



Business Efficiency Board

**Wednesday, 29 June 2011 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn**

A handwritten signature in black ink, appearing to read 'David W R', positioned above a faint rectangular stamp.

Chief Executive

BOARD MEMBERSHIP

| | |
|--|-------------------------|
| Councillor Dave Leadbetter (Chairman) | Labour |
| Councillor Martha Lloyd Jones (Vice-Chairman) | Labour |
| Councillor Philip Balmer | Independent |
| Councillor Peter Browne | Conservative |
| Councillor Harry Howard | Labour |
| Councillor Alan Lowe | Labour |
| Councillor Tony McDermott | Labour |
| Councillor Andrew MacManus | Labour |
| Councillor Ged Philbin | Labour |
| Councillor Joe Roberts | Labour |
| Councillor Christopher Rowe | Liberal Democrat |

Please contact Michelle Simpson on 0151 471 7394 or e-mail michelle.simpson@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 28 September 2011

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

Part I

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| 1. MINUTES | |
| 2. DECLARATION OF INTEREST | |
| <p>Members are reminded of their responsibility to declare any personal or personal and prejudicial interest which they have in any item of business on the agenda, no later than when that item is reached and, with personal and prejudicial interests (subject to certain exceptions in the Code of Conduct for Members), to leave the meeting prior to discussion and voting on the item.</p> | |
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| PART II | |

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

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 paragraph 3 of Part 1 of Schedule 12A to the Act.

10. INTERNAL AUDIT PROGRESS REPORT

57 - 103

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.

REPORT TO: Business Efficiency Board

DATE: 29 June 2011

REPORTING OFFICER: Strategic Director – Policy & Resources

SUBJECT: Business Efficiency Board – Workplan 2011/12

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 This report provides the indicative core workplan for the Business Efficiency Board for 2011/12. The workplan is attached at Appendix 1.

2.0 RECOMMENDATION: That the Business Efficiency Board considers and approves its Workplan for 2011/12.

3.0 SUPPORTING INFORMATION

3.1 The powers and duties of the Business Efficiency Board are set out in the Council Constitution. The attached workplan outlines areas for consideration by the Board at each of its meetings over the financial year to help ensure that it meets its responsibilities.

3.2 The workplan has been prepared taking into account a practical spread of issues across the year allowing for specific items that are determined by statutory or other prescribed timescales.

3.3 The areas identified in the workplan are those known and anticipated at the current time. It is possible that issues may arise that may require additional reports to be added.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 The Business Efficiency Board is responsible for approving the Council's Annual Governance Statement. It is therefore essential that the workplan of the Business Efficiency Board reflects the primary sources of assurance over the Council's governance framework. These sources of assurance include:

- The work of internal audit;
- The Council's risk management arrangements;
- The work of the Council's external auditor.

4.2 The Board also has responsibilities in respect of efficiency and improvement. Specifically, these include responsibility for monitoring:

- The Council's performance against the Efficiency Strategy, and
- The implementation of the Council's Procurement Strategy.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 5.1 Good corporate governance requires independent, effective assurance about the adequacy of financial management and reporting. CIPFA considers that these functions are best delivered by an audit committee that is independent of the executive and scrutiny functions.
- 5.2 The maintenance of an effective governance framework contributes to the achievement of all the Council's priorities.

6.0 RISK ANALYSIS

- 6.1 An effective audit committee helps to raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. This can enhance the public trust and confidence in the financial governance of an authority.
- 6.2 By agreeing a workplan for its audit committee, the Council is formally setting out how the Business Efficiency Board will meet its responsibilities as the Council's Audit Committee.

7.0 EQUALITY AND DIVERSITY ISSUES

- 7.1 None identified.

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

None.

Appendix 1 – Business Efficiency Board Workplan 2011/12

| | 29 June 2011 | 28 Sept 2011 | 9 Nov 2011 | 18 Jan 2012 | 29 Feb 2012 |
|---|-----------------|-----------------|---------------|----------------|----------------|
| Internal Audit: | | | | | |
| • Quarterly progress report | x | x | x | x | |
| • 2010/11 Annual Report | x | | | | |
| • Approval of 2012/13 Audit Plan | | | | | x |
| Financial Reporting: | | | | | |
| • Approval of Abstract of Accounts | | x | | | |
| • Accounting policies | | | | | x |
| External Audit: | | | | | |
| • Indicative Audit Fee and Fee Letter 2011/12 | x | | | | |
| • Annual Governance Report (including audit opinion and Value For Money conclusion) | | x | | | |
| • Opinion Audit Plan | | | | | x |
| • Annual Grant Claims Report | | | | | x |
| Governance: | | | | | |
| • Approval of Annual Governance Statement | x | | | | |
| Risk Management: | | | | | |
| • Review of Corporate Risk Register | | x | | | x |
| Anti-Fraud & Corruption: | | | | | |
| • Update Report | x | | | | |
| Other Audit Committee matters: | | | | | |
| • Approval of workplan for 2011/12 | x | | | | |
| • Consultation on the future of Public Audit - Update | x | | | | |
| Procurement: | | | | | |
| • Procurement update | | x | | | x |
| Efficiency: | | | | | |
| • Efficiency Programme update | | x | | | x |

REPORT TO: Business Efficiency Board
DATE: 29 June 2011
REPORTING OFFICER: Strategic Director – Policy & Resources
SUBJECT: Annual Audit Fee Letter - 2011/12
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the Audit Commission's Audit Fee Letter for 2011/12.

2.0 RECOMMENDATION: That the Audit Commission's Audit Fee Letter for 2011/12 be noted.

3.0 SUPPORTING INFORMATION

3.1 The Audit Commission will attend the meeting to present their Audit Fee Letter, which is attached to this report.

4.0 POLICY AND OTHER IMPLICATIONS

4.1 There are no policy or other implications.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

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

6.0 RISK ANALYSIS

6.1 There are no risk implications.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None identified.

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

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

12 April 2011

Mr David Parr
Chief Executive
Halton Borough Council
Municipal Building
Kingsway
Widnes WA8 7QF

Direct line 0844 798 7043

— Dear David

Annual audit fee 2011/12

I am writing to provide an outline of the work programme and to confirm the proposed fee for the 2011/12 audit of Halton Borough Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- The audit of financial statements
- Value for money conclusion
- Whole of Government accounts.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

The Audit Commission has set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

The scale fee for Halton Borough Council is £232,205. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, shown in the table below. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

| Audit area | Scale fee 2011/12 | Planned fee 2010/11 |
|--|------------------------------|--------------------------------|
| Audit fee | £232,205 | £258,005 |
| Certification of claims and returns | £65,100 | £67,746 |

I will issue a separate audit plan in December 2011. This will detail the risks identified to both the financial statements audit and the vfm conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Operational Director Financial Services. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Business Efficiency Board.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The audit fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

The quoted 2011/12 fee for claims certification work is an estimate only and will be charged at published daily rates.

