Management Comments

This will be considered as part of the Councils work in delivering the Transformation Plan.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
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.	Improvement	June 2022	Report presented to Executive Board on 16 March 2023. The Council has in place an interim Corporate Plan until the end of March 2024 at which point a new Corporate Plan will take effect.	Yes	Yes, new Corporate Plan to be introduced April 2024.
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.	Improvement	June 2022	Updated Corporate Risk Register reported to Audit and Governance Board on 23 November 2023 made reference to the volume of reserves required in balancing the 2022/23 budget. Point made that use of reserves must be replaced by sufficient permanent savings.	Yes	Continued reference in Corporate Risk Register.
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.	Improvement	June 2022	A central point has been created for a register of gifts, hospitality and interests for members and officers. This is an internal document only and is yet to be published on the Council's external website.	No	Further consideration to be given to publishing externally.
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.	Improvement	June 2022	Initial work on the Transformation Programme was to benchmark the Council on both cost and quality from a range of sources against its statistical neighbours, to identify those Councils that in whole or part appear to deliver better or similar outcomes for less cost.	Yes	Benchmarking will be a continued action of the Transformation Programme.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
5a	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.	Improvement	June 2022	Ongoing, discussions to take place with Mersey Gateway Crossings Board to agree on an improved reporting framework.	No	As per progress to date.
5b	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.	Improvement	June 2022	Ongoing, discussions to take place with Mersey Gateway Crossings Board	No	As per progress to date
5c	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.	Improvement	June 2022	Ongoing, discussions to take place with Mersey Gateway Crossings Board	No	As per progress to date.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6a 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.	Improvement	June 2022	Along with each of the other LCR authorities, the Council commissioned a joint piece of work for consultants to model a range for future waste collection scenarios. The outcome will be a report for each individual authority setting out the outcome of each modelled scenario (cost implications, recycling performance, carbon benefits etc) which will be used to help inform future decisions on service changes required to meet new legislative requirements arising from the Environment Act 2021 and help meet future national recycling targets. Further, Halton, and each of the other Partnership authorities, including the MRWA, have recently endorsed a Liverpool City Region Zero Waste 2040 Strategic Framework to minimise waste related carbon emissions through actions to prevent, reduce, recycle and re-use waste.	Yes	Ongoing
6b 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.	Improvement	June 2022	As per response to 6A	Yes	Ongoing
6c 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.	Improvement	June 2022	The Council consider the arrangements in place to be sufficient.	Yes	No
6d 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.	Improvement	June 2022	Reporting of KPIs has been discussed with Members and will further be developed.	Yes	Ongoing

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6e	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.	Improvement	June 2022	MWDA has become an established member and active partner within the LCR Strategic Waste Management Partnership.	Yes	No
6f	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.	Improvement	June 2022	The Strategic Waste Partnership is developing a Waste Action Plan with, one of the actions of which is to “Examine and present the options for future Governance of joint zero waste work”	Yes	Ongoing

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 1 March 2023. This was later than the deadline of 30 November 2022 due to CIPFA reaching a resolution on the reporting of infrastructure assets. This was resolved by statutory override in December 2022.

We are unable to issue our audit completion certificate due to a national issue arising from the triennial valuation of the Local Government Pension Scheme.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported in draft to the Council's Audit & Governance Board on 23 November 2022 and finalised for circulation to Members in February 2023.

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. Our assurance report was issued on 1 March 2023 with no matters to report to the NAO.

Preparation of the accounts

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

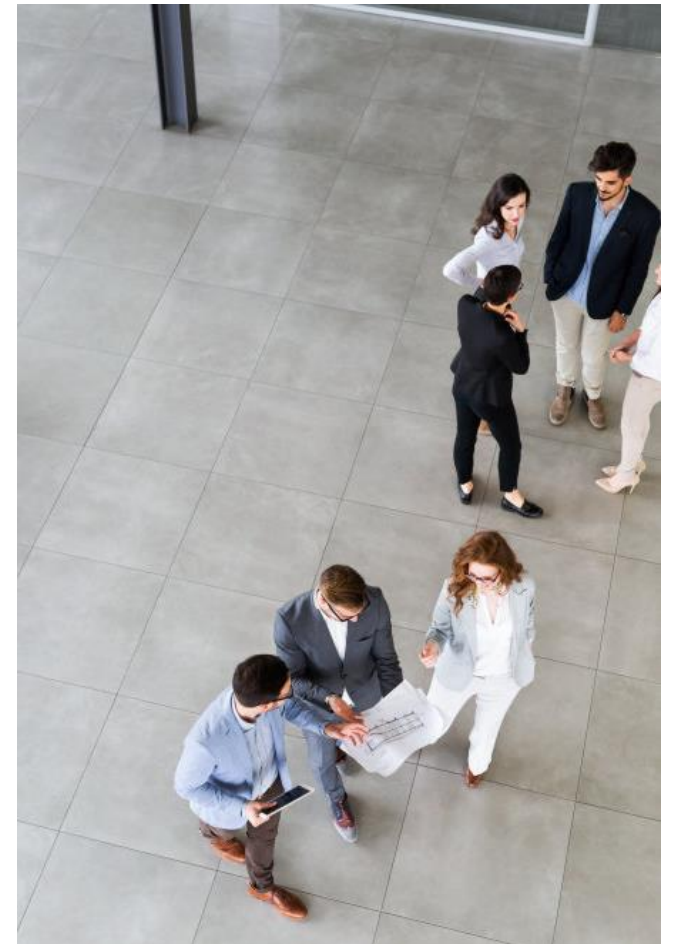
Issues arising from the accounts:

