



**Business Efficiency Board**

**Wednesday, 7 February 2018 at 6.30 p.m.  
Civic Suite, Town Hall, Runcorn**

A handwritten signature in black ink, appearing to read 'David W R'.

**Chief Executive**

**BOARD MEMBERSHIP**

Councillor Martha Lloyd Jones (Chair)	Labour
Councillor Joe Roberts (Vice-Chair)	Labour
Councillor John Bradshaw	Conservative
Councillor Chris Loftus	Labour
Councillor Andrew MacManus	Labour
Councillor Tony McDermott	Labour
Councillor Ged Philbin	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor John Stockton	Labour
Councillor Andrea Wall	Labour

***Please contact Angela Scott on 0151 511 8670 or e-mail [angela.scott@halton.gov.uk](mailto:angela.scott@halton.gov.uk) for further information.***

***The next meeting of the Board is to be confirmed***

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

**Part I**

<b>Item No.</b>	<b>Page No.</b>
<b>1. MINUTES</b>	<b>1 - 4</b>
<b>2. DECLARATION OF INTEREST</b>	
<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>	
<b>3. EXTERNAL AUDIT UPDATE REPORT</b>	<b>5 - 21</b>
<b>4. EXTERNAL AUDIT PLAN - 2017/18 YEAR-END</b>	<b>22 - 39</b>
<b>5. APPOINTMENT OF THE EXTERNAL AUDITOR</b>	<b>40 - 42</b>
<b>6. INTERNAL AUDIT PEER REVIEW</b>	<b>43 - 58</b>
<b>7. INTERNAL AUDIT PLAN 2018-19</b>	<b>59 - 95</b>
<b>8. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	

**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.

<b>9. INTERNAL AUDIT PROGRESS REPORT</b>	<b>96 - 154</b>
--	-----------------

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

**BUSINESS EFFICIENCY BOARD**

*At a meeting of the Business Efficiency Board held on Wednesday, 22 November 2017 at the Civic Suite, Town Hall, Runcorn*

Present: Councillors M. Lloyd Jones (Chair), Joe Roberts (Vice-Chair), J. Bradshaw, C. Loftus, MacManus, McDermott, Philbin and J. Stockton

Apologies for Absence: Councillors N. Plumpton Walsh and Wall

Absence declared on Council business: None

Officers present: E. Dawson, I. Leivesley, M. Murphy and A. Scott

Also in attendance: Mark Heap, Grant Thornton (External Auditors)

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

*Action*

**MINUTE'S SILENCE**

The Chair reported on the sad passing of Councillor Arthur Cole, who had been a member of the Board and had contributed to its work for a number of years.

The Board stood for a minute's silence as a mark of respect.

**BEB19 MINUTES**

The Minutes of the meeting held on 27 September 2017 were taken as read and signed as a correct record.

**BEB20 PROGRESS REPORT FOR THE CORPORATE RISK REGISTER 2017/18**

The Board considered a report of the Strategic Director, Enterprise, Community and Resources, which provided a progress update of actions in the Corporate Risk Register 2017/18.

The report contained a progress commentary on the management and mitigation of the corporate risk register for the year.

The Board reviewed the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements. It was reported that at Directorate level, arrangements were in place for the high-risk mitigation measures on the Directorate Risk Registers to be reviewed and updated at mid-year. Progress on these was reported to Management Team and to relevant Policy and Performance Boards.

Following a discussion by Members, it was agreed that a direction of travel indicator be included in future updates to enable the Board to better consider the risks where there had been significant changes to scoring. In addition, a report would be brought to the Board on how the Council was responding to the General Data Protection Regulations, due to be introduced in 2018.

RESOLVED: That the progress on actions be noted.

#### BEB21 EXTERNAL AUDIT UPDATE REPORT

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

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

Mark Heap, Engagement Lead from Grant Thornton, attended the meeting to present the report and then dealt with Members' questions.

RESOLVED: That the report be noted.

#### BEB22 FRAUD AND CORRUPTION UPDATE REPORT

The Board considered a report of the Operational Director, Finance, which provided an update on the Council's Fraud and Corruption arrangements.

The report provided details of:-

- reported fraud and corruption from 2016/17;
- a summary of whistleblowing complaints received;

- a summary of the results from the 2016/17 National Fraud Initiative; and
- developments in the Council's counter fraud and corruption developments.

Following a discussion by Members, it was agreed that future reports would contain comparative data for previous years.

Operational  
Director - Finance

RESOLVED: That

- 1) the fraud and corruption update be received;
- 2) the amended Anti-Fraud, Bribery and Corruption Policy and the Fraud Response Plan be incorporated into the next update of the Council's Constitution; and
- 3) the update to the Council's Fraud Sanction and Prosecution Policy be approved.

BEB23 SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

The Board considered:

- 1) whether Members of the press and public should be excluded from the meeting of the Board during consideration of the following item of business in accordance with Section 100A (4) of the Local Government Act 1972 because it was likely that, in view of the nature of the business to be considered, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972; and
- 2) whether the disclosure of information was in the public interest, whether any relevant exemptions were applicable and whether, when applying the public interest test and exemptions, the public interest in maintaining the exemption outweighed that in disclosing the information.

RESOLVED: That as, in all the circumstances of the case, the public interest in maintaining the exemption outweighed that in disclosing the information, members of the press and public be excluded from the meeting during

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

**BEB24 INTERNAL AUDIT PROGRESS REPORT**

The Board considered a report of the Divisional Manager, Audit, Procurement and Operational Finance, which provided Members with a summary of internal audit work completed since the last progress report in September 2017. The report also provided details of progress against the 2017/18 Internal Audit Plan.

It was noted that a total of eleven Internal Audit reports had been finalised since the last progress report. An overall assurance opinion was provided for each audit engagement. It was reported that there had been a number of unplanned pieces of audit work so far, although this had not had a significant impact on planned work and the audit team remained on course to substantially complete the programme of planned audits by year-end.

It was reported that the Council's internal audit arrangements were subject to a five-yearly external review to assess compliance against the standards. As previously reported, a peer review had been undertaken in September 2017, to review and assess conformance with the Public Sector Internal Audit Standards. The draft report had been received, which concluded that the Council's arrangements conformed with the Standards. The report and associated Action Plan would be reported to the February meeting of the Board.

**RESOLVED:** That the update on progress against the 2017/18 Internal Audit Plan be received.

*Meeting ended at 7.33 p.m.*

<b>REPORT TO:</b>	Business Efficiency Board
<b>DATE:</b>	7 February 2018
<b>REPORTING OFFICER:</b>	Strategic Director – Enterprise, Community & Resources
<b>PORTFOLIO:</b>	Resources
<b>SUBJECT:</b>	External Audit Update Report
<b>WARDS:</b>	Borough wide

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

- 1.1 The purpose of the report is for the Council's external auditors, Grant Thornton, to update the Board on progress made in delivering their responsibilities as the Council's external auditors and to provide a summary of emerging national issues and developments which may be relevant to the work of the Board.

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

### **3.0 SUPPORTING INFORMATION**

Grant Thornton will attend the meeting to present the report shown in the Appendix.

### **4.0 POLICY IMPLICATIONS**

None

### **5.0 FINANCIAL IMPLICATIONS**

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

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

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

None.

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

None.

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

None.

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

None.



**6.5 Halton's Urban Renewal**

None.

**7.0 RISK ANALYSIS**

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

**8.0 EQUALITY AND DIVERSITY ISSUES**

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

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

None under the meaning of the Act.

# Audit Progress Report and Sector Update

Halton Borough Council  
Year ending 31 March 2018

February 2018



# Contents

Section	Page
Introduction	03
Progress at February 2018	04
Audit Deliverables	08
Sector Update	09
Links	14

# Introduction

## Mark Heap

### Engagement Lead

T 0161 234 6375  
M 07880 456204  
E mark.r.heap@uk.gt.com

## Georgia Jones

### Engagement Manager

T 0161 214 6383  
M 07880 456 165  
E georgia.s.jones@uk.gt.com

This paper provides the Business Efficiency Board with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Business Efficiency Board can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at February 2018

## Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We are due to commence our interim audit in February 2018. Our interim fieldwork visit will include:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at the March Business Efficiency Board.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We discuss our plan and timetable with officers.

The final accounts audit is due to begin in June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in January 2018 and report this to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## Other areas

### Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

### Meetings

We met with Finance Officers in January as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. We expect the first workshop of the year to be our annual financial reporting workshop that proves popular with council finance teams.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

# Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2017/18.	April 2017	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Business Efficiency Board setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	February 2018	In progress
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Business Efficiency Board.	July 2018	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2018	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

# Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Combined Authorities: Signs of Success

In her foreword to ‘Building our Industrial Strategy’ the Prime Minister states that the initiative “will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East.”

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

## Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the leveraging in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

[Click on the report cover to download and read more.](#)



## Grant Thornton Publication

### Challenge question:

Is your Authority considering how the combined authority model may evolve?





# Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

## Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



## Grant Thornton Publication

### Challenge question:

Is your Authority considering the risks and governance issues for its commercialisation agenda?



# Code of Practice on Local Authority Accounting and IFRS 9 and IFRS 15

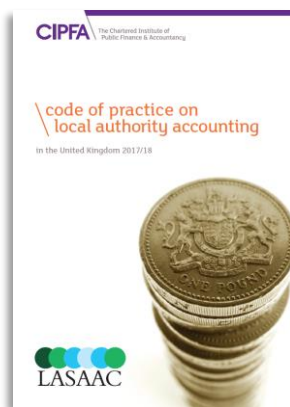
CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18 which specifies the principles and practices of accounting required to prepare a Statement of Accounts.

The main changes to the Code include:

- amendments to section 2.2 for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 to introduce key reporting principles for the Narrative Report
- updates to section 3.4 covering the presentation of financial statements to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 affecting the Housing Revenue Account, to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)
- amendments to section 6.5 relating to the Accounting and Reporting by Pension Funds, to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Alongside the Code, CIPFA has also published Guidance Notes for Practitioners and a Disclosure Checklist for 2017/18 Accounts.

These publications may be obtained from CIPFA and are available [here](#).



CIPFA/LASAAC has issued a companion publication 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'.