Audit team

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

| Name | Contact details | Responsibilities |
|--|---|---|
| Mike Thomas Engagement Lead | m-thomas@audit-commission.gov.uk 0844 798 7043 | Mike is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of the Business Efficiency Board and issuing the auditor's report. |
| Colette Williams Engagement Manager | c-williams@audit-commission.gov.uk 0844 798 3572 | Colette manages and coordinates the different elements of the audit work. Key point of contact for the Operational Director Financial Services. |
| Judith Smith Team Leader | j-smith@audit-commission.gov.uk 0844 798 2632 | Judith has experience of auditing the financial statements of large local authorities. She will lead the on-site team in delivering the audit. |

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Mike Thomas

cc Operational Director Financial Services

cc Chair of the Business Efficiency Board

Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the Business Efficiency Board.

Table 1

| Planned output | Indicative date |
|--|------------------------|
| Audit plan | December 2011 |
| Annual governance report | September 2012 |
| Auditor's report giving the opinion on the financial statements and value for money conclusion | September 2012 |
| Final accounts memorandum (to the Operational Director Financial Services) | October 2012 |
| Annual audit letter | November 2012 |
| Annual claims and returns report | February 2013 |

REPORT TO: Business Efficiency Board

DATE: 29th June 2011

REPORTING OFFICER: Operational Director – Finance

SUBJECT: Consultation on the Future of Local Public Audit

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To inform the Board of a consultation by Communities and Local Government (DCLG) into the Future of Local Public Audit, which may result in changes to the role and membership of Audit Committees.

2.0 RECOMMENDED: That;

- (i) **the report, including the response to the consultation from the Liverpool City Region's Directors of Finance (Appendix 1), be supported;**
- (ii) **the Board provide any additional comments to the consultation response; and,**
- (iii) **the letter from Sir Bob Kerslake regarding the future of the Audit Commission and their local public audit work (Appendix 2), be noted.**

3.0 BACKGROUND

3.1 On 30th March 2011 DCLG issued a consultation document entitled the Future of Local Public Audit, with a deadline for responses of 30th June 2011. It is a consequence of the abolition of the Audit Commission and sets out proposals for arrangements in relation to the appointment of external auditors and the role of audit committees.

3.2 Halton has contributed to a response to the consultation by the Liverpool City Region's Directors of Finance, a copy of which is shown in Appendix 1.

3.3 Appendix 2 presents for information a letter received from Sir Bob Kerslake, which provides an update on the future of the Audit Commission and their local public audit work.

4.0 SUMMARY OF THE CONSULTATION

Consultation Principles

4.1 The stated principles within the consultation are to replace the current centralised audit systems managed by the Audit Commission, with a new decentralised regime,

which will support local democratic accountability, and one that will also cut bureaucracy and costs, while ensuring that there continues to be robust local public audit.

- 4.2 The consultation sets out proposals on the new audit framework whereby:
- audit quality is regulated within a statutory framework overseen by the National Audit Office and the accountancy profession;
 - local public bodies with a turnover over £6.5m will be free to appoint their own external auditors with safeguards for independence; and,
 - the appointment would be made by Full Council, taking into account the advice of an independently chaired Audit Committee, and with an opportunity for the electorate to make an input.

4.3 The consultation paper sets out proposals in the following areas:

- **regulation** of local public audit – standards, registration, monitoring and enforcement;
- **commissioning** local audit services – role of the Audit Committee, rotation of auditors; and,
- the **scope** of the audit work.

Regulation of Local Public Audit

4.4 The Audit Commission currently sets audit standards through Codes of Audit Practice for the local government and regulates the quality of audit work that is undertaken. The consultation proposes that responsibility for producing codes of practice be transferred to the National Audit Office.

4.5 It is proposed that the Financial Reporting Council or another independent body set up for this purpose would take on responsibility for regulating public audit. This would include reviewing the quality of individual assignments and the policies, procedures and internal controls of any firms licensed to carry out public sector audits.

Commissioning Local Audit Services

4.6 All external auditors of Councils are currently appointed by the Audit Commission. It is proposed that all larger public bodies with expenditure over £6.5m, such as Halton Borough Council, would appoint their own auditors from the register of local public body statutory auditors maintained by the Regulator.

4.7 It is proposed that the appointment is made by Full Council on the advice of an Audit Committee. Appointments can be made by a single body or there can be joint procurement by a group of bodies.

4.8 The consultation paper considers the form of the Audit Committee. It is proposed that:

- the Chair and Vice Chair should be independent of the Council;
- elected Members on the Committee should be non-executive members and at least one should have recent and relevant financial expertise; and,
- the majority of the Members of the Audit Committee would be independent of the Council.

- 4.9 The consultation paper includes the following criteria for appointment of Independent Members of the Audit Committee:
- not been a Member or officer of the Council within five years before the date of appointment;
 - not a Member or officer of that or any other relevant authority;
 - not a relative or close friend of a Member or officer of the Council they have applied for the appointment;
 - they have been approved by a majority of the Members of the Council; and,
 - the position has been advertised in at least one newspaper that is distributed locally and in similar publications or websites that the Council considers appropriate.
- 4.10 The DCLG are inviting responses on the;
- criteria for ensuring the quality, skills, and experience of Independent Members;
 - whether the sourcing of suitable Independent Members would be difficult; and,
 - whether Independent Members would be paid and if so how much.
- 4.11 Regarding the Audit Committee the paper sets out two options as to the scope of the duties:
- Option 1: a mandatory duty to provide advice on the engagement of the auditor and the resignation or removal of an auditor. Any wider role would be for the local public body to determine; or,
 - Option 2: the specification of a more detailed mandatory role for the audit committee which could include:
 - providing advice to the Full Council on the procurement and selection of the external auditor;
 - setting a policy on the provision of non audit work by the external auditor;
 - overseeing issues around the possible resignation or removal of an auditor;
 - seeking assurances that action is being taken on issues identified by the auditor;
 - ensuring that there is an effective relationship between internal and external audit;
 - reviewing financial statements, external auditors reports and conclusions and monitoring management actions;
 - providing advice to the Full Council on the quality of service they are receiving; and,
 - reporting annually to the Full Council on its activities.
- 4.12 The DCLG is seeking comments on which option provides the best balance between a localist approach and a robust role for the Audit Committee, whether the roles set out in Option 1 and 2 are appropriate roles and responsibilities for an Audit Committee, and to what extent the role of the Audit Committee should be specified in legislation.
- 4.13 It is proposed that the public would have the right to make representations to the Audit Committee about the appointment of an auditor and at any time post appointment. There are also proposals to limit the period of any firm's period of appointment.

Scope of Public Audit

- 4.14 Currently the external auditor is required to give an opinion on the financial statements, a conclusion on value for money, and to review and report on the Annual Governance Statement, and the Whole of Government Accounts return.

