

REPORT TO: Business Efficiency Board
DATE: 7 June 2017
REPORTING OFFICER: Strategic Director – Enterprise, Community & Resources
PORTFOLIO: Resources
SUBJECT: External Audit Letter to Those Charged With Governance
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

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

2.0 RECOMMENDATION: That the proposed response to the Council's external auditors shown in Appendix 1, be approved.

3.0 SUPPORTING INFORMATION

3.1 International Auditing Standards require the Council's external auditors, Grant Thornton, to seek an understanding of how those charged with governance within the Council (ie. the Business Efficiency Board) gain assurance regarding management processes and arrangements, in the context of the year-end audit of accounts.

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

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 **Children and Young People in Halton**

6.2 Employment, Learning and Skills in Halton

6.3 A Healthy Halton

6.4 A Safer Halton

6.5 Halton's Urban Renewal

There are no implications for any of the Council's priorities listed above.

7.0 RISK ANALYSIS

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

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

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

9.1 None under the meaning of the Act.

**Halton Borough Council
Financial Statements Year-End 31st March 2017
Business Efficiency Board Response**

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

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

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

4	How does the Business Efficiency Board gain assurance that all relevant laws and regulations have been complied with?	Through assurances provided by the Council's statutory Section 151 Officer and Monitoring Officer and from the Council's Annual Governance Statement.
5	Are you aware of any actual or potential litigation or claims that would affect the financial statements?	No.
6	How has the Business Efficiency Board satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	From the budget set by the Council for 2017/18 and the approach being adopted to deliver balanced budgets for 2018/19 to 2020/21 in line with the Medium Term Financial Strategy, it is not at this stage envisaged that there will be significant changes in the scale and range of services delivered by the Council over the foreseeable future. On this basis the Business Efficiency Board is satisfied that it is appropriate to adopt the "going concern" basis in preparing the 2016/17 financial statements.
7	How does the Business Efficiency Board provide oversight of the Council's risk management processes.	There is an established risk management process and the risk of fraud is considered as part of the Council's planning processes. The Business Efficiency Board receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Register, which also details the measures in place to deter fraud. The Business Efficiency Board regularly reviews the robustness of the Council's risk management arrangements.