Looking further ahead, this sets out the changes to the 2018/19 Code in respect of [IFRS 9 Financial Instruments](#) and [IFRS 15 Revenue from Contracts with Customers](#). It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

An Early Guide for Local Authority Practitioners covering IFRS 9 Financial Instruments is to be published in December 2017.

## CIPFA Publication

### Challenge question:

Is your Operational Director – Resources aware of the changes affecting the preparation of the financial statements for 2017/18 and the forthcoming changes to financial instruments and revenue recognition.



# Overview of General Data Protection Regulation (GDPR)

## What is it?

GDPR is the most significant regulatory data protection development in 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

## What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25<sup>th</sup> May 2018.

### How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that might reasonably be used to identify a living individual, either directly or indirectly. Various unique identifiers (including online cookies and IP addresses) will likely fall within the scope of personal data

### What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

## Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

## Notifications and Rights

- Organisations must notify relevant incidents to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

## Claims and Fines

- Privacy regulators can impose penalties of up to €1 million on public sector organisations, for the most serious violations
- Individuals and representative organisations may be able to seek compensation for infringements of data protection rights

## GDPR

### Challenge question:

Can your authority effectively erase Personally Identifiable Data?

Have you appointed a Data Protection Officer?

How will your authority ensure citizens' data isn't duplicated across different information siloes without their knowledge?

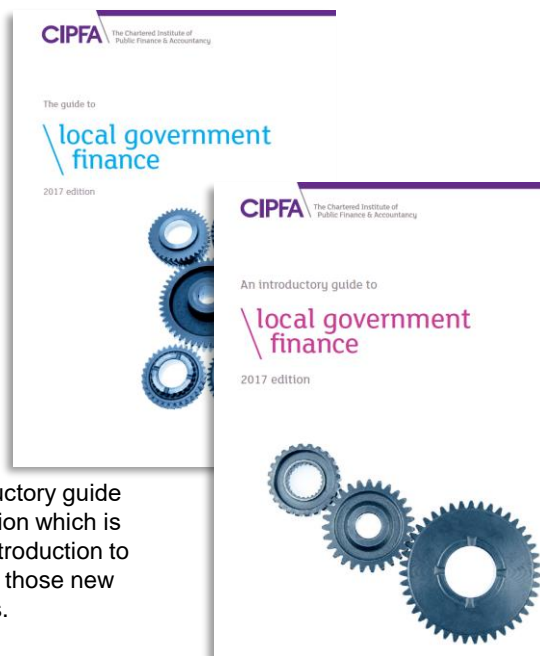
# CIPFA publications

CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.

CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.



CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

## CIPFA Publication

### Challenge question:

Are these publications of use to you?



# DCLG Consultation

## DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed [here](#).

### Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining "why" not just "what" they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

### Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

#### DCLG consultation

##### Challenge question:

- Is your Operational Director – Resources planning to respond to the consultation?



# Local Authority 2016/17 Revenue Expenditure and Financing

DCLG has produced a summary of Local Authorities' 2016/17 final outturn for revenue spending and financing. It notes that local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure.

The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.6 billion for all local authorities in England in 2016-17. This was 1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. The 2016-17 financial year was the first year where local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.4 billion of this increase is due to the Greater London Authority.

The full report is available [here](#).

## Did you know....

This data set and many others are included in CFO Insights.

CFO Insights, is the Grant Thornton and CIPFA online analysis tool.

It gives those aspiring to improve the financial position of their organisation, instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

CFO Insights

---

# Links

---

## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

## CIPFA website links

<http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition>

## DCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn>





**REPORT TO:** Business Efficiency Board

**DATE:** 7 February 2018

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

**PORTFOLIO:** Resources

**SUBJECT:** External Audit Plan - 2017/18 Year-End

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

### **1.0 PURPOSE OF REPORT**

1.1 To consider the Audit Plan relating to the 2017/18 year-end, presented by the Council's external auditor, Grant Thornton.

**2.0 RECOMMENDATION: That the contents of the External Audit Plan for 2017/18 year-end, be noted.**

### **3.0 SUPPORTING INFORMATION**

3.1 The External Audit Plan for 2017/18 year-end, including the results of the interim audit work, is attached to this report and will be presented at the Board by Grant Thornton.

### **4.0 POLICY IMPLICATIONS**

4.1 None.

### **5.0 FINANCIAL IMPLICATIONS**

5.1 The report contains details of the external audit fees for 2017/18.

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

**6.1 Children & Young People in Halton**

**6.2 Employment, Learning & Skills in Halton**

**6.3 A Healthy Halton**

**6.4 A Safer Halton**

**6.5 Halton's Urban Renewal**

There are no direct implications for the Council's priorities.

**7.0 RISK ANALYSIS**

7.1 The external audit plan is based upon Grant Thornton's risk-based approach to audit planning. The risks that have been considered as part of the opinion planning process are detailed in the attached report.

**8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 None identified.

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

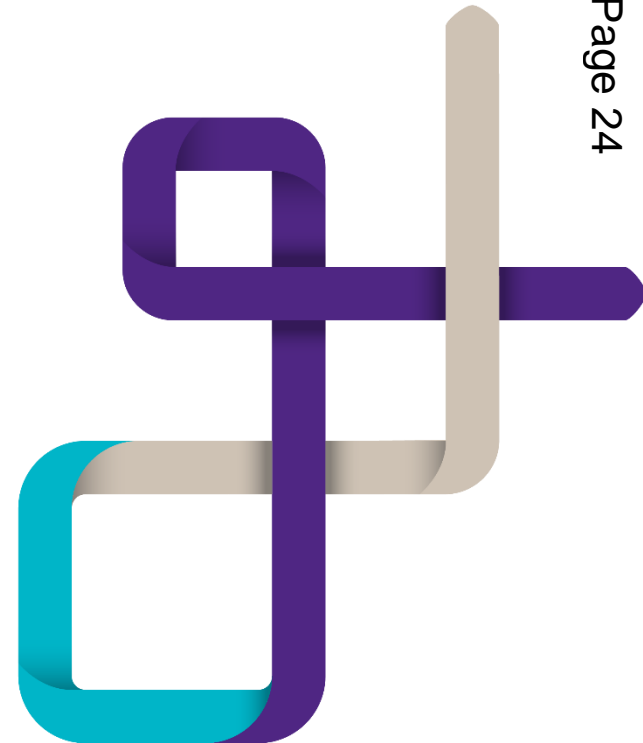
9.1 There are none under the meaning of the Act.

# External Audit Plan

*Year ending 31 March 2018*

---

Halton Borough Council  
January 2018



# Contents



## Your key Grant Thornton team members are:

Mark Heap

Engagement lead

T: 0161 234 6375

E: mark.r.heap@uk.gt.com

Georgia Jones

Manager

T: 0161 214 6383

E: georgia.s.jones@uk.gt.com

Patrick McCloskey

Executive

T: 0151 224 7200

E: patrick.j.mccloskey@uk.gt.com

## Section

1. Introduction & headlines
2. Deep business understanding
3. Significant risks identified
4. Reasonably possible risks identified
5. Other matters
6. Materiality
7. Value for Money arrangements
8. Audit logistics, team & audit fees
9. Early close
10. Independence & non-audit services

## Appendices

- A. Revised ISAs

## Page

- 3
- 4
- 5
- 7
- 8
- 9
- 10
- 11
- 12
- 13

Page 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 any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Introduction & 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 in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Halton Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

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

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

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

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

## Significant risks

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

- Management override of controls
- Valuation of pension fund liability
- Valuation of land and buildings

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £7.116m (PY: £6.902m), which equates to 2% of your gross expenditure for the 2016/17 year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £355k (PY: £250k).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial position and sustainability

## Audit logistics

Our interim visit will take place in February and our final visit will take place in June / July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £105,294 (PY: £105,294) for the Council.

## Independence

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

# Deep business understanding

Changes to service delivery	Changes to financial reporting requirements	Key challenges
<p><b>Commercialisation</b></p> <p>The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version is due to be published in December 2017.</p>	<p><b>Accounts and Audit Regulations 2015 (the Regulations)</b></p> <p>The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.</p> <p>Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.</p> <p><b>Changes to the CIPFA 2017/18 Accounting Code</b></p> <p>CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.</p>	<p><b>Financial pressures</b></p> <p>The Council set a balanced budget for 2017/18 and at the latest review of budget performance the Council was forecasting a £3-4m over spend against budget mainly due to pressures on Children's Social Services and Adult Social Services.</p> <p>Plans have been put into place to try to reduce the potential over spend before the end of the year. The Council is in the process of setting the budget for 2018/19.</p>

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.

# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Halton Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Halton Borough Council.</p>
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li> <li>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness</li> <li>• evaluate the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of pension fund net liability</b>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▪ identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>▪ evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out</li> <li>▪ undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>▪ check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary</li> </ul>
<b>Valuation of land and buildings</b>	<p>The Council revalues its land and buildings on a rolling quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>▪ review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>▪ consider the competence, expertise and objectivity of any management experts used.</li> <li>▪ discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>▪ review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>▪ test revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>▪ 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.</li> </ul>



# Reasonably possible risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Completeness of employee remuneration</b>	<p>Payroll expenditure represents a sizeable percentage (16%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness;</li> <li>• gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls;</li> <li>• obtain year-end payroll reconciliation and ensure amount in accounts can be reconciled to ledger and through to payroll reports. Investigate significant adjusting items.</li> <li>• agree payroll related accruals (e.g. unpaid leave accrual) to supporting documents and review any estimates for reasonableness</li> <li>• perform substantive analytical review</li> </ul>
<b>Completeness of non-pay operating expenses</b>	<p>Non-pay expenses on other goods and services also represents a significant percentage (58%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness;</li> <li>• gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;</li> <li>• obtain and review the year-end reconciliation, and investigate any significant reconciling items</li> <li>• test a sample of non-pay payments made in April to test whether they are accounted for in the correct year</li> <li>• test a sample of non pay expenditure to confirm it is accurately accounted for in the financial statements</li> </ul>