The consultation paper sets out four options:

- 4.15 **Option 1:** Giving an opinion on the financial statements, reviewing and reporting on, as appropriate, other information included in the financial statements including the Annual Governance Statement, Remuneration Report and Whole of Government Accounts return.
- 4.16 **Option 2:** As above, and providing a conclusion as to whether the body has proper arrangements in place to secure value for money having regarded to specified criteria.
- 4.17 **Option 3:** Giving an opinion on the financial statements, providing a conclusion on regularity and propriety e.g. compliance with laws and regulations, the Council's governance and control regime, providing a conclusion on the future financial sustainability of the Council, providing a conclusion as to whether the Council has proper arrangements in place to secure value for money and about the achievement of economy, efficiency and effectiveness within the Council.
- 4.18 **Option 4:** Under this option all local public bodies would be required to produce an Annual Report. The auditor would be required to give an opinion on the financial statements, review the Annual Report, and provide reasonable assurance on the Annual Report.
- 4.19 Option 2 reflects the current arrangements, while option 3 would provide greater transparency for local citizens but would require a greater volume of audit work to be undertaken. Option 4 also provides transparency but would require an Annual Report to be produced in a prescribed format. The DCLG are seeking feedback on which option provides the best balance between costs for Councils, a robust assessment of value for money for the taxpayer and provides sufficient assurance and transparency to the electorate.
- 4.20 Although the current duty for an auditor to consider making a report in the public interest and requirements for the audited body to respond would remain in the new regime, the right for the public currently to formally raise objections with the auditor would be removed.

5.0 RESPONSE TO THE CONSULTATION

- 5.1 The response to the consultation from the Liverpool City Region's Directors of Finance, in Appendix 1, makes the following key comments;

- Several of the proposals made in the consultation will add to both the administrative and financial burdens faced by Councils
- It is debateable whether the proposals will improve the accountability of Councils to local people

- The National Audit Office would be best placed to produce the Code of Audit Practice and the supporting guidance, but there needs to be full and proper consultation on the Code of Practice.
- The Financial Reporting Council should be responsible for the regulation of statutory local public auditors.
- The assumption that there needs to be Independent Members on Audit Committees is not supported, as Councillors currently fulfil this role successfully and are democratically elected.
- In terms of scope of the audit, Option 2 is seen as providing the Audit Committee with a role which adds value.
- The requirement for an Audit Committee and its roles and responsibilities should not be specified in legislation, but provided (as now) within guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

6.0 NEXT STEPS

6.1 The outcome and implications of the DCLG consultation will be reported to the Board as soon as they are known.

7.0 POLICY AND OTHER IMPLICATIONS

7.1 None.

8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

8.1 There are no direct implications.

9.0 RISK ANALYSIS

9.1 There are no risks associated with the DCLG consultation.

10.0 EQUALITY AND DIVERSITY ISSUES

10.1 None.

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

| Document | Place of Inspection | Contact Officer |
|---|--|------------------------|
| Future of Local Public Audit Consultation Communities and Local Government | Financial Management Kingsway House Widnes | Ed Dawson |

The Future of Local Public Audit - Consultation
Response of the Liverpool City Region's Directors of Finance

The Directors of Finance within the Liverpool City Region welcome the opportunity to respond to the consultation and would like to make the following comments.

This response reflects the views of the Directors of Finance of the following authorities in the Liverpool City Region:

- Halton
- Knowsley
- Liverpool
- Sefton
- St Helens
- Wirral
- Merseyside Fire & Rescue
- Merseyside Police
- Merseyside Waste Disposal Authority

1. Have we identified the correct design principles? If not what other principles should be considered? Do the proposals in this document meet these design principles?

The emphasis should be on improving the affordability of the whole audit process as well as achieving lower audit fees. **A several proposals made in the consultation will add to both the administrative and financial burdens faced by local authorities.** This fails to meet the Government's previously stated intention to reduce the burdens on local authorities. Local authorities must not be faced with higher overall costs and additional layers of bureaucracy as a result of the Government's decision to disband the Audit Commission. In addition, the future audit market and the associated costs will be influenced by the form in which the ex-Audit Commission auditors enter the market.

Overall, the outcome must present the potential for being cheaper than current arrangements whilst remaining effective, and therefore the design principles should be:

- **regulation** of the external auditors by the Financial Reporting Council in a manner that mirrors the private sector and allows more audit firms to enter the market subject to meeting the professional standards;
- **codes of practice** produced by the National Audit Office;
- an audit committee but discharged by councillors who already provide that **independent scrutiny** role removing the need and cost for having independent audit committee members; and
- **not requiring the statutory involvement** of unitary councils in controlling the audit of smaller bodies.

Although the Minister is of a mind to improve the accountability of local authorities to local people and it is contended that freeing up the audit process will facilitate this. However, what local people will gain from having more say in the audit of local authority accounts is debatable. The local authority accounts and the audit process are already subject to considerable public scrutiny through FOI requests and specific provisions in statutes, such as

the right of inspection and objection, access to auditors and more latterly transparency reporting.

2. Do you agree that the audit of probation trusts should fall within the Comptroller and Auditor General's regime?

No comment

3. Do you think that the National Audit Office would be best placed to produce the Code of audit practice and the supporting guidance?

Yes, but there needs to be full and proper consultation on the Code of Practice.

4. Do you agree that we should replicate the system for approving and controlling statutory auditors under the Companies Act 2006 for statutory local public auditors?

Yes

5. Who should be responsible for maintaining and reviewing the register of statutory local public auditors?

The Financial Reporting Council provided that they can prove they have both the resource and expertise to undertake the role.

6. How can we ensure that the right balance is struck between requiring audit firms eligible for statutory local public audit to have the right level of experience, while allowing new firms to enter the market?

The question to consider is not one of balance but whether the appointed auditor is sufficiently qualified / experienced to provide high quality audit. New firms should ensure that they satisfy these criteria if they wish to enter the market. If the Financial Reporting Council is the regulator then they could include any newer bodies and effectively give them a monitored trial period. New firms should have key personnel with previous local government external audit experience and there should be sufficient ex-Audit Commission staff available.

7. What additional criteria are required to ensure that auditors have the necessary experience to be able to undertake a robust audit of a local public body, without restricting the market?

There is no need for any additional criteria as this might restrict new firms from entering the market. Auditors should have the skills and experience required to do the job. Market entrants should satisfy these basic requirements to be eligible for public audit. Maybe there is a scale issue here – smaller bodies may call for less sector experience?

Key personnel with previous local government external audit experience are widely available. Market forces will probably limit the number of audit firms and will be influenced by how ex-Audit Commission staff are employed in future, including whether any mutual(s) formed of ex-Audit Commission staff are geographically based. The impact of the organisation of ex-Audit Commission staff may change views expressed in this response.

Capacity of audit firms may be an issue. Firms will be working to tight deadlines and require specialist knowledge. The ability of audit firms to react to unforeseen events and business

continuity issues for example will be a key criterion in evaluating tenders. This may restrict the ability of smaller audit firms to win work.

8. What should constitute a public interest entity (i.e. a body for which audits are directly monitored by the overall regulator) for the purposes of local audit regulation? How should these be defined?

All local public bodies should be categorised as public interest entities.

9. There is an argument that by their very nature all local public bodies could be categorised as 'public interest entities.' Does the overall regulator need to undertake any additional regulation or monitoring of these bodies? If so, should these bodies be categorised by the key services they perform, or by their income or expenditure? If the latter, what should the threshold be?