The key issues reported in the audit of the accounts were:

- Understatement of pension fund asset valuation £1.03m (unadjusted)
- Understatement of creditors £0.93m (unadjusted)
- Presentational and disclosure improvements to the notes to the accounts (adjusted)

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



Appendices

Appendix A – Responsibilities of the Council

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.

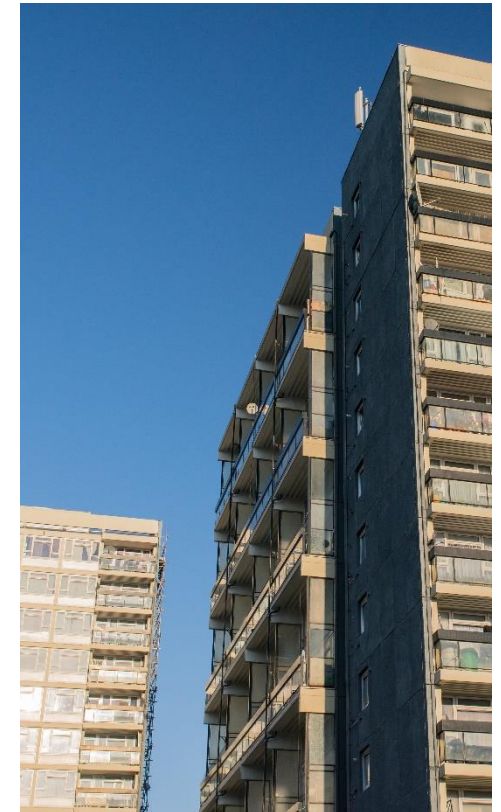
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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 – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was identified as a potential significant weakness, see page 7 for more details.	Detailed review and challenge of the latest budget reports and medium term financial plan. Included review of the Transformation Plan and discussions with key officers	The Council has an itemised Transformation Plan intended to achieve medium term financial sustainability across five workstreams.	Appropriate arrangements are in place. One improvement recommendations raised to ensure focus remains on meeting the planned savings.

Appendix C – 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.	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	11, 15, 22



REPORT TO: Audit & Governance Board

DATE: 5 July 2023

REPORTING OFFICER: Operational Director, Finance

PORTFOLIO: Corporate Services

SUBJECT: External Audit Plan – 2022/23 Year-End

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the External Audit Plan relating to the 2022/23 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 2022/23 year-end, be noted.

3.0 SUPPORTING INFORMATION

3.1 The External Audit Plan for 2022/23 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 2022/23

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 CLIMATE CHANGE IMPLICATIONS

9.1 None

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

10.1 None under the meaning of the Act.

Halton Borough Council Audit Plan

Year ended 31 March 2023

21 June 2023

Contents



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Section	Page
Key matters	3
Introduction and headlines	5
Significant risks identified	7
Other risks	11
Other matters	12
Progress against prior year recommendations	13
Our approach to materiality	14
IT Audit Strategy	17
Value for Money Arrangements	18
Audit logistics and team	19
Audit fees	21
Independence and non-audit services	23
Communication of audit matters with those charged with governance	25

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.

Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017/18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

The Halton Council audit cycle is now up to date following the late sign off of the 2021/22 audit opinion on 1 March 2023. Halton Council is within a small minority of councils who have received their 2021/22 audit opinion and able to publish their audited financial statements.

Key matters



Our Responses

- 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 out further in our Audit Plan, has been agreed with the Operational Director, Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee (the Audit & Governance Board) with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- Firmwide, we have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. Connected to this we report our significant audit risk and response in regard to management override of control at page 7. This is a non rebuttable risk under auditing standards.