---

# 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 carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

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

# Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

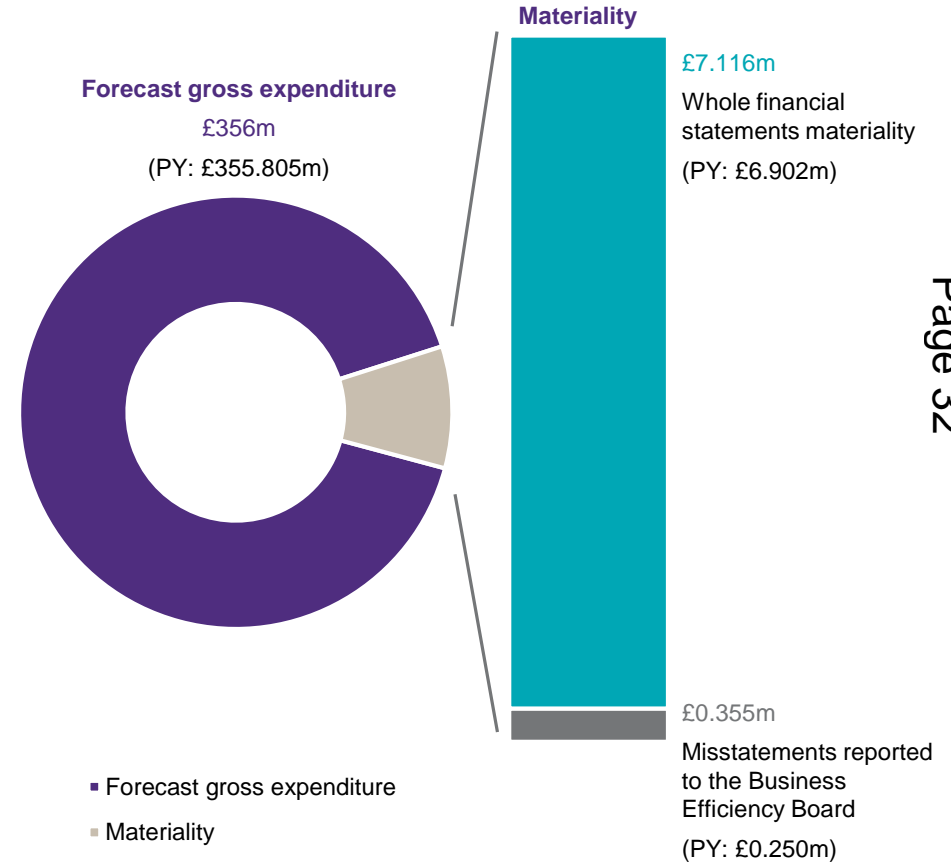
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £7.116m (PY £6.902m), which equates to 2% of your gross expenditure in 2016/17. We design our procedures to detect errors in specific accounts at a lower level of precision - for Senior Officer Remuneration our level of materiality will be £5k and Related Party transactions our level of materiality will be £20k

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

## Matters we will report to Business Efficiency Board

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Business Efficiency Board any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £355k (PY £250k).

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



# Value for Money arrangements

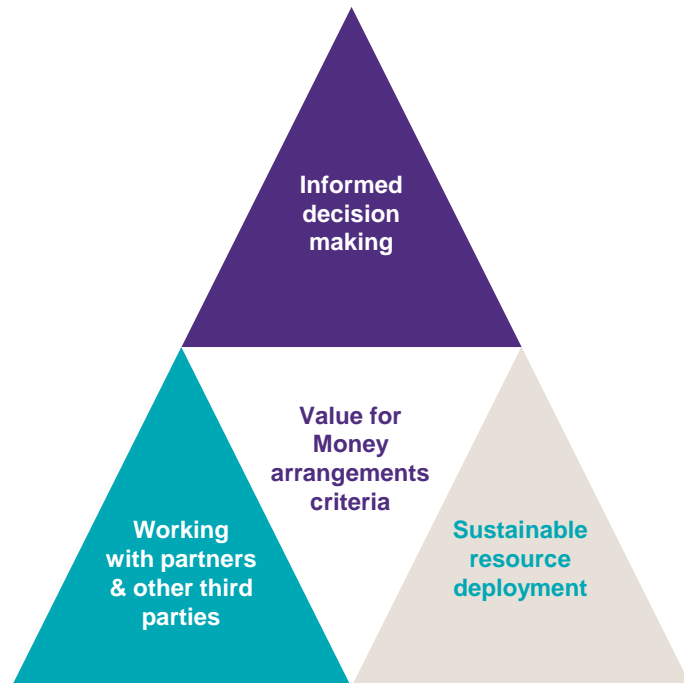
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

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



### Financial position and sustainability

The Council does not have a history of financial difficulty but the position is beginning to become more challenging.

At the latest review of budget performance the Council was forecasting a £3-4m over spend against budget mainly due to pressures on Children’s Social Services and Adult Social Services. Plans have been put into place to try to reduce the potential over spend before the end of the year. The Council is in the process of setting the budget for 2018/19 .

We will review budget monitoring reports and updates to the Medium Term Financial Plan. We will discuss with officers plans to address future potential budget gaps and how the Council is identifying, managing and monitoring financial risks. We will continue to review and monitor revenue and capital reports.

# Audit logistics, team & audit fees



## Our team

### Mark Heap, Engagement Lead

Mark 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.

### Georgia Jones, Audit Manager

Georgia plans, manages and leads the delivery of the audit, is your key point of contact for your Finance team and is your the first point of contact for discussing any issues.

### Patrick McCloskey, Audit Incharge

Patrick's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on-site audit team

## Audit fees

The planned audit fee is £105,294 (PY: £105,294) for the financial statements audit. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Early close

## Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

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

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

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

We confirm 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 December 2016 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.

## Non-audit services

The following non-audit services were identified:

Service	Fees £	Threats	Safeguards
<b>Audit related</b>			
Mersey Gateway (Department for Transport)	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £105,294 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 mitigate the perceived self-interest threat to an acceptable level.
Teachers' Pension return	3,750	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 £3,750 in comparison to the total fee for the audit of £105,294 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 mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related</b>			
CFO Insights	12,500	Self-Interest (because this is a recurring fee)	The fee is a subscription, planned to be recurring, and is therefore high self-interest threat. However, the fee for this work is negligible in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. It is also a fixed fee with no contingent element. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

---

# Appendices

## A. Revised ISAs



# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

<b>Section of the auditor's report</b>	<b>Description of the requirements</b>
<b>Conclusions relating to going concern</b>	We will be required to conclude and report whether: <ul style="list-style-type: none"><li>• The directors use of the going concern basis of accounting is appropriate</li><li>• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.</li></ul>
<b>Material uncertainty related to going concern</b>	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
<b>Other information</b>	We will be required to include a section on other information which includes: <ul style="list-style-type: none"><li>• Responsibilities of management and auditors regarding other information</li><li>• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation</li><li>• Reporting inconsistencies or misstatements where identified</li></ul>
<b>Additional responsibilities for directors and the auditor</b>	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
<b>Format of the report</b>	The opinion section appears first followed by the basis of opinion section.



**REPORT TO:** Business Efficiency Board

**DATE:** 7 February 2018

**REPORTING OFFICER:** Operational Director – Finance

**SUBJECT:** Appointment of the External Auditor

**PORTFOLIO:** Resources

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

### **1.0 PURPOSE OF REPORT**

- 1.1. The purpose of the report is to confirm the appointment of the Council's external auditors, following the procurement process undertaken by Public Sector Audit Appointments Limited (PSAA). This follows the closure of the Audit Commission and the end of transitional arrangements at the conclusion of the 2017/18 audits.

**2.0 RECOMMENDATION: That the appointment of Grant Thornton (UK) LLP as the Council's external auditors, for five years commencing on 1<sup>st</sup> April 2018, be noted.**

### **3.0 BACKGROUND**

- 3.1 The Local Audit and Accountability Act 2014 abolished the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.
- 3.2 The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is now managed by PSAA. PSAA is an independent, not-for-profit company limited by guarantee, established by the Local Government Association.
- 3.3 The transitional arrangements for the Council's external audit will expire at the end of the 2017/18 accounts audit. On 7<sup>th</sup> December 2016 the Council decided to opt-in to a sector-led procurement of external auditors to be undertaken by PSAA.
- 3.4 A report was presented to the Board on 27 September 2017 as the procurement process had been completed and Grant Thornton had been awarded the contract for the Council's external audit. This was however still subject to a consultation period.
- 3.5 On 14<sup>th</sup> December the PSAA Board confirmed that following the consultation period the appointment has now been confirmed. Grant Thornton has therefore been awarded the contract for the Council's external audit, commencing on 1st April 2018 for five years.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The external audit scale fees for 2018/19 will be announced shortly and are expected to be around 23% lower than last year following the procurement exercise.

#### **5.0 LEGAL IMPLICATIONS**

- 5.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment, including that the authority must consult and take account of the advice of its Auditor Panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.

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

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

None.

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

None.

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

None.

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

None.

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

None.

#### **7.0 RISK ANALYSIS**

- 7.1 The appointment of a robust external auditor is an important decision as high quality, independent audit is one of the cornerstones of public accountability, providing assurance that taxpayers' money has been well managed and properly expended. It also inspires trust and confidence in the organisations and people responsible for managing public money

#### **8.0 EQUALITY AND DIVERSITY ISSUES**

- 8.1 None.

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

9.1 There are none under the meaning of the Act.

**REPORT TO:** Business Efficiency Board

**DATE:** 7 February 2018

**REPORTING OFFICER:** Divisional Manager – Audit, Procurement & Operational Finance

**SUBJECT:** Internal Audit Peer Review

**PORTFOLIO:** Resources

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

### **1.0 PURPOSE OF REPORT**

- 1.1 It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that an external assessment of the Council's internal audit arrangements should be carried out every five years.
- 1.2 In order to fulfil this requirement, an independent peer review of the Council's internal audit arrangements was conducted in September 2017 by senior Internal Audit representatives from other North West authorities. The purpose of this report is to inform the Board of the outcome of that review.