It should be up to the overall regulator to determine whether they undertake additional assurance gathering. In principle this should not be needed as the normal arrangements should satisfy the public interest test. The key driver being local audit regulation needs to be cost effective, proportionate, and compatible with localism.

10. What should the role of the regulator be in relation to any local bodies treated in a manner similar to public interest entities?

For the overall regulator to determine but at a minimum there should be links to the supervisory body for companies defined as public interest bodies. This is because external auditors work across both the private and public sector.

11. Do you think the arrangements we set out are sufficiently flexible to allow councils to cooperate and jointly appoint auditors? If not, how would you make the appointment process more flexible, whilst ensuring independence?

Yes, the assumption is that councils will procure regionally. However, audit committees should have clear responsibilities to the governing body of the reporting entity and conflicts of interest may arise from joint audit committees. A concern is that the timescale for introducing the new audit arrangements may be by April 2012. Therefore, to comply with the correct procurement regulations and processes, the legislation and regulations need to be in place no later than the end of September 2011. Otherwise, the Audit Commission will need to run the process for 2012/13.

It is not clear how local people would be able to have any real influence over the appointment of auditors unless they have representation on the audit committee.

Authorities currently have specific rules regarding the commissioning of services or procurement of supplies in order to safeguard public funds, ensure value for money, and assessing suppliers' ability to deliver the services. In a significant number of cases it is a requirement that before any tenders can be accepted a report must go before members so they can independently challenge the process. It seems the consultation paper does not recognise this fact and is concentrating on establishing a commissioning process that delivers flexibility and independence in the process that in reality either currently exists or is not required.

12. Do you think we have identified the correct criteria to ensure the quality of independent members? If not, what criteria would you suggest?

The assumption that there needs to be independent members is not supported as councillors currently fulfil the audit committee role successfully. Importantly, councillors are democratically elected and not accountable to the local public.

If independent audit committee members are being appointed and remunerated by a local authority, how truly independent are they?

Regarding the other criteria for determining an independent member, being a relative or close friend of a member or an officer of the authority should be declared but not necessarily a bar to appointment. The selection process needs to ensure skills are relevant and that value can be added by any independent members. Barring a member or officer of another relevant body will limit individuals with significant relevant and recent experience, and therefore be counter productive.

13. How do we balance the requirements for independence with the need for skills and experience of independent members? Is it necessary for independent members to have financial expertise?

The primary requirement is an objective and independent frame of mind; thereafter the skills and experience, including financial expertise, will be the deciding criteria. The skills needed to chair the committee are different and may be different from someone with financial expertise. However all members do need to be aware of the sector, finance, and the wider role governance role that existing audit committees undertake.

Hence, the view that local authorities who have adopted a cabinet system have sufficient authority members who are independent of the key decision making body to carry out an effective audit committee role. Therefore, a mandatory requirement to appoint independent audit committee members is not supported.

14. Do you think that sourcing suitable independent members will be difficult? Will remuneration be necessary and, if so, at what level?

Yes, it is anticipated that it will be difficult to source suitable independent members. Hence, this is another reason why the use of existing councillors is supported. Existing co-opted members receive expenses only. Determining any remuneration should be a matter for the independent remuneration panel, and likely to be comparable to an elected member.

As a result any specified independent members would add to the council's costs and provide little additional benefit for local tax payers.

15. Do you think that our proposals for audit committees provide the necessary safeguards to ensure the independence of the auditor appointment? If so, which of the options described in paragraph 3.9 seems most appropriate and proportionate? If not, how would you ensure independence while also ensuring a decentralised approach?

Option 1 is the default although the independence of the auditor appointment is not seen as an issue. Ideally, option 2 gives the committee a role that adds value. However, currently audit committees have a greater scrutiny role in terms of reviewing financial performance of the organisation, consideration of internal audit reports, annual governance statements, risk, and other constitutional and ethical issues. These roles are better fulfilled by the authority

itself rather than the type of independent audit committee being proposed in the consultation paper.

16. Which option do you consider would strike the best balance between a localist approach and a robust role for the audit committee in ensuring independence of the auditor?

Option 1

17. Are these appropriate roles and responsibilities for the Audit Committee? To what extent should the role be specified in legislation?

Only the basic mechanisms should be specified in legislation to provide consistency and should be backed up by guidance reflecting the wider governance responsibilities of an audit committee. The guidance could be maintained by CIPFA.

Any statutory requirement for an audit committee would be new but guidance from CIPFA already exists and is followed, and non-compliance is reported in the Annual Governance Statement. This would leave local audit committees free to decide on their remaining functions and roles with the audited body.

18. Should the process for the appointment of an auditor be set out in a statutory code of practice or guidance? If the latter, who should produce and maintain this?

Yes, a statutory code of practice.

19. Is this a proportionate approach to public involvement in the selection and work of auditors?

No, there is no role for the public in the selection of the external auditor. It is a matter for the statutory regulator and the Council. Practically, even if expressions of interest are used this may not be the same firms as those who tender. The public are not involved in commissioning any other services that are much more vital to the local community. In addition, there needs to be compliance with the EU procurement regulations.

20. How can this process be adapted for bodies without elected members?

No comment

21. Which option do you consider provides a sufficient safeguard to ensure that local public bodies appoint an auditor? How would you ensure that the audited body fulfils its duty?

Option 2 – councils are responsible organisations and would make such an appointment but the power of the Secretary of State to intervene provides further assurance.

22. Should local public bodies be under a duty to inform a body when they have appointed an auditor, or only if they have failed to appoint an auditor by the required date?

Yes, upon appointment.

23. If notification of auditor appointment is required, which body should be notified of the auditor appointment/failure to appoint an auditor?

The Secretary of State and the National Audit Office should be informed.

24. Should any firm's term of appointment be limited to a maximum of two consecutive five-year periods?

Yes, apply the same appointment terms applicable to private sector audits. If appointment terms are set too short then the burden on the audited body tends to increase as new auditors have to come in and understand systems, and develop relationships.

25. Do the ethical standards provide sufficient safeguards for the rotation of the engagement lead and the audit team for local public bodies? If not, what additional safeguards are required?

Yes

26. Do the proposals regarding the reappointment of an audit firm strike the right balance between allowing the auditor and audited body to build a relationship based on trust whilst ensuring the correct degree of independence?

Yes

27. Do you think this proposed process provides sufficient safeguard to ensure that auditors are not removed, or resign, without serious consideration, and to maintain independence and audit quality? If not, what additional safeguards should be in place?

Yes

28. Do you think the new framework should put in place similar provision as that in place in the Companies sector, to prevent auditors from seeking to limit their liability in an unreasonable way?

Yes, but there could be cost considerations if that differs greatly from the current code of responsibilities of auditors.

29. Which option would provide the best balance between costs for local public bodies, a robust assessment of value for money for the local taxpayer and provides sufficient assurance and transparency to the electorate? Are there other options?

Option 1 is preferred as it reduces the burden with option 2 being acceptable.