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

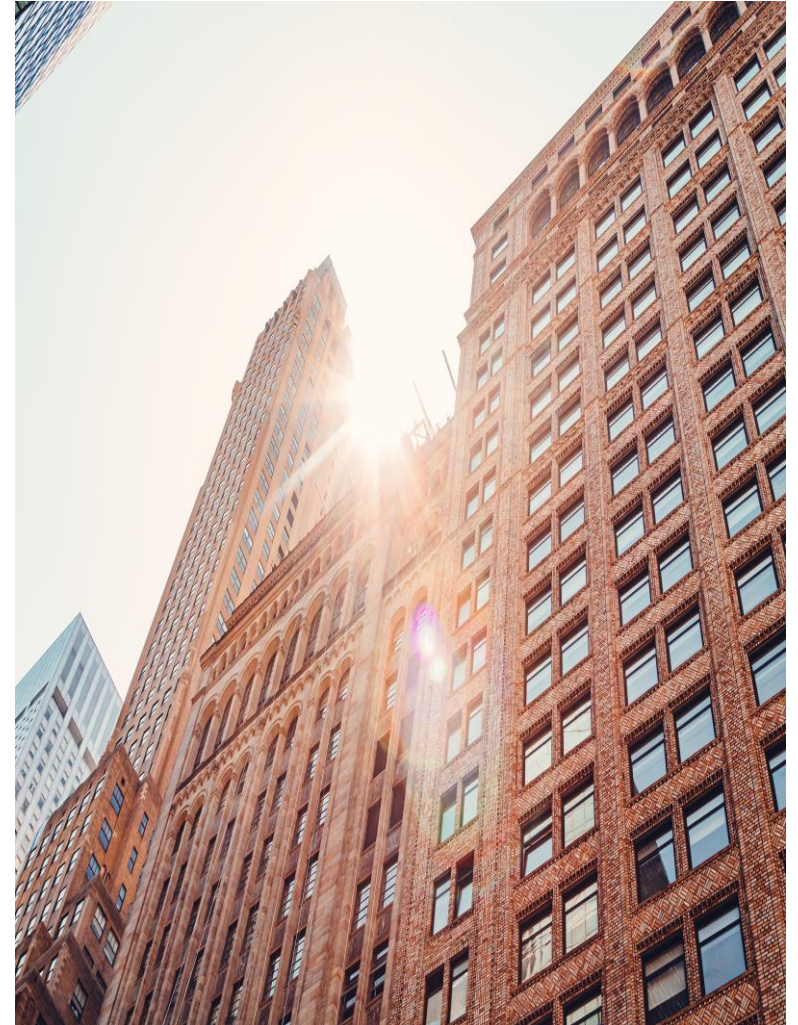
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Halton 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's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & 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 in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit & 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.



Introduction and headlines

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 property plant and equipment
- Valuation of 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 of £9.267m (PY £8.795m) for the Council, which equates to 2% of prior year gross expenditure on provision of services.

We are also obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance.

As part of our risk assessment, we have also considered the impact of unadjusted prior period errors.

We have identified the following disclosure with a lower level of materiality given heightened public interest:

- Senior officer remuneration £35k (PY £34k). This is based upon 2% of total senior officer remuneration.

Clearly trivial has been set at £0.46m (PY £0.44m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor’s Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our planning and interim audit work took place during April 2023 and our final visit will commence in September 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor’s Annual Report.

Our proposed fee for the audit will be £135,326 (PY: £134,951) for the Council, subject to the Council delivering a good set of financial statements and working papers.

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
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 controls, 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 often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue recognition risk	<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>N/A as rebutted.</p> <p>Despite revenue recognition not being a significant risk we will still undertake the following procedures to ensure that revenue included within the accounts is materially correct:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for income recognition for appropriateness and compliance with the Code • update our understanding of the Council's system for accounting for income and evaluating the design of relevant controls • undertake detailed substantive testing on the income streams in 2022/23, including sample testing of material revenue transactions • review the accounting treatment of all new income streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards
ISA240 expenditure recognition risk	<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 expenditure recognition not being a significant risk we will still undertake the following procedures to ensure that expenditure included within the accounts is materially correct:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for expenditure recognition for appropriateness and compliance with the Code • update our understanding of the Council's system for accounting for expenditure and evaluating the design of relevant controls • undertake detailed substantive testing on the expenditure streams in 2022/23, including sample testing of material expenditure transactions • review the accounting treatment of all new expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards

Significant risks identified

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 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 - Mercer) 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

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Land & Buildings	<p>The Council revalues its property assets on a rolling basis. 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 & 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 & buildings including infrastructure assets as a significant risk for the Council.</p>	<p>For assurance over the balance sheet valuation of land & buildings (including valuations undertaken by both the internal and external valuation experts), and infrastructure assets 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 • evaluate the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable • test a selection of other asset revaluations made during the year to ensure they have been input accurately into the Council's asset register, revaluation and Comprehensive Income and Expenditure Statement • 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 • for assets not formally revalued or revalued on a desktop/indexation basis only, evaluate the judgements made by management or others in determination of the value of these assets • agree the basis of revaluations relating to Assets Held For Sale.