### **2.0 RECOMMENDATION:**

**That the Board consider the contents of the attached peer review report which confirms that the Council conforms to the Public Sector Internal Audit Standards.**

### **3.0 OVERALL CONCLUSIONS FROM PEER REVIEW**

- 3.1 The approach taken, findings and agreed actions from the peer review are set out within the attached report. The report concludes that the Council's internal audit arrangements conform to the PSIAS. The main conclusion also stated that:

*'From discussion with the Chief Executive, Strategic Director - Enterprise, Community and Resources, Section 151 Officer and the Chair of the Business Efficiency Board, it was evident that Internal Audit are held in high regard within the Council. It was also clear that Internal Audit are perceived to add value to the effectiveness of the governance, internal control and risk management framework and this was supported by all stakeholder questionnaires.'*

- 3.2 A small number of actions were agreed to further develop conformance with the PSIAS (see Appendix 3 of the attached report). These covered:

- Making some minor amendments to the Council's Internal Audit Charter;
- Formalising the supervision arrangements for the Head of Internal Audit through undertaking a formal Employee Development Review (EDR);
- Developing additional performance indicators for the internal audit function;

- Establishing a review cycle for the Internal Audit Methodology Manual and Methodology Overview;
- Completing an assurance mapping process to assist audit planning;
- Making some content and presentational amendments to the Internal Audit Annual Report.

3.3 During the peer review four additional recommendations were agreed (see Appendix 4 of the attached report). Whilst these specific points are out of scope of the PSIAS, they are considered contributory to the overall effectiveness and efficiency of the internal audit service.

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 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**

The provision of an effective internal audit service that conforms to the PSIAS supports the achievement of all the aims and objectives set out in the Corporate Plan.

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

See 5.1

##### **5.3 A Healthy Halton**

See 5.1

##### **5.4 A Safer Halton**

See 5.1

##### **5.5 Halton's Urban Renewal**

See 5.1

#### **6.0 RISK ANALYSIS**

This report is for information purposes only. However, the results of the peer review provide independent assurance that the Council's internal audit arrangements conform to the PSIAS. Failure to conform to the PSIAS could potentially compromise the quality of the assurance provided by internal audit over the Council's risk management, governance and control arrangements.

#### **7.0 EQUALITY AND DIVERSITY ISSUES**

None

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

None



**HALTON BOROUGH COUNCIL**

**PEER REVIEW OF INTERNAL AUDIT AGAINST THE UK PUBLIC  
SECTOR INTERNAL AUDIT STANDARDS**

**CARRIED OUT BY**

**Barbara Aspinall  
Colin Ferguson**

**ASSESSMENT DATES: 21<sup>st</sup> to 26<sup>th</sup> September 2017  
DRAFT REPORT DATE: 27<sup>th</sup> October 2017  
FINAL REPORT DATE: 4<sup>th</sup> December 2017**

**Halton Borough Council**  
**Peer Review of Internal Audit against the UK Public Sector Internal Audit Standards**

**1 Introduction**

- 1.1 All principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2015 (amended), the Accounts and Audit (Wales) regulations 2005, section 95 of the Local Government (Scotland) Act 1973 and the Amendment to the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the (CIPFA) Local Government Application Note.
- 1.2 A professional, independent and objective internal audit service is one of the key elements of good governance in local government.
- 1.3 The PSIAS require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
- 1.4 The North West Chief Audit Executives' Group (NWCAE) has established a 'peer-review' process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by 'self-assessment with independent external validation' and this report presents the summary findings of the review carried out on behalf of Halton Borough Council.
- 1.5 "An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs." This review has been carried out by the Heads of Internal Audit from St Helens Council and Blackburn with Darwen Borough Council. Their 'pen pictures', outlining background experience and qualifications, are included at **Appendix 1**.

**2 Approach/Methodology**

- 2.1 The NWCAE Group has agreed a detailed Memorandum of Understanding (MoU) that outlines the broad methodology for the conduct of this review. A copy of the MoU is available upon request. However, in summary, the key elements of the process are:
  - The peer review is undertaken in three stages: pre-review; on-site review; post-review and covers audit activity during the period covered in the latest Chief Internal Auditor's Internal Audit Annual Report related Opinion. For example, reviews commencing after 1 July 2017 will cover the audit year 1 April 2016 to 31 March 2017.

- Each authority is required to complete and share its self-evaluation of the Internal Audit service together with any relevant supporting evidence/documentation in advance of on-site review commencement. The NWCAE Group has agreed that the self-assessment will use the **CIPFA Local Government Application Note (LGAN)** questionnaire. Typically, supporting evidence will include the Internal Audit Plan and Charter, the Head of Internal Audit Annual Report and Opinion, Quality Assurance & Improvement Programme and examples of final audit reports.
- To support the on-site review, a customer survey form will be issued to key personnel within the authority being reviewed prior to the on-site visit.
- The review itself comprises a combination of ‘desktop’ and ‘actual on-site’ review.
- The review cannot reasonably consider all elements of the LGAN self-assessment and the review team must use the ‘desktop’ period to determine strengths, weaknesses and subsequent key lines of enquiry in order that the review itself is risk-based, timely and adds real value. Each authority will be assessed against the four broad themes of: Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- Upon conclusion, the review team offers a ‘true and fair’ judgement and it is proposed that each Authority will be appraised as **Conforms, Partially Conforms** or **Does Not Conform** against each thematic area of the LGAN, from which an aggregation of the four themed scores gives an overall Authority score.

### 3 Summary Findings

3.1 Following a detailed moderation process, the review team has concluded the following judgements:

Area of Focus	Judgement
Purpose & Positioning	Conforms
Structure & Resources	Conforms
Audit Execution	Conforms
<b>Overall Judgement</b>	<b>Conforms</b>

3.2 Assessment against the individual elements of each area of focus is included in the table at **Appendix 2** and a summary of the areas for consideration to improve / develop the service is identified within the action table at **Appendix 3**.

3.3 Additional points for consideration identified during the review that are out of scope of the Standards / LGAN requirements but are contributory to the overall effectiveness and efficiency of the internal audit service are presented in the table at **Appendix 4** of the report for information and consideration only.

## 4 Observations and Recommendations

### 4.1 Attribute Standards

#### 1000 Purpose, Authority and Responsibility

##### 4.1.1 Positioning

From discussion with the Chief Executive, Strategic Director Enterprise, Community and Resources, Section 151 Officer and the Chair of the Business Efficiency Board, it was evident that Internal Audit are held in high regard within the Council. It was also clear that Internal Audit are perceived to add value to the effectiveness of the governance, internal control and risk management framework and this was supported by all stakeholder questionnaires.

##### 4.1.2 Internal Audit Charter

An Internal Audit Charter is in place which conforms with most of the requirements under the PSIAS. However there are a number of areas where it could be improved to fully conform to the requirements of the Standards.

- Whilst we acknowledge that the Charter is included in the Constitution, which is reviewed and approved annually by full Council, there is no set review cycle for the Charter itself. In addition, it should be presented to the Business Efficiency Board (BEB) for formal approval, in its role as the Council's Audit Committee and its responsibility for overseeing the work of Internal Audit;
- The mandatory requirement for the Internal Audit function to comply with the requirements of the PSIAS should be explicitly stated;
- The role of the Council's statutory officers with regards to Internal Audit should be set out; and
- Whilst the Charter notes that the role of Internal Audit is set out in various Council documents in respect of fraud related matters, which are referenced in the Charter, it does not note the requirement for Internal Audit to be notified of all suspected or detected fraud, corruption or impropriety.

4.1.3 We therefore recommend that the Internal Audit Charter is updated to reflect the above requirements **(Recommendation 1)**.

#### 1110 Organisational Independence

4.1.4 The Council has an annual Employee Development Review (EDR) process with regard to performance appraisal. We confirmed with the Section 151 Officer and the Chief Internal Auditor that although an EDR has not been undertaken, there are regular informal feedback channels in place. In the absence of an EDR, no formal process exists for formal feedback to be sought from the Chief Executive or the BEB Chair to inform an annual appraisal or performance review of the Chief Internal Auditor. A more formal process would facilitate positive feedback as well as allowing any concerns or areas for improvement identified to be recorded. **(Recommendation 2)**

1311 Internal Assessments

4.1.5 Performance in terms of the delivery of internal audit work is reported quarterly to the BEB. Whilst two general performance targets are included in the suite of finance performance indicators reported to the Corporate Policy and Performance Board, there are no specific performance targets in place with regard to audit activity. Customer satisfaction feedback is regularly obtained but only limited reference is made to this in the reports to the BEB.

4.1.6 We therefore recommend that appropriate performance targets are developed, including the results from stakeholder feedback, and agreed with the BEB. Performance against these should then be monitored and reported on in the Annual report as a minimum. In year performance and an explanation of any variances and actions, could also be included in the Internal Audit Progress Reports to the BEB.  
**(Recommendation 3)**

**4.2 Performance Standards**

4.2.1 2040 Policies and Procedures

An Audit Methodology Manual and Methodology Overview have been documented, however, the documents are not dated and no review cycle has been determined. Therefore, there is no evidence of regular review and documents may not reflect changes in working practices and standards. **(Recommendation 4)**

2050 Coordination

4.2.2 The Internal Audit Plan notes that other sources of assurance may be taken into consideration in order to ensure the best use of audit resources in carrying out specific assignments, and the Chief Internal Auditor has confirmed that he does take account of these. However, no formal documented assurance mapping exercise has been carried out to evidence the overall approach to using other sources of assurance and any work that may be required to place reliance on those sources. Therefore an effective and comprehensive mapping exercise should be carried out.  
**(Recommendation 5)**

2450 Overall Opinion

4.2.3 Confirmation in the Internal Audit Annual Report regarding any limitations placed on the work of internal audit, including any restrictions in the scope of work carried out during the year, is limited to the impact of any reduction in staff resources available during the year on the delivery of the planned number of days.

4.2.4 In addition, the Report does not include a comparison of the reviews actually carried out during the year relative to the original plan approved by the BEB.

- 4.2.5 We therefore recommend that the annual reporting arrangements are updated to include details of any restrictions placed on the scope of the audit work, or confirmation that none has occurred, and a comparison of planned audit reviews and activity against actual coverage achieved. **(Recommendation 6)**

**Review Team**

**Barbara Aspinall (BA Hons / CIPFA DPA)**

Barbara has the Chartered Institute of Public Finance and Accountancy Diploma in Public Audit and the Association of Accounting Technicians qualification. Barbara has over twenty five years internal audit experience in the local government sector and is currently Audit Manager at St Helens Council.