30. Do you think local public bodies should be required to set out their performance and plans in an annual report? If so, why?

No, although communicating information to the public should be encouraged and authorities should be free to publish their own information including summarised or simplified accounts, and not to have them audited.

31. Would an annual report be a useful basis for reporting on financial resilience, regularity and propriety, as well as value for money, provided by local public bodies?

No, see Q30.

32. Should the assurance provided by the auditor on the annual report be 'limited' or 'reasonable'?

Limited

33. What guidance would be required for local public bodies to produce an annual report? Who should produce and maintain the guidance?

There should be no statutory requirement for an annual report but good practice guidance could be provided by CIPFA.

34. Do these safeguards also allow the auditor to carry out a public interest report without his independence or the quality of the public interest report being compromised?

Yes, the way it is investigated and then reported is more of a factor.

35. Do you agree that auditors appointed to a local public body should also be able to provide additional audit-related or other services to that body?

Yes, subject to the checks and balances provided by professional ethics and codes of practice.

36. Have we identified the correct balance between safeguarding auditor independence and increasing competition? If not, what safeguards do you think would be appropriate?

Yes

37. Do you agree that it would be sensible for the auditor and the audit committee of the local public body to be designated prescribed persons under the Public Interest Disclosure Act? If not, who do you think would be best placed to undertake this role?

Yes

38. Do you agree that we should modernise the right to object to the accounts? If not, why?

Yes, the process presently in place is rarely used given the other means of access open to anyone with an interest in local authorities. However, local electors should have the right to object to items within the accounts. This is a fundamental right of electors and surely fits in with idea of localism and greater involvement of citizens. Objections to the accounts have been used as a means of trying to alter policy rather than any inherent failure of the financial statements.

39. Is the process set out above the most effective way for modernising the procedures for objections to accounts? If not, what system would you introduce?

Yes

40. Do you think it is sensible for auditors to be brought within the remit of the Freedom of Information Act to the extent of their functions as public office holders? If not, why?

Yes, but not with regard to the affairs of their clients. This should be kept under review as the scope and cost of this work would ultimately have to be met by the public sector bodies concerned.

41. What will be the impact on (i) the auditor/audited body relationship, and (ii) audit fees by bringing auditors within the remit of the Freedom of Information Act (to the extent of their functions as public office holders only)?

(i) No impact, but there needs to be recognition that some of the requests passed to authorities may well then be passed onto the auditors incurring duplication of effort.

(ii) Potential increase in fees, see Q40.

42. Which option provides the most proportionate approach for smaller bodies? What could happen to the fees for smaller bodies under our proposals?

Option 2, there should not be a legal requirement for the involvement of other councils but fees need to be controlled and procuring with other councils in the region should be encouraged.

43. Do you think the county or unitary authority should have the role of commissioner for the independent examiners for smaller bodies in their areas? Should this be the section 151 officer, or the full council having regard to advice provided by the audit committee? What additional costs could this mean for county or unitary authorities?

No, the statutory involvement of other councils is wrong in principle.

44. What guidance would be required to enable county/unitary authorities to:

a) Appoint independent examiners for the smaller bodies in their areas?

b) Outline the annual return requirements for independent examiners?

Who should produce and maintain this guidance?

The table presented should be amended to include the expected role and indicative fees would assist in the engagement as the smaller bodies are independent of the council. Any other guidance should come from the Financial Reporting Council.

45. Would option 2 ensure that smaller bodies appoint an external examiner, whilst maintaining independence in the appointment?

The optional use of joint audit committees and procurement should be encouraged to mitigate this risk.

46. Are there other options given the need to ensure independence in the appointment process? How would this work where the smaller body, e.g. a port health authority, straddles more than one county/unitary authority?

Services across authorities are not uncommon and there tends to be an appointed lead authority for any such activities.

47. Is the four-level approach for the scope of the examination too complex? If so, how would you simplify it? Should the threshold for smaller bodies be not more than £6.5m or £500,000? Are there other ways of dealing with small bodies, e.g. a narrower scope of audit?

An option could be merge the lower bands and have up to £250,000, £250,000 to £500,000 and £500,000 upwards.

48. Does this provide a proportionate, but appropriate method for addressing issues that give cause for concern in the independent examination of smaller bodies? How would this work where the county council is not the precepting authority?

The involvement of other councils should not be assumed but the optional use of joint audit committees should be encouraged to mitigate the risk of failing to take action. Any perceived failures reported by members or the public may need to be reported to the Secretary of State.

49. Is the process set out above the most appropriate way to deal with issues raised in relation to accounts for smaller bodies? If not, what system would you propose?

A system needs to be designed that ensures accountability that does not rely on the involvement of unitary/county councils.

50. Does this provide a proportionate but appropriate system of regulation for smaller bodies? If not, how should the audit for this market be regulated?

This would depend upon the overall intent which could be that set out under Q49.



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From the Permanent Secretary

Local Authority Chief
Executives

2 June 2011

Dear Local Authority Chief Executives,

UPDATE ON WORK ON THE FUTURE OF LOCAL AUDIT

In August last year the Secretary of State announced plans to disband the Audit Commission and refocus local public audit. Since then, the feedback from local government has been generally supportive of the decision. We have a shared goal of making progress on a robust new local audit framework, and on shutting down the Commission quickly and efficiently, so that local government can appoint auditors as soon as possible. I want to update you on what we are doing to secure this.

Since the announcement, we have been carefully considering how to deliver the changes as cost effectively and quickly as possible. We are out to consultation on proposals for the new audit framework, and keen to hear your views. The consultation runs until 30 June, and the document is at: <http://www.communities.gov.uk/publications/localgovernment/localpublicauditconsult>. We plan to provide a response to the consultation in the autumn, and to publish draft legislation, and then to bring forward primary legislation as soon as Parliamentary time allows.

We have also been looking at how to transfer the audit work from the Commission's in-house audit practice to the private sector. We have taken external advice on how best to achieve this. We need to ensure the public purse is protected, and that you get high quality and value for money audit services until you can start appointing your own auditors.

There are two basic options, either to outsource all the audit work (30% of which is already done by the private sector), or to create an independent company which could be sold. Our initial view, drawing on the work of our external advisers, is that outsourcing could be the better option – potentially quicker, more straightforward and better value for money. We have, therefore, asked the Audit Commission to begin substantive preparatory work for outsourcing the 2012/13 audits. This means we will be able to move quickly if Ministers take a final decision to go down this route. The attached press notice provides more details.

We would ensure that local government is fully engaged in the process of outsourcing and the appointment of auditors. We will ensure that whichever option is chosen provides high quality and value for money. We expect local government to share in the benefit of any savings that are achieved. We are clear that outsourcing would not delay the point at which you are able to appoint your own auditors, compared with the sale option. My department is ready to work closely with local government and the Commission to ensure a smooth transition.

Once Ministers have made a final decision on how best to transfer the in house practice to the private sector, they will inform Parliament in the usual way. I will keep you informed of developments and the programme will be kept under review to ensure the best possible outcome.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Bob Kerlake', with a stylized initial 'B'.