Other risks

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.

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 • review the disclosures relating to the PFI scheme for compliance with the Code and the International Accounting Standard IFRIC12.

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

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.

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Council's financial statements, which resulted in two recommendations being reported in our 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	<p>Note 21 Assets held for sale</p> <p>Recommendation:</p> <p>In reclassifying assets to 'held for sale', the Council should ensure that Code guidance regarding AHFS valuation is followed and applied</p> <p>Background:</p> <p>An asset held for sale is incorrectly reported at its carrying value rather than the realisable value, resulting in an overstatement of £0.54m.</p> <p>As set out in note 15(d) to the financial statements "When it becomes probable that the carrying amount of an asset will be recovered through the sale of a transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value at highest and best use, less costs to sell".</p> <p>The Council has not applied the correct accounting treatment in re-classifying the asset to 'held for sale' and there is a risk that similar matters could be identified in future.</p>	<p>We await draft 2022/23 financial statements to assess whether any reclassification within Assets Held for Sale occurred and will revisit.</p>
TBC	<p>Note 33 Financial instruments</p> <p>Recommendation:</p> <p>For the 2022/23 financial statements onwards the financial instruments disclosure note should include a reconciliation the values reported in the balance sheet to aid the understanding of the reader.</p> <p>Background:</p> <p>The financial instruments note should include a reconciliation between the fair values in the note and the Balance Sheet values. This will require the non financial instruments to be identified and included as reconciling items and allow a reader of the accounts to link back to the amounts disclosed in the Balance Sheet.</p>	<p>Management's response to this recommendation was "Reconciliation between the values in the note and the Balance Sheet will be considered if appropriate and beneficial to the reader of the accounts".</p> <p>We await draft 2022/23 financial statements to assess management's view.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure on provision of services at the Council for the financial year. Planning materiality at the planning stage of our audit is £9.267m, which equates to 2% of your gross expenditure on provision of services for the prior period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> – We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £35,000, being 2% of the prior year total senior officer remuneration cost.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>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.</p>
4	<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>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 Committee 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.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>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 £0.46m (PY £0.44m). 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.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the Council's financial statements	9,267,000	Based upon financial performance of the Council using gross expenditure on provision of services for the prior year as a benchmark.
Materiality for specific transactions, balances or disclosures - senior officer remuneration	35,000	Materiality has been significantly reduced for auditing the senior officer remuneration disclosures due to the sensitive nature of these disclosures and the heightened public interest.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	<ul style="list-style-type: none"> Assessment of design and implementation of relevant IT general controls operated by the Council. To review IT general controls related to security management, development and maintenance and technology infrastructure
Northgate	Council Tax, Business Rates, Benefits, Grants	<ul style="list-style-type: none"> Assessment of design and implementation of relevant IT general controls operated by the Council
iTrent	Payroll	<ul style="list-style-type: none"> Assessment of design and implementation of relevant IT general controls operated by the Council. To review IT general controls related to security management, development and maintenance and technology infrastructure

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office –issued its latest Value for Money guidance –to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body’s arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor’s annual report.

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 Entity 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 audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity 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 an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

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

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples 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 and updated Auditing Standards including ISA 315 Revised

In 2017, 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 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure and IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £5,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Operational Director, Finance.

Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
Halton Borough Council Audit and VFM	£134,951	£135,326

Assumptions

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

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

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) 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.

All variations to the scale fee will need to be approved by PSAA

Audit fees – detailed analysis

2022/23 Scale fee published by PSAA	£96,076
Additional work on Value for Money (VfM) under the new NAO Code	£20,000
Increased audit requirements of revised ISA 540	£6,000
Enhanced audit procedures on journals testing	£3,000
FRC response – additional review requirements	£1,500
Infrastructure assets	£2,500
Payroll change of circumstances	£500
Collection Fund reliefs testing	£750
ISA 315	£5,000
Total audit fees 2022/23 (excluding VAT)	£135,326

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 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.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related 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.

No non-audit related services have been provided to the Council during 2022/23 or are planned to be provided.

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefits Subsidy Certification	28,000 (estimated)	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 £28,000 in comparison to the planned total fee for the audit of £135,326 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	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the planned total fee for the audit of £135,326 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.
Total	26,844		

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		<p>ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.</p> <p>This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.</p> <p>We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.</p> <p>Respective responsibilities</p> <p>As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud[deliberate manipulation] involving management and/or which results in material misstatement of the financial statements [not typically council tax fraud]		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	



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