**Colin Ferguson (BCom / FCCA)**

Colin is a fully qualified member of the Association of Chartered Certified Accountant with 26 years' experience of internal audit in the local government sector. He is currently Head of Audit & Assurance for Blackburn with Darwen Borough Council. Colin started his finance career working for KPMG in external audit in the private sector. Prior to joining Blackburn Colin worked in internal audit with Lancashire County Council.

# Detailed Assessment

PSIAS Ref		Conforms	Partially conforms	Does not conform	Comments
	<b>Purpose &amp; positioning</b>				
1000	Remit	X			Paragraph 4.1.2 Recommendation 1
1000	Reporting lines	X			
1110	Independence	X			Paragraph 4.1.3 Recommendation 2
2010	Risk based plan	X			
2050	Other assurance providers		X		Paragraph 4.2.2 Recommendation 5
	<b>Structure &amp; resources</b>				
1200	Competencies	X			
1210	Technical training & development	X			
1220	Resourcing	X			
1230	Performance management		X		Paragraph 4.1.5 Recommendation 3
1230	Knowledge management	X			
	<b>Audit execution</b>				
1300	Quality Assurance & Improvement Programme	X			
2000	Management of the IA function	X			Paragraph 4.2.1 recommendation 4
2200	Engagement Planning	X			
2300	Engagement delivery	X			
2400	Reporting	X			
2450	Overall opinion	X			Paragraph 4.2.5 Recommendation 6

<b>Conforms</b>	<b>x</b>	Partially Conforms		Does Not Conform	
-----------------	----------	--------------------	--	------------------	--



## Halton Borough Council Internal Audit Service – PSIAS Action Table

The following points for consideration to develop the Audit Function arise from the review undertaken:

PSIAS Ref	Rec No.	Points for Consideration	Responsible	Action
1000	1	<p>The Audit Charter should be updated and:</p> <ul style="list-style-type: none"> <li>• Have a date for review identified;</li> <li>• Be formally presented to the BEB for approval;</li> <li>• Needs to make reference to the responsibility of Statutory Officers, with regards to Internal Audit; and</li> <li>• Needs to note the requirement for Internal Audit to be notified of any suspected or detected fraud, corruption or impropriety.</li> </ul>	Divisional Manager – Audit, Procurement & Operational Finance	<p>Internal Audit Charter to be updated as per recommendation. The updated document will be presented to the Business Efficiency Board.</p> <p>Date: February 2018</p>
1110	2	<p>The Chief Internal Auditor should have a formal, annual EDR with the Section 151 Officer and consideration should be given to obtaining formal feedback from the Chief Executive and BEB Chair to inform this process.</p>	Operational Director – Finance	<p>A formal annual EDR will be undertaken and feedback obtained from the Chair of the Business Efficiency Board and the Chief Executive.</p> <p>Date: September 2018</p>

<b>1311</b>	3	Comprehensive performance measures should be developed in consultation with appropriate parties. These should be used for monitoring and reporting to the BEB to inform it of Internal Audit performance, including activity relative to the plan.	Divisional Manager – Audit, Procurement & Operational Finance	Additional performance indicators to be developed and will be set out in the 2018/19 Audit Plan and reported against in the Head of Internal Audit Annual Report.  Date: February 2018
<b>2040</b>	4	A review cycle should be established for the Internal Audit Methodology Manual and Methodology Overview and the date of the next review recorded on the relevant documentation.	Divisional Manager – Audit, Procurement & Operational Finance	Completed - Annual review process implemented.
<b>2050</b>	5	An assurance mapping exercise should be carried out and documented.	Divisional Manager – Audit, Procurement & Operational Finance	To be done as part of the preparation of the 2019/20 Audit Plan  Date: February 2019

2450	6	<p>The Internal Audit Annual Report should include the following:</p> <ul style="list-style-type: none"> <li>• The details of any limitations placed on Internal Audit during the year, including impairments in the performance of its work, or restrictions in the scope of any work undertaken, or confirmation that none have occurred;</li> <li>• A comparison of the actual reviews and audit activity carried out relative to the planned coverage and activity originally approved by the BEB at the start of the year; and</li> <li>• The Safeguarding Internal Audit Independence Report, presented to the BEB in June 2017, noted that there are external forms of assurance over the business areas for which the Chief Internal Auditor has management responsibility. However, apart from the results from the work of the external auditor, the results from these assurance processes are not presented to the BEB. The results of these assurances could also be referenced in the Head of Audit Annual Report to provide additional confirmation regarding the effectiveness of the operation of the risk, governance and control framework in place within the Council.</li> </ul>	Divisional Manager – Audit, Procurement & Operational Finance	<p>The content of the Head of Internal Audit Annual Report to be amended to incorporate the issues referred to in the recommendation.</p> <p>Date: July 2018</p>
------	---	---	---	--

### Halton Borough Council Internal Audit Service – Additional Development Action Table

During the review the following additional points for consideration were discussed with the Chief Internal Auditor. Whilst these specific points are out of scope of the Standards / LGAN requirements, they are nonetheless contributory to the overall effectiveness and efficiency of the Internal Audit service and are presented in this report for information and consideration only:

PSIAS Ref	Rec No.	Points for Consideration	Responsible	Action
1000	Additional Comment	The Internal Audit Plan, approved by the BEB in February, refers to the arrangements in place to mitigate any impairment to Internal Audit's independence and objectivity as a result of the Chief Internal Auditor's responsibility for other business functions. The Internal Audit Annual Report should include confirmation that the agreed arrangements have operated effectively during the previous year.	Divisional Manager – Audit, Procurement & Operational Finance	To be implemented as per recommendation Date: July 2018
1100	Additional Comment	Consider changing the Reporting Officer for the internal audit reports presented to the BEB from the Operational Director - Finance to the Divisional Manager – Audit, Procurement and Finance. This will highlight the status of his role as Chief Internal Auditor and make the independence of Internal Audit more transparent.	Divisional Manager – Audit, Procurement & Operational Finance	Already actioned

2040	Additional Comment	Sampling guidance should be developed, and communicated to staff, covering the approach to take and sample sizes that should be used for audit testing to ensure that there is consistency by staff across all audit work.	Divisional Manager – Audit, Procurement & Operational Finance	The approach to testing and sample sizes is agreed for each audit. However, additional guidance will be included in the Internal Audit Methodology Manual and Methodology Overview.  Date: April 2018
2410	Additional Comment	Definitions of the three grades used for internal audit recommendations should be included in the Internal Audit Plan, Annual Report and individual review reports so that readers of the reports understand the distinction between the different categories.	Divisional Manager – Audit, Procurement & Operational Finance	Completed: Internal audit report template updated
2450	Additional Comment	The annual opinion should be reworded to make it clearer to the reader whether or not there are any qualifications to the opinion provided arising from the internal audit work carried out during the year, and whether or not there are any issues identified which the Chief Internal Auditor considers are relevant to the preparation of the Annual Governance Statement.	Divisional Manager – Audit, Procurement & Operational Finance	The wording will be reviewed as part of the preparation of the 2017/18 Annual Report.  Date: July 2018

**REPORT TO:** Business Efficiency Board

**DATE:** 7 February 2018

**REPORTING OFFICER:** Divisional Manager – Audit, Procurement & Operational Finance

**SUBJECT:** Internal Audit Plan – 2018/19

**WARDS:** Borough-wide

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

This report seeks the Board's approval for the planned programme of internal audit work for 2018/19.

### **2.0 RECOMMENDATION: That the Board**

- 1) Considers and approve the proposed Internal Audit Plan for 2018/19; and**
- 2) Approves the updated Internal Audit Charter.**

### **3.0 SUPPORTING INFORMATION**

- 3.1 A risk-based Audit Plan has been prepared in accordance with relevant professional guidance, i.e. the Public Sector Internal Audit Standards (PSIAS). The plan sets out the proposed internal audit activity for 2018/19.
- 3.2 The plan is designed to enable internal audit to deliver an overall opinion on the Council's risk management, control and governance arrangements. In prioritising audit coverage account has therefore been taken of the Council's corporate objectives and the overall assurance framework.
- 3.3 In preparing the plan consultation has taken place with senior management, external audit and the Chair of the Business Efficiency Board. The plan has also incorporated a number of reviews originally included in the 2017/18 Audit Plan that could not be completed during the year due to capacity issues.
- 3.4 The draft Audit Plan for 2018/19 is attached as an appendix to this report. The document provides information on the role of internal audit and the factors taken into account in developing the plan.
- 3.5 A total of 1,060 days of audit work are planned for 2018/19. This level of resource is based on a forecast staffing establishment of 5.21 FTE staff. The planned coverage is considered sufficient to deliver a robust annual audit opinion.
- 3.6 Performance against the Audit Plan will be kept under review throughout the year and quarterly progress reports will be provided to the Business Efficiency Board.

- 3.7 Internal Audit will continue to 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.

#### **4.0 INTERNAL AUDIT CHARTER**

- 4.1 The Public Sector Internal Audit Standards require that the internal audit service is delivered and developed in accordance with the internal audit charter. In Halton the Council has formally agreed that the provisions relating to internal audit set out in section 6.2 of Finance Standing Orders constitute the Council's internal audit charter.
- 4.2 The recent peer review of internal audit recommended that the charter was updated as follows:
- Include a date for review;
  - Be formally presented to the Business Efficiency Board for approval;
  - Include reference to the responsibility of the statutory officers with regards to Internal Audit;
  - Includes mention of the requirement for Internal Audit to be notified of any suspected or detected fraud, corruption or impropriety.
- 4.3 The charter has been updated to reflect these suggestions. The updated version is attached to this report and the revisions will be proposed as part of the current review of the Council Constitution.

#### **5.0 POLICY IMPLICATIONS**

Delivery of the Audit Plan will provide assurance that the policies and procedures established by the Council are implemented and remain appropriate.

#### **6.0 OTHER IMPLICATIONS**

- 6.1 The Council is required to comply with the requirements of the Accounts and Audit Regulations 2015, regarding its "arrangements to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".
- 6.2 Internal audit work supports the Operational Director – Finance in discharging his statutory responsibilities as Section 151 Officer in terms of ensuring the proper administration of the Council's financial affairs.
- 6.3 Internal audit work provides one of the key sources of assurance to the Chief Executive and Leader of the Council who are jointly required to sign the Annual Governance Statement (AGS). The purpose of the AGS is to declare the extent to which the Council complies with the principles of good governance.
- 6.4 There are no additional resource implications arising from this report.