SIR BOB KERSLAKE

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REPORT TO: Business Efficiency Board

DATE: 29 June 2011

REPORTING OFFICER: Operational Director – Finance

SUBJECT: Internal Audit Annual Report – 2010/11

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The CIPFA Code of Practice for Internal Audit in Local Government requires the Head of Internal Audit to provide a written report to the Council's Audit Committee timed to inform the Council's Annual Governance Statement. As such, the purpose of this report is to provide an opinion of the adequacy and effectiveness of the Council's control environment. The 'control environment' is the collective term used to describe the Council's:

- risk management;
- control; and
- governance processes.

1.2 The Accounts and Audit Regulations 2011 provide a requirement for local authorities to conduct a review of the effectiveness of its internal audit at least once each year. This review is intended to provide members with a basis for determining the extent to which reliance can be placed on the internal audit opinion.

1.3 The purpose of this report is therefore to present the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's control environment and the findings of the review of the effectiveness of the Council's internal audit.

2.0 RECOMMENDATIONS: That the Board notes:

- (1) Internal Audit's opinion on the Council's control environment; and**
- (2) The findings of the review of the effectiveness of internal audit.**

3.0 SUPPORTING INFORMATION

Annual opinion on the Council's control environment

- 3.1 Internal audit work completed during the 2010/11 financial year was carried out in accordance with the Internal Audit plan, which was approved by the Business Efficiency Board on 10 March 2010. The plan was constructed in such a way to allow Internal Audit to form an overall opinion on the Council's risk management, control and governance processes.
- 3.2 In providing an overall opinion on the Council's system of internal control, it should be noted that assurance can never be absolute. Internal Audit can only provide reasonable assurance that there are no major weaknesses in the areas reviewed. In arriving at an opinion, consideration is given to:
- The findings from the audit work undertaken during the year;
 - The amount of audit work undertaken in the year compared with work planned;
 - The results of follow up action in respect of previous audit work;
 - Whether or not any significant recommendations have not been accepted by management and the consequent risks;
 - The extent to which resource constraints prevent Internal Audit from providing assurance over all key risks faced by the Council.

Internal Audit's Opinion on the Council's Control Environment

Internal Audit is required to form an opinion on the adequacy and effectiveness of the Council's internal control environment, which includes consideration of any significant risk or governance issues and control failures that have been identified. Although a number of significant findings have been reported by Internal Audit during the course of the 2010/11 financial year, the actions that management has agreed to take in response to those findings will, if implemented satisfactorily, resolve them in an appropriate manner. Internal Audit is therefore of the opinion that the Council continues to maintain an effective control environment.

There are no outstanding significant control issues identified through the work of Internal Audit that require disclosure in the Council's 2010/11 Annual Governance Statement.

Basis for the opinion

- 3.3 The overall opinion provided in this report is based upon the work completed during the year. The 2010/11 Internal Audit Plan comprised 1,447 audit days based on an establishment of 7.52 FTE auditors. A full-time vacancy was carried by the team for the entire year. As such, 1,283 audit days were completed in total (88.7% of planned days).

This level of audit coverage is considered sufficient to ensure that a confident, evidence-based opinion can be provided.

3.4 A summary of the audit reviews completed during the year is included in Appendix 1. Each audit area is graded according to the level of assurance that can be provided that objectives for the area reviewed are likely to be achieved. Three categories of assurance level are used: substantial, adequate and limited. Of the 57 audit reports finalised during the year:

- 13 areas received substantial assurance;
- 40 areas received adequate assurance;
- 4 areas received limited assurance.

3.5 A summary of the 20 'follow up' audits completed in the year is included at Appendix 2. These reviews are undertaken to provide assurance that previously agreed audit recommendations are implemented. We found that:

- 18 areas had made substantial progress in implementing the recommendations agreed;
- One area had made good progress in implementing the recommendations agreed;
- One area had made unsatisfactory progress in implementing the recommendations agreed.

Review of the effectiveness of internal audit

3.6 The Accounts and Audit Regulations 2011 provide a requirement for local authorities to conduct a review of the effectiveness of its internal audit at least once each year and to report the findings of the review alongside the annual opinion on the system of internal control.

3.7 The Operational Director – Finance has reviewed the Council's internal audit arrangements and considers it to be effective and fit for purpose. The following evidence supports this conclusion:

- The Council has designated the Business Efficiency Board as its Audit Committee. The Board has continued to provide robust challenge across a range of internal audit reports and has sought explanations from officers, when considered necessary, on risk and control issues.
- The Council's Internal Audit Division has established quality assurance arrangements to ensure continued compliance with the CIPFA Code of Practice for Internal Audit in Local Government and the Council's audit methodology.
- The Council's internal audit arrangements comply with the CIPFA Statement on the role of the Head of Internal Audit in public service organisations.

- All employees within the Internal Audit Division hold a recognised accountancy and / or internal audit qualification.
- External audit continue to place reliance on internal audit in regards to work undertaken on the systems that compile the material disclosures for the statement of accounts.
- Internal Audit seeks feedback on the service it provides by issuing an 'Internal Audit Satisfaction Survey' at the end of each audit. The results of the surveys returned in 2010/11 are:
 - 66.7% of respondents were 'very satisfied' with the quality of service provided.
 - 33.3% of respondents stated that they were 'satisfied' with the quality of service provided.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 Under Regulation 6 of the Accounts & Audit Regulations 2011 the Council 'must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'. This responsibility is delegated to the Operational Director – Finance.

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

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 CIPFA defines Internal Audit as being 'an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives'.

5.2 Internal Audit therefore supports the Council in achieving all the aims and objectives set out in the Sustainable Community Strategy and the Corporate Plan.

6.0 RISK ANALYSIS

6.1 The work of Internal Audit is part of the overall framework that provides assurance that significant risks to the achievement of the Council's objectives are being managed effectively.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 None arising directly from this report.

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

| Document | Place of Inspection | Contact |
|---|--|-------------|
| Internal Audit Plan 2010/11 Internal Audit reports | 1 st Floor, Kingsway House, Kingsway, Widnes | Merv Murphy |

2010/11 – Internal Audit reports

| | Area Reviewed | Level of Assurance | | |
|------------------------------------|--|--------------------|----------|---------|
| | | Substantial | Adequate | Limited |
| Council wide | | | | |
| 1. | Carbon Management | | ✓ | |
| 2. | Acceptable Use Policy | | ✓ | |
| 3. | Widnes Waterfront Scheme | ✓ | | |
| 4. | Governance of Partnerships | | ✓ | |
| 5. | Building Schools for the Future | ✓ | | |
| Adults & Community | | | | |
| 6. | Halton Stadium | | ✓ | |
| 7. | Adult Placement Service | | ✓ | |
| 8. | Halton Community Warden Service | | ✓ | |
| 9. | Halton Supported Housing Network | | | ✓ |
| 10. | Community Meals Service | | ✓ | |
| 11. | Private Sector Housing Grants | | ✓ | |
| 12. | Supporting People | | ✓ | |
| Children & Young People | | | | |
| 13. | ContactPoint | ✓ | | |
| 14. | Information Governance in Schools | | ✓ | |
| 15. | Attendance at School | ✓ | | |
| 16. | Subsidised Safety Equipment Scheme | | ✓ | |
| 17. | Young People's Team – Care Leavers | | ✓ | |
| 18. | Support to Schools Causing Concern | ✓ | | |
| 19. | Community Cafes | | ✓ | |
| 20. | Inter Authority Recoupment | ✓ | | |
| 21. | Local Authority Day Care Provision | | | ✓ |
| Schools | | | | |
| 22. | Lunts Heath Primary School | | ✓ | |
| 23. | Our Lady Mother of the Saviour Primary | | ✓ | |
| 24. | Palace Fields Primary School | | | ✓ |
| 25. | St. Bede's RC Infants School | ✓ | | |
| 26. | St. Clements Primary School | ✓ | | |
| 27. | St. Edwards Primary School | | ✓ | |
| 28. | Victoria Road Primary School | | ✓ | |
| 29. | Windmill Hill Primary School | | ✓ | |
| 30. | Oakfield Primary School | ✓ | | |
| 31. | St. Bede's RC Juniors School | | ✓ | |
| 32. | Westfield Primary School | | | ✓ |
| 33. | St. Gerard's RC Primary School | | ✓ | |
| 34. | Fairfield Infants Primary School | ✓ | | |
| 35. | Hill View Primary School | ✓ | | |
| 36. | St Martin's Catholic Primary School | | ✓ | |

| | Area Reviewed | Level of Assurance | | |
|--------------------|---|--------------------|-----------|----------|
| | | Substantial | Adequate | Limited |
| 37. | Hale CEVC Primary School | | ✓ | |
| 38. | Weston Primary School | | ✓ | |
| 39. | St. Michael's RC Primary School | | ✓ | |
| 40. | West Bank Primary School | | ✓ | |
| 41. | St. Bede's RC Infants Primary School | ✓ | | |
| Environment | | | | |
| 42. | Bridge Maintenance | | ✓ | |
| 43. | Markets | | ✓ | |
| 44. | Food Safety & Standards | | ✓ | |
| 45. | Municipal Building Contract | | ✓ | |
| 46. | Planning Applications | | ✓ | |
| 47. | Kingsway Health Centre Refurbishment Contract | | ✓ | |
| 48. | Pest Control | | ✓ | |
| Resources | | | | |
| 49. | HR Learning & Development | | ✓ | |
| 50. | Internet Site Security | | ✓ | |
| 51. | Local Land Charges | | ✓ | |
| 52. | Cash collection | | ✓ | |
| 53. | Code of Connection | ✓ | | |
| 54. | ICT Procurement | | ✓ | |
| 55. | Server Virtualisation | | ✓ | |
| 56. | Secure Data Transmissions to External Organisations | | ✓ | |
| 57. | Marketing & Communications | | ✓ | |
| Total | | 13 | 40 | 4 |

Key - Internal Audit report assurance ratings

| Assurance Rating | Opinion Type | Explanation |
|------------------|--------------|---|
| Substantial | Positive | There is a sound system of control designed to ensure the achievement of the service or system's business objectives. |
| Adequate | | There is basically a sound system of controls. However, opportunities exist to enhance the control environment further. |
| Limited | Negative | The control environment is in need of improvement. Weaknesses in the control systems may put the service or system's business objectives at risk. |

2010/11 – Internal Audit ‘follow up’ reviews

| Area Reviewed | | Level of Assurance | | |
|------------------------------------|---|--------------------|----------|----------|
| | | Substantial | Adequate | Limited |
| Children & Young People | | | | |
| 1. | Children's Centres | | | ✓ |
| 2. | Home to School Travel | ✓ | | |
| 3. | Halton Helps | ✓ | | |
| Schools | | | | |
| 4. | Saints Peter & Paul RC High School | ✓ | | |
| 5. | Brookfields School | ✓ | | |
| 6. | Our Lady of Perpetual Succour RC Primary School | ✓ | | |
| 7. | All Saints Upton CEVC Primary School | ✓ | | |
| 8. | St. Mary's Halton Primary School | ✓ | | |
| 9. | The Brow Primary School | ✓ | | |
| 10. | Astmoor Primary School | ✓ | | |
| 11. | Weston Point Primary School | ✓ | | |
| 12. | OLMS RC Primary School | | ✓ | |
| 13. | Halton Lodge Primary School | ✓ | | |
| Environment | | | | |
| 14. | Property Services- Rental Income | ✓ | | |
| 15. | Business Improvement Districts (BIDS) | ✓ | | |
| 16. | Markets | ✓ | | |
| 17. | Municipal Building Contract | ✓ | | |
| 18. | Kingsway Health Centre Refurbishment Contract | ✓ | | |
| Resources | | | | |
| 19. | Disposal of ICT equipment | ✓ | | |
| 20. | Laptop Security | ✓ | | |
| Total | | 18 | 1 | 1 |

Key - ‘follow up’ report assurance ratings

| Assurance Rating | Opinion Type | Explanation |
|------------------|--------------|-----------------------|
| Substantial | Positive | Good progress |
| Adequate | | Satisfactory progress |
| Limited | Negative | Little progress |

REPORT TO: Business Efficiency Board

DATE: 29 June 2011

REPORTING OFFICER: Strategic Director – Policy & Resources

SUBJECT: Counter Fraud Measures – Update

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to update the Board with details of:

- The measures that the Council has established to counter the risk of fraud;
- The counter-fraud activity undertaken in 2010/11;
- The response to the UK Bribery Act 2010;

2.0 RECOMMENDATION: That the Business Efficiency Board is asked to note the update on the Council's counter fraud activity and endorse the further developments proposed.

3.0 THE COUNCIL'S COUNTER FRAUD FRAMEWORK

3.1 The Council has a well-established framework of policies, procedures and functions that collectively help to manage the risk of fraud and corruption. Key elements of this framework include:

- The Anti-Fraud and Anti-Corruption Strategy;
- The Fraud Response Plan;
- The Confidential Reporting Code (Whistleblowing Policy);
- Standing Orders relating to Finance and Procurement;
- The Scheme of Delegation;
- Members' Code of Conduct;
- Employees' Code of Conduct;
- Registers of Interests;
- Registers of Gifts & Hospitality;
- The work of Internal Audit;
- The work of the Benefits Investigation Unit;
- Communication systems to raise awareness of the risk of fraud.

3.2 During 2010/11, a number of measures were undertaken to further develop the Council's counter fraud measures. These include:

- Fraud awareness training has been available via an on-line training facility, to all employees and Members. Further tailored training was delivered to 73 community care workers within Adult Services, specifically to raise awareness of the Council's Confidential Reporting Code (Whistleblowing Policy).
- Work started on developing continuous monitoring techniques to interrogate the Council's main systems. This will help to provide ongoing assurance on the operation of controls and assist in the detection of potential fraudulent activity.
- The Council has continued to benchmark its counter fraud arrangements against best practice. This has included an assessment against the CIPFA Fraud Risk Evaluation Diagnostic (FRED) and the Audit Commission's 'Checklist for those responsible for governance' (from the publication 'Protecting the Public Purse 2010: Fighting fraud against local government and local taxpayers'). The results indicate that the Council has robust measures in place to counter fraud.
- All internal audit reviews continue to assess the extent to which service managers have considered the risk of fraud in their area of activity and examine the measures established to minimise the risk of fraud.

4.0 BENEFITS INVESTIGATION UNIT

- 4.1 Nationally, the biggest risk of fraud facing local authorities is considered to be in respect of claims for Housing Benefit and Council Tax Benefit. The Council's Benefits Investigation Unit (BIU) therefore has an important role to play in the Council's overall counter fraud arrangements.
- 4.2 In 2010/11, the BIU continued to raise awareness of benefit fraud through a range of initiatives, which include:
- Publicising prosecution outcomes to the local press;
 - Delivering fraud awareness training;
 - Engaging in joint working with the Register Social Landlords (RSL) to identify non-residency and subletting fraud.
- 4.3 The BIU has also continued to work closely with the Department of Work and Pensions (DWP) Fraud Investigation Service and has successfully prosecuted 12 joint working cases together since April 2010. Council officers have also attended arrest/seize operations with the DWP and Cheshire Police.
- 4.4 During the period April 2010 to March 2011, the BIU received 802 referrals, of which 513 cases have been investigated and closed. These investigations have led to:
- 88 formal cautions being issued;
 - 24 administrative penalties being issued;
 - 38 cases referred to court / court summonses issued;

- 36 successful prosecutions;
- Fraudulent overpayments (including DWP overpayments) totaling over £500,000 being identified. The Council attempts to recover all overpayments.

5.0 NATIONAL FRAUD INITIATIVE

5.1 The Council has recently received the results from the Audit Commission's National Fraud Initiative (NFI); a data matching exercise which takes place every two years. The exercise is designed to assist participating bodies to detect potential cases of fraud and erroneous payments and to correct any resulting under or overpayments from the public purse. The data matching results are currently being investigated and the outcomes will be reported to the Board at a later date.

5.2 The datasets examined as part of NFI are:

- Payroll
- Pensions (provided by Pensions Authority)
- Trade creditors' payment history and standing data
- Housing Benefits (provided by DWP)
- Council Tax
- Electoral Register
- Students eligible for a loan (provided by Student Loan Company)
- Private supported care home residents
- Blue Badges/Concessionary Travel
- Insurance claimants
- Licences – market traders/operator, taxi driver and personal licences to supply alcohol

6.0 The UK Bribery Act 2010

6.1 The UK Bribery Act 2010 is a new piece of legislation designed to help combat bribery and corruption, which simplifies the existing law on bribery, enabling the courts to deal with it more effectively. The new Act comes into force on 1 July 2011. Penalties under the Act include fines and/or imprisonment for up to ten years (for the more serious offences).

6.2 Under the Act there are four offences:

- Bribing another person;
- Receiving a bribe;
- Bribing a foreign public official; and
- Failure by a commercial organisation to prevent a bribe being paid for or on its behalf.

- 6.3 It is unlikely that the offence of bribing a foreign public official will be an issue that affects the Council. Similarly, public bodies are not considered to be commercial organisations for the purposes of the Act. However, in any event, it is considered prudent for the Council to review its policies and procedures in light of the Act to ensure that they are adequate in regards to those offences that could affect the Council.
- 6.4 The Ministry of Justice guidance refers to six key principles to follow to determine what 'adequate procedures' equate to in any one organisation depending on its exposure to risk.
- Proportionate procedures - clear, practical, accessible, effectively implemented and enforced;
 - Top-level commitment - showing that the organisation is committed to tackling bribery and helping to create an anti-bribery culture;
 - Risk assessment - bribery risks evaluated and kept up to date;
 - Due diligence - proportionate processes are in place to mitigate risks;
 - Communication (including training) - demonstrating the anti-bribery stance both externally and internally, informing staff, enhancing prevention and acting as a deterrent;
 - Monitoring and review - to keep anti-bribery "live" with periodic re-evaluation to assess whether what is in place is appropriate.
- 6.5 As the Council has well established governance arrangements, only minor amendments to existing procedures will be required. Procurement Standing Orders have already been updated to take account of the Act. The Anti-Fraud & Corruption Strategy, Fraud Response Plan and documentation associated with the procurement process will also be reviewed and updated as necessary.

7.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

- 7.1 There are no specific policy implications arising from this report.
- 7.2 There are no direct financial implications arising from this report. Further development of the Council's counter fraud arrangements will be met from within existing resources.

8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 8.1 The maintenance of an effective framework to minimise the risk of fraud and corruption contributes to the achievement of all the Council's priorities.

9.0 RISK ANALYSIS

9.1 This report highlights specific actions that the Council has already taken, and continues to take, to minimise the risk of fraud. Failure to maintain effective counter fraud measures would result in the Council being susceptible to an increased risk of financial loss.

9.2 The Council needs to reviews its policies and procedures and respond appropriately to the new UK Bribery Act 2010.

10.0 EQUALITY AND DIVERSITY ISSUES

None identified.

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

None.

REPORT TO: Business Efficiency Board

DATE: 29 June 2011

REPORTING OFFICER: Strategic Director – Policy & Resources

SUBJECT: Annual Governance Statement 2010/11

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

The purpose of this report is to enable Members of the Board to consider and approve the Annual Governance Statement for 2010/11.

2.0 RECOMMENDATION:

The Board is recommended to review and approve the Council's Annual Governance Statement.

3.0 SUPPORTING INFORMATION

Background to the Annual Governance Statement

- 3.1 Under the Accounts and Audit Regulations 2011 the Council must produce an Annual Governance Statement (AGS), in a format recommended by CIPFA/SOLACE, to accompany the Statement of Accounts. This is a change from previous years where the AGS was an integral part of the Statement of Accounts. This change is to emphasise that the AGS is separate from the accounts for the purpose of external audit.
- 3.2 The AGS is intended to identify any areas where the Council's governance arrangements are not in line with best practice or are not working effectively, together with action plans for improvement.
- 3.3 The Council Constitution delegates the responsibility to review and approve the AGS to the Business Efficiency Board. Once approved, the AGS is signed by the Council Leader and Chief Executive and published on the Council's website.
- 3.4 CIPFA advise that the AGS should be drafted in order for it to accompany the signed and dated Statement of Accounts by the end of June.

Preparation of the 2010/11 Annual Governance Statement

- 3.5 The production of the AGS has been co-ordinated through a Corporate Governance Group led by the Strategic Director – Policy & Resources.

This group has been responsible for evaluating the sources of assurance and identifying any areas where the Council's governance arrangements could be strengthened. A flowchart summarising the process followed in preparing the AGS is shown in Appendix 1.

- 3.6 In preparing the AGS, assurances have been considered from a number of sources, including:
- The progress made in responding to issues identified in the 2009/10 AGS;
 - Issues raised by the Audit Commission in its role as external auditor;
 - Inspection reports from other independent bodies