

**REPORT TO:** Business Efficiency Board  
**DATE:** 24 September 2014  
**REPORTING OFFICER:** Strategic Director - Policy & Resources  
**PORTFOLIO:** Resources  
**SUBJECT:** External Audit Letter To Those Charged With Governance  
**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

1.1 To inform the Board of the response provided to the annual letter from Grant Thornton, the Council's external auditors, as part of their year-end audit of accounts work.

**2.0 RECOMMENDATION: That the response shown in Appendix 1, which has been provided to the Council's external auditors on behalf of the Board, be noted.**

## **3.0 SUPPORTING INFORMATION**

3.1 International Auditing Standards require the Council's external auditors, Grant Thornton, to raise with those charged with governance (i.e. the Business Efficiency Board) matters that may affect the Council's financial statements and to document the Board's response.

3.2 Appendix 1 presents a response to a number of questions contained in a letter from Grant Thornton to the Chair of the Board. Grant Thornton will attend the meeting and will be able to discuss the questions further with the Board if required.

## **4.0 POLICY AND OTHER IMPLICATIONS**

4.1 None.

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

5.1 None.

## **6.0 RISK ANALYSIS**

6.1 The responses to the questions in Appendix 1 set out the arrangements that the Council has in place to manage the risk of fraud and to ensure that the Council complies with relevant laws and regulations.

## **7.0 EQUALITY AND DIVERSITY ISSUES**

7.1 None.

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

8.1 There are no background papers under the meaning of the Act.

**Halton Borough Council  
Financial Statements Year-End 31<sup>st</sup> March 2014  
Business Efficiency Board Response**

	<b>Auditor Question</b>	<b>Response</b>
1.	How does the Business Efficiency Board oversee management's processes in relation to:	
	1.1 Carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error?	<p>The Council has robust arrangements in place for identifying and responding to the risk of fraud.</p> <p>There is an established risk management process and the risk of fraud is considered as part of the Council's planning processes. The Business Efficiency Board receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Register, which also details the measures in place to deter fraud. The Business Efficiency Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>The Business Efficiency Board also has specific responsibilities in regard to monitoring and reviewing the Council's anti-fraud and corruption policies and arrangements. The Board receives an annual report on the measures the Council has established to counter the risk of fraud.</p> <p>Staff responsible for preparing the financial statements are appropriately qualified and experienced and there is a rigorous quality assurance process to ensure the financial statements are free from material error.</p>

<p>1.2 Identifying and responding to the risk of breaches of internal control?</p>	<p>The Council's internal control processes are considered to be robust. Internal Audit assesses the adequacy and operation of internal controls and considers the risk of fraud as part of each audit review. Action plans are put in place to address any significant internal control weaknesses identified through the work of Internal Audit, External Audit or any other assurance providers.</p> <p>The results of each Internal audit review and follow-up reviews, are reported to the Business Efficiency Board.</p> <p>The Business Efficiency Board also reviews and approves the Council's Annual Governance Statement, which considers assurances from various sources with regard to the Council's internal control framework. In addition, the Board receives an annual report on the Council's counter fraud arrangements and activity.</p>
<p>1.3 Identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)?</p>	<p>The Internal Audit Plan approved by the Business Efficiency Board each year is risk based and focuses upon those systems and areas where it is considered there may be a greater risk of fraud. Such systems and areas include; housing benefits, council tax support, council tax discounts and exemptions, procurement, grant fraud, employee fraud, schools, and personal budgets.</p> <p>The Council has a dedicated fraud Investigation team within Revenues and Benefits Division.</p> <p>The risk of fraud is included within the Corporate Risk Register and sets out the actions which management has put in place to mitigate such risks.</p>

	<p>1.4 Communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against codes of conduct)?</p>	<p>Internal audit undertakes periodic initiatives to raise fraud awareness amongst employees and Members.</p> <p>The Council has an established Anti-Fraud &amp; Corruption Strategy, Fraud Response Plan and Confidential Reporting Code. These documents form part of the Council Constitution.</p> <p>Communications on appropriate business practice are made via the Team Brief, team meetings, e-mails to all staff and provision of e-learning on issues such as information governance.</p>
2	<p>What are the Business Efficiency Board's views about the risks of fraud?</p>	<p>The prevention and detection of fraud is extremely important throughout all of the Council's business processes and systems.</p> <p>The risk, prevention and detection of fraud are well managed within Halton and where identified appropriate steps are taken as a matter of urgency.</p>
3	<p>Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.</p>	<p>The Board is not aware of any such instances.</p>
4	<p>Do you have knowledge of any whistle-blower tips or complaints? If so, please provide details.</p>	<p>The Council has a well established whistle blowing procedure (the Confidential Reporting Code) and has arrangements in place to deal with any complaints received. All complaints received under the Code are investigated. The Board is not aware of any whistle-blower tips or complaints.</p>

5	How does the Business Efficiency Board gain assurance that all relevant laws and regulations have been complied with?	Through assurances provided by the Council's statutory Section 151 Officer and Monitoring Officer and from the Council's Annual Governance Statement.
6	Are you aware of any actual or potential litigation or claims that would affect the financial statements?	No.
7	How has the Business Efficiency Board satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	From the budget set by the Council for 2014/15 and the approach being adopted to deliver balanced budgets for 2015/16 and 2016/17 in line with the Medium Term Financial Strategy, it is not at this stage envisaged that there will be significant changes in the scale and range of services delivered by the Council over the foreseeable future. On this basis the Business Efficiency Board is satisfied that it is appropriate to adopt the Going Concern basis in preparing the 2013/14 financial statements.