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

- 7.1 Internal audit work supports the delivery of all the Council's priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds.
- 7.2 The Audit Plan has been designed to provide assurance over the adequacy of the arrangements established to mitigate risks that may threaten the delivery of the Council's priorities.

## **8.0 RISK ANALYSIS**

- 8.1 The work of Internal Audit forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.
- 8.2 The Public Sector Internal Audit Standards require the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems and controls.
- 8.3 Changes to planned work may therefore become necessary during the year. Minor changes will be agreed with the Operational Director – Finance. Any significant matters that jeopardise completion of the plan or require substantial changes to it will be reported to the Board.

## **9.0 EQUALITY AND DIVERSITY ISSUES**

None identified.

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

Public Sector Internal Audit Standards.



2018/19

Internal Audit Plan



- 1.1 This document summarises the results of Internal Audit’s planning work. It sets out details of the:
- Responsibilities and scope of internal audit
  - Resourcing and delivery of the Council’s internal audit service
  - Arrangements for reporting internal audit work
  - Proposed programme of work for 2018/19 (the Audit Plan)
- 1.2 The Audit Plan for 2018/19 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector.
- 1.3 The Council has adopted the PSIAS definition of internal auditing:
- ‘Internal auditing is 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’.
- 1.4 In accordance with PSIAS, the mission of internal audit is to ‘enhance and protect organisational value by providing risk-based and objective assurance, advice and insight’.
- 1.5 The work of internal audit is a key element in delivering the Council’s strategic priority of corporate effectiveness and business efficiency, but also supports the Council in achieving all the aims and objectives set out in the Corporate Plan.
- 1.6 The PSIAS require that the internal audit service is delivered and developed in accordance with the internal audit charter. The Council has formally agreed that the provisions relating to internal audit set out in section 6.2 of Finance Standing Orders constitute the Council’s internal audit charter. Some minor revisions have been made to the Internal Audit Charter following the recent peer review of Internal Audit. These changes will be included within the forthcoming annual review of the Council Constitution. The updated version of the Internal Audit Charter is attached after this report.

# INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

## 2.1 Responsibilities of internal audit

The internal audit function is responsible for:

- Reviewing and developing the Council’s governance processes. Specifically, this includes:
  - Promoting appropriate ethics and values within the Council
  - Supporting effective organisational performance management and accountability
  - Communicating risk and control information to appropriate areas of the organisation
  - Coordinating the activities of, and communicating information among, the Business Efficiency Board, external audit, internal audit and management
- Evaluating the effectiveness of the Council’s risk management processes and contributing to their improvement
- Assisting in the maintenance and development of an effective control environment by providing robust independent assurance over its operation.

## 2.2 Responsibilities of management

The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by internal audit can reduce risk and improve systems of control. However, the implementation of audit recommendations cannot eliminate risk entirely.

## 2.3 Responsibilities of the Business Efficiency Board

In regard to internal audit, the Business Efficiency Board is responsible for:

- Approving, but not directing, internal audit’s strategy, plan and monitoring performance
- Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary
- Receiving and considering the Head of Internal Audit’s annual report.

### INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

#### 2.4 Responsibilities for fraud prevention and detection

The primary responsibility for the prevention and detection of fraud rests with management. Management's responsibilities include creating an environment where fraud is not tolerated, identifying fraud risks, and taking appropriate actions to ensure that controls are in place to prevent and detect fraud.

It is not the role or responsibility of internal audit to detect fraud. However, internal audit will evaluate the potential for the occurrence of fraud in each assignment and review how the Council manages the risk of fraud.

During 2017/18 there was a restructure of the Council's Finance Department. This resulted in the fraud investigation function and HR investigation function moving into the renamed Audit & Investigations team. The Investigations part of the team will assume responsibility for all fraud-related work and this will now consequently sit outside the Internal Audit Plan and will be reported separately to the Business Efficiency Board.

#### 2.5 Scope of internal audit activities

The scope of internal audit work includes:

- The entire control environment of the Council, comprising financial and non-financial systems.
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an involvement.

Internal audit may also provide assurance services to parties outside the Council with the prior agreement of the Business Efficiency Board.

### RESOURCING & DELIVERY OF INTERNAL AUDIT

#### 3.1 Resource requirements

The level of resource required to deliver an effective internal audit service to the Council has been assessed based on the need to provide adequate audit coverage of the Council's:

- Key financial systems
- Risk management and governance arrangements
- Front line services
- Support services
- Procurement and contract management activity
- Information management arrangements
- Schools

Account has also been taken of the need to be able to resource:

- Unplanned work which may arise during the year
- Follow up work to provide assurance that previously agreed recommendations are implemented
- Provision of advice and consultancy to internal customers

#### 3.2 Delivery of the internal audit service

The 2018/19 Internal Audit Plan will be delivered predominantly by an experienced and suitably qualified in-house team of 5.21 FTE auditors. This is a slight reduction in resources from 2017/18 but the level of available resource is considered sufficient to deliver a robust annual internal audit opinion to the Board.

As in recent years, external support to assist the audit of information management systems will be provided by Salford City Council if required. Where opportunity arises, the internal audit team will also collaborate with internal audit colleagues from other local authorities in regard to the approach and delivery of particular audit assignments.

### RESOURCING & DELIVERY OF INTERNAL AUDIT

#### 3.3 Mitigation of any potential impairment to independence and objectivity

The internal audit team is managed by the Divisional Manager – Audit, Procurement & Operational Finance, who also has management responsibility for the following functions:

- Purchase to Pay
- Procurement
- Income control (collection and reconciliation of income)
- Insurance
- Client Finance (corporate appointeeships and deputyships)
- Direct Payments
- Income, Assessment & Debtors

Arrangements to mitigate any potential impairment to independence and objectivity regarding the audit of these areas were reported to and approved by the Business Efficiency Board in June 2017.

#### 3.4 Approach to placing reliance on other sources of assurance

When planning specific audit assignments, other sources of assurance may be taken into consideration in order to ensure the best use of the audit resource. Any work that is necessary in order to place reliance on other sources of assurance will be determined as required for each assignment.

#### 3.5 Assurance services to other organisations

The only planned assurance service to be provided to an external party is an annual audit provided to Manchester Port Health Authority (MPHA), which is the governing body for the Manchester Ship Canal and River Weaver. Halton Borough Council is one of the funding authorities of Manchester Port Health Authority. The Council has agreed a three-year SLA to provide an internal audit service to MPHA. 2018/19 is the final year of the current SLA.

## INTERNAL AUDIT – REPORTING ARRANGEMENTS

### 4.1 Distribution of internal audit reports

At the conclusion of each audit assignment, a draft report is issued to the manager responsible for the area which has been audited. A final report containing management responses to any issues identified is subsequently distributed to:

- The Chief Executive
- The Strategic Director – Enterprise, Community & Resources
- The Operational Director – Finance (s151 officer)
- The Strategic Director, Operational Director and Divisional Manager responsible for the area reviewed
- The Council’s external auditor

### 4.2 Overall assurance opinion

In each audit report, an overall assurance opinion is provided on the area audited. The opinion 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 opinions provided in audit reports is set out in the following table:

Assurance Opinion	Explanation
● Limited	Significant improvements are required to improve the management of risks that are fundamental or material to the activity audited.
● Adequate	Fundamental or material risks are managed adequately and there are no major weaknesses with the systems internal control. However, opportunities exist to further improve the management of some risks.
● Substantial	There is a sound system of control in operation to manage risks effectively.

**INTERNAL AUDIT – REPORTING ARRANGEMENTS**

4.3 Grading of Recommendations

Recommendations made in individual internal audit assignments are categorised according to the following priorities:

Priority	Definition
High	Deficiencies in control where the potential risk impact is fundamental or material to the activity audited.
Medium	Deficiencies in control where the potential risk impact is of lesser significance and not material to the activity audited.
Low	Opportunities to improve practice, efficiency or further reduce exposure to risk.

4.4 Reporting to elected members

Throughout the year regular internal audit progress reports are presented to the Business Efficiency Board summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, governance weaknesses, performance improvement opportunities and value for money issues.

Reporting arrangements in 2018/19 will also incorporate the reporting of performance against the following indicators:

Indicator	Target	Purpose
Percentage of audits delivered within the agreed time allocation	90 %	To minimise overruns that impact on delivery of the Audit Plan
Percentage of draft reports issued on or before the date agreed in the audit terms of reference	90 %	To ensure that audit work is reported in a timely manner



### INTERNAL AUDIT – REPORTING ARRANGEMENTS

---

#### 4.5 Annual Audit Opinion

An annual report is presented to the Business Efficiency Board which includes the Head of Internal Audit's overall opinion on the Council's risk management, control and governance processes. This opinion forms one of the sources of assurance in support of the Council's Annual Governance Statement. The opinion is based upon the collective findings from the internal audit work completed during the year.

### INTERNAL AUDIT PLAN – METHODOLOGY

#### 5.1 Requirements of the Public Sector Internal Audit Standards

The PSIAS state that the ‘chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals’.

#### 5.2 Development of the Audit Plan

In developing the Audit Plan, account has been taken of:

- The Council’s risk management processes
- Senior management’s views on risk in their areas of responsibility
- The results of previous internal audit work
- The Council’s assurance framework, including the work of external audit
- New or emerging risks affecting the Council or local government as a whole
- Known changes to the Council’s business, operations, programs, systems, and controls
- The requirement to ensure sufficient and wide ranging coverage in order to provide a robust annual audit opinion
- Planned work deferred from the 2017/18 Audit Plan that is still considered important

#### 5.3 Alignment of the Audit Plan to the Council’s Corporate Priorities

The Audit Plan is presented in a way that shows how each piece of planned work aligns with the Council’s corporate priorities. Some planned reviews clearly contribute to more than one priority. For presentational purposes the reviews have been listed under the priority that is considered most closely linked to the review area.

#### 5.4 Budgeted time allocations

A budgeted time allocation has been set for each assignment included in the Audit Plan. It is accepted that the exact resource requirement for each assignment cannot be forecast with certainty. The plan therefore represents the best estimate of the way in which the Council’s internal audit resources will be deployed.

### INTERNAL AUDIT PLAN – METHODOLOGY

#### 5.5 Timing and prioritisation of audit work

The intention is to complete all planned work within the year. However, the timing and respective prioritisation of work will take account of:

- The need to finalise any work from 2017/18 that remains incomplete at year-end
- The need to prioritise the reviews deferred from the 2017/18 Audit Plan
- The requirement to provide assurance over the Council's key financial systems
- The views of management of the service areas in regard to the timing of work
- Any other factors that may be relevant to the timing of a particular piece of work
- Any urgent unplanned work arising
- Changes in the level of audit resources available

#### 5.6 Significant interim changes to planned work

The Audit Plan will be kept under review during the year and it may be necessary to make revisions to planned work in order to respond to changes in priorities or changes in the level of internal audit resources. Minor changes will be agreed with the Operational Director – Finance. Any significant interim changes will be reported to the Business Efficiency Board.

## SUMMARY INTERNAL AUDIT PLAN – 2018/19

Corporate Priority	Planned Days
<b>Corporate Effectiveness &amp; Business Efficiency:</b>	<b>445</b>
Financial Management	215
People Management	40
Information Management	15
Asset Management	55
Governance	120
<b>Children &amp; Young People in Halton</b>	<b>200</b>
<b>Employment, Learning &amp; Skills in Halton</b>	<b>20</b>
<b>A Healthy Halton</b>	<b>145</b>
<b>A Safer Halton</b>	<b>40</b>
<b>Halton's Urban Renewal</b>	<b>20</b>
<b><u>Other work:</u></b>	<b>190</b>
Contingency	100
Manchester Port Health Authority	5
Completion of outstanding 2017/18 audits	85
<b>Total Planned Days</b>	<b>1060</b>

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>Financial Management</b>				
Mersey Gateway – Financial Arrangements	25	The Mersey Gateway crossing became operational in October 2017. The financial arrangements relating to the operation of the crossing are complex and the sums involved are material.	Review of the financial management arrangements and flow of monies now that the crossing is operational.	Audit report
Collection Fund	20	Accurate forecasting of Council Tax and Business Rate income underpins the Council's Medium Term Financial Strategy.	Audit to examine the calculation of tax bases and forecasting assumptions	Audit report
Budget Monitoring Framework	20	The Council's revenue budget is increasingly under pressure with a significant overspend forecast in 2017/18. Continuing budgetary pressures increase the importance of a robust budget monitoring framework.	The audit will review the operation and effectiveness of the Council's existing budgetary control framework and test compliance with the provisions contained within Finance Standing Orders.	Audit report
Housing Benefit system	20	This is a material financial system through which approximately £50m of transactions will be processed in 2018/19.	Full system review evaluating and testing the effectiveness of the control environment.	Audit report
Social Care Debt Recovery	20	There has been a significant increase in the value of social care debt which is now in excess of £2m. If debt remains uncollected it is potentially at risk of write-off.	Review of the systems and procedures in operation across Adult Social Care, Finance and Legal Services to recover social care debts.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Prepaid Cards	10	Introduced in 2017/18 as the default option for all new Direct Payments clients. It is intended that prepaid cards will also be offered to existing Direct Payments users and potentially be adopted in other areas of the Council.	The audit will provide a post implementation review and seek to provide assurance appropriate controls have been established in regard to the use of prepaid cards.	Audit report
Miscellaneous Grant Claims	50	A general provision is included for a range of grant claims for which the Head of Audit is required to sign a declaration confirming that the amounts claimed are eligible and in accordance with the conditions of grant.	Grant claims audits	Audit report for each claim
<u>Financial key control reviews:</u> Payroll Business Rates Council Tax Accounts Receivable Accounts Payable	10 10 10 10 10	These systems provide material disclosures for the financial statements. All the main financial systems will be covered over a two year period.	High level reviews evaluating and testing the effectiveness of the key controls within each financial system.	Audit report for each system
<b>Total</b>	<b>215</b>			

## Internal Audit Plan – People Management

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>People Management</b>				
Learning & Development (Deferred from 2017/18)	15	Learning and development is an investment for any organisation. At a time of continuing funding pressures it is therefore particularly important that there is a clear business link to the needs of the organisation and that learning and development opportunities are provided in a cost-effective manner.	The audit will examine the arrangements put in place to identify and address the learning and development needs of the organisation and individuals. This will include reviewing how the effectiveness of the investment in learning and development opportunities is assessed.	Audit report
Apprenticeships (Deferred from 2017/18)	15	<p>The Government introduced an 'Apprenticeship Levy' in April 2017. Employers with a UK pay bill of over £3m will be required to pay 0.5% of that pay bill into a levy.</p> <p>The Government has set a target that each local authority will have to provide 2.3% of their workforce headcount as apprenticeships. This equates to about 55 apprentices for Halton annually.</p>	The audit will examine the Council's arrangements to comply with The Apprenticeship Levy and the implementation of the Council's Apprenticeship Policy.	Audit report
Mersey Gateway toll reimbursement system	10	The Council has established a new policy and claim process for reimbursement of bridge tolls. Management has requested that that internal audit carries out an audit to provide assurance that the new process is operating effectively and in accordance with the policy.	Review of claims policy and process and sample testing of claim reimbursements.	Audit report
<b>Total</b>	<b>40</b>			

# Internal Audit Plan – Information Management

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>Information Management</b>				
Telephony	15	An audit has been requested by management to review the control environment relating to the Council’s telephony arrangements.	The audit will examine the processes for ensuring that telephone charges are properly monitored, controlled and allocated to the correct cost centres.	Audit report
<b>Total</b>		<b>15</b>		



## Internal Audit Plan – Asset Management

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>Asset Management</b>				
Plant, machinery and work equipment (Deferred from 2017/18)	15	<p>The Provision and Use of Work Equipment Regulations (PUWER) 1998 was introduced to ensure safety when working with any work equipment.</p> <p>As an employer it is important that the Council:</p> <ul style="list-style-type: none"> <li>identifies work equipment that requires a risk assessment;</li> <li>carries out risk assessments as required;</li> <li>determines whether periodic in-service inspection is required;</li> <li>determines the scope and frequency of the in-service inspection as required.</li> </ul>	The audit will review the Council's arrangements for ensuring the safety of work equipment used in the course of delivering Council services.	Audit report
Catering & Bars	20	<p>The Council's catering and bars are discretionary activities which ought to be at least self-funding.</p> <p>Management is aware of issues in regard to the accounting arrangements for income and difficulties in accurately monitoring financial performance.</p>	The audit will examine the catering activities and bars provided by the Council and review the arrangements for accounting for income, expenditure and stock.	Audit report

## Internal Audit Plan – Asset Management

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Markets	20	<p>Management is aware of some longstanding issues regarding income collection and recovery of debts relating to the markets operation.</p> <p>The market has also recently been the subject of a number of public liability insurance claims.</p>	<p>Review of the overall financial management arrangements with a particular emphasis on income collection and debt recovery.</p> <p>The audit will also examine the market's risk managements.</p>	Audit report
<b>Total</b>	<b>55</b>			

## Internal Audit Plan – Governance

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
<b>Governance</b>				
Governance Framework (Deferred from 2017/18)	20	A revised edition of the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework' was published in 2016.  The Framework defines the principles that should underpin the governance of each local government body and provides a structure to assist local authorities with their own approach to governance.	Self-assessment against updated guidance document 'Delivering Good Governance in Local Government: Framework'.	Audit report
Council Constitution	5	Need to ensure that the Council Constitution reflects changes in the legislation, policies and procedures.	Internal Audit contributes to a working party that meets each year to review and propose changes to the Council's Constitution.	Updated Council Constitution
Annual Governance Statement	5	Statutory requirement for the Council to produce an Annual Governance Statement.	Internal Audit input to the Corporate Governance Group which develops the Annual Governance Statement.	Publication of Annual Governance Statement
Reporting to the Business Efficiency Board	15	The Council Constitution requires Internal Audit to report to the Business Efficiency Board.	Attendance at, and preparation of reports for, the Business Efficiency Board on internal audit and governance related matters.	Audit Plan Regular progress reports Internal Audit Annual Report Annual Fraud & Corruption report
Audit Planning Preparation	10	Internal Audit produces an annual risk-based plan of work that is presented to the Business Efficiency Board for approval.	Development of the plan involves consultation with key stakeholders and maintaining an awareness of developments within the Council and emerging risks facing local government.	Audit Plan

## Internal Audit Plan – Governance

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Follow up of internal audit recommendations	40	To provide assurance that agreed internal audit recommendations are implemented.	Follow up of agreed internal audit recommendations to determine whether or not they have been implemented.	Follow up audit reports
Risk management	15	The Council's risk management arrangements are one of the key areas over which Internal Audit is required to provide assurance.	The audit will examine the Council's risk management arrangements at both corporate and directorate level.	Audit report
Information Governance Group	5	Information governance refers to the structures, policies, procedures, processes and controls implemented to manage information at an organisational level.  Penalties of up to £500k can be imposed for breaching the Data Protection Act.	Internal audit input to the work of the Information Governance Group	Further development of the Council's information governance arrangements
Working groups / Advice	5	Internal Audit is frequently asked for advice on specific issues and to contribute to various working groups within the Council.	Advice and input to be provided as required	Advice and guidance on risk and control issues
<b>Total</b>	<b>120</b>			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Child Safeguarding	30	<p>Deficiencies and weaknesses in record keeping have been identified in government reports following a number of tragic, high profile incidents involving children in recent years.</p> <p>Good record keeping is essential in child protection, particularly with regard to children who are subject to a child protection plan, children 'in need' or who are identified as vulnerable.</p>	At the request of the Strategic Director – People internal audit will undertake monthly case file audits to provide assurance over the quality of safeguarding records.	<p>There will be a regular system of reporting to the Strategic Director – People on the results of this work.</p> <p>A summary report will also be produced for the Business Efficiency Board at year-end.</p>
0 -19 Healthy Child Service	20	<p>A new five year contract was recently awarded that provides an integrated health visiting, family nursing and school nursing service.</p> <p>The contract has a potential value of £24.5m over its full term.</p>	The audit will focus on reviewing the contract management and performance management arrangements relating to the contract.	Audit report
Out of Borough residential placements	20	The Council continues to face budget pressures and out of borough placements are an area of significant overspend.	The audit will examine the procedures relating to the assessment of children entering the care system, the commissioning arrangements and subsequent contract management and financial control arrangements.	Audit report
Foster care / Special Guardianship Orders	20	<p>Another area with increasing spend adding to the Council' budget pressures.</p> <p>Additionally, recent case law presents an emerging risk that local authorities may be vicariously liable for any abuse inflicted by foster carers.</p>	<p>The audit will examine the financial management arrangements relating to the calculation and payment of foster care allowances and special guardianship allowances.</p> <p>It will also examine how the Council recruits foster carers and monitors the suitability of placements.</p>	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Children’s Centres	20	The Council operates eight Children’s Centres across the borough. It is important that provision is sustainable and meets the needs of the community served.	The audit will examine the operational efficiency, financial performance and utilisation rates across the various Centres.	Audit report
Children with Disabilities (Direct Payments)	20	There has been significant growth in the number of children with disabilities receiving direct payments. This presents an increased risk as there is significantly greater flexibility as to how the direct payments are utilised.	The audit will review the adequacy of the policy covering the use of direct payments and examine the related arrangements to monitor how they are used.	Audit report
<b>School audits:</b> The Bridge Halton Lodge St. Chad’s Windmill Hill Hillview St Bede’s Infants St Bede’s Juniors St Michael’s Castle View General advice to schools	70	The Council has 60+ schools that are responsible for setting their own budgets and managing their finances.  The frequency of school audit visits is determined by the audit assurance rating from the previous audit: <ul style="list-style-type: none"> <li>• Substantial – 4 year cycle</li> <li>• Adequate – 3 year cycle</li> <li>• Limited – Annual cycle</li> </ul>	A standard audit programme has been developed for school audits, which is tailored to each school as required.	Audit report for each school
<b>Total</b>	<b>200</b>			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Halton People Into Jobs (Deferred from 2017/18 at the request of management)	5	<p>A4e is one of the prime contractors for the DWP's Work Programme, which is being delivered through a number of contract areas. Halton is part of a large contract area which includes Merseyside, Lancashire and Cumbria.</p> <p>The Council acts as a sub-contractor to A4e in delivering employment support services under the programme.</p> <p>As part of the contractual arrangements with A4e, the Council is required to comply with the A4e Security Plan.</p>	Annual verification work in regard to compliance with the A4e Security Plan (ISO27001:05).	Audit report
Employment & Learning Skills Division – Administration of Grants	15	The Division deals with a wide range of grants. Management has request an internal audit review to provide assurance that all sums due are claimed and accounted for correctly.	Review of the financial management arrangements relating to the administration of grants.	Audit report
<b>Total</b>	<b>20</b>			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Tele-healthcare (Deferred from 2017/18)	20	This use of remote monitoring is increasingly enabling people to lead more independent lives. The Council's use of Telehealthcare is to be expanded to help more people to be supported to live at home or in extra care housing schemes.	The audit will examine the implementation of the Telehealthcare strategy and the associated financial management arrangements. It will also examine the arrangements to measure and record the savings generated, and consider options for the wider use of this type of technology in regard to supporting people to maintain independence.	Audit report
Intermediate care	20	Intermediate care is a range of needs led, transitional and integrated services that are intended to improve patient health outcomes. Services are delivered in partnership between primary and secondary health care.  Expenditure on intermediate care services is in excess of £3m per annum.	Audit to focus on contract and performance management arrangements.	Audit report
Integrated Community Equipment Service	15	The service provides an equipment service to the people of Halton and St Helens to support independent living.  Services provided encompass procurement, delivery, collection, decontamination, maintenance, repair and storage of equipment.  The service operates at an annual cost of over £800k.	The audit will review the financial management, operational efficiency and performance management arrangements relating to service delivery.	Audit report



## Internal Audit Plan - A Healthy Halton

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
New Directions Partnership	10	The Council is presently exploring an opportunity to become a partner in a trading company with Sefton New Directions and Knowsley Council.  Potentially this could lead to a significant change in how some adult social care services are delivered.	Audit involvement would depend on progress made but could involve a review of the financial assumptions associated with the proposals.	Advisory role
Disabled Facilities Grants	15	2018/19 spend is budgeted at £1.6m. This area is recognised nationally as a potential fraud risk.	The audit will examine the control environment relating to the processing of applications for Disabled Facilities Grants. It will also explore any opportunities to make better use of applicant information already held within the Council to expedite the process.	Audit report
Care Management – Information workflows	20	Audit work from 2017/18 has identified problems in the information workflows within the care management system that impact upon client billing and payments to care providers.	The audit would examine the efficiency of the information workflows from a client entering the care system at the initial assessment stage to the arrangement of service delivery and client billing.	Audit report
Blue Badge scheme & Concessionary Travel	15	Concessionary travel costs the Council in excess of £2m a year.  The Blue Badge scheme is also a recognised fraud risk area.	The audit will examine the financial management arrangements relating to Concessionary travel. It will also examine the controls relating to the administration of the Blue Badge scheme.	Audit report

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Madeline McKenna / Millbrow care homes	30	The Council has recently purchased two care homes that were facing financial difficulties, which it is now operating directly.	The audit will focus on the financial management, accounting, client billing and risk management arrangements established at the two homes.	Audit report
<b>Total</b>	<b>145</b>			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
Highways inspections	20	<p>The Council is implementing a new highways inspection regime following the issue of a new national Code of Practice.</p> <p>Highways inspections play a vital role in ensuring the safety of the borough's highways and provide a key part in the defence of highways related insurance claims.</p>	The audit will examine how the Council has developed and implemented its highways inspections in light of the new guidance.	Audit report
Waste management (Disposal)	20	The annual cost of waste disposal is approximately £6m per annum. The area is also subject to complex charging arrangements.	The audit will focus on the contracting and contract management processes relating to the Council's waste disposal arrangements and seek to provide assurance that the Council is charged correctly for its disposal costs.	Audit report
<b>Total</b>	<b>40</b>			

Area of Audit Work	Days	Risk Context	Planned Coverage	Output
De-linking of the Silver Jubilee Bridge in Runcorn	20	<p>The opening of the new bridge and temporary closure of the Silver Jubilee Bridge has presented an opportunity to redefine the existing road infrastructure in the area of the Runcorn Town Centre.</p> <p>This scheme involves changes to the road layout and the removal of certain structures that will improve the visibility of the town centre and its connectivity to and from Runcorn station.</p> <p>The estimated cost of the scheme is £9.61m.</p>	The audit will examine the procurement and project / financial arrangements relating to the project.	Audit report
<b>Total</b>	<b>20</b>			

## INTERNAL AUDIT CHARTER

### 1.0 Background

- (a) 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.
  
- (b) 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.
  
- (c) The purpose of the Internal Audit Charter is to:
  - Define the purpose, authority and responsibility of Internal Audit;
  - Establish the position of Internal Audit within the Council and its reporting lines;
  - Authorise access to records, personnel and physical property relevant to the performance of the audit work; and
  - Define the scope of internal audit activities.

### 1.1 Definitions

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

<b>Internal Auditing:</b>	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.
---------------------------	---

<b>The Board:</b>	The Business Efficiency Board has delegated responsibility for overseeing the work of Internal Audit. The powers and duties of the Business Efficiency Board are set out in Appendix 4 of Chapter 8 of the Council Constitution.
<b>Senior Management:</b>	The Chief Executive and members of the Council's Management Team.
<b>Chief Audit Executive:</b>	The Divisional Manager – Audit, Procurement & Operational Finance.

## **1.2 Purpose of Internal Audit**

- (a) 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'.
- (b) Internal Audit will therefore evaluate and contribute to the improvement of risk management, control and governance processes using a systematic and disciplined approach.
- (c) Internal audit work will also seek to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## **1.3 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

#### **1.4 Professionalism and Ethics**

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) All internal auditors are required to complete and sign a 'Code of Ethics and Declarations of Interest Statement' on an annual basis.
- (f) 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](http://www.public-standards.gov.uk).

#### **1.5 Independence and Objectivity**

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

- (c) 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.

#### **1.6 Scope of Internal Audit**

- (a) 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.
- (b) 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.
- (c) Assurance services will only be provided to parties outside the Council with the prior agreement of the Business Efficiency Board.
- (d) 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 Business Efficiency Board for any significant additional consulting services, prior to accepting the engagement.
- (e) 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
- (f) 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.
- (g) It is a requirement of section 11.1 of Finance Standing Orders that any officer or Member shall immediately report to the Head of Internal Audit, either directly or through line management, any circumstances which suggest the possibility of financial irregularity, loss, fraud or corruption. The circumstances will be outlined to the Strategic Director – Enterprise, Community and Resources, Operational Director – Finance, Operational Director – Legal and Democratic Services (Monitoring Officer) and Chief



Executive to decide what action is necessary by way of investigation and report.

### **1.7 Resourcing of Internal Audit**

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

### **1.8 Authority of Internal Audit**

- (a) 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.
- (b) 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.

### **1.9 Reporting**

- (a) The findings and agreed action plans from each internal audit engagement shall be reported to the:
  - Appropriate service manager(s)
  - Appropriate Strategic Director, Operational Director and Divisional Manager
  - Operational Director – Finance
  - Strategic Director – Enterprise, Community & Resources
  - Chief Executive
  - External Audit

- (b) The internal audit function forms part of the Finance Department in the Enterprise, Community & Resources Directorate. The Chief Audit Executive reports directly to the Operational Director – Finance.
- (c) The Chief Audit Executive also reports functionally to the Business Efficiency 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.

#### **1.10 Quality Assurance & Improvement Programme**

- (a) 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.
- (b) 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.
- (c) 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.

#### **1.11 Review**

- (a) The Internal Audit Charter will be reviewed annually as part of the review of the Council Constitution.
- (b) Any proposed changes to the Internal Audit Charter will be presented to the Business Efficiency Board for consideration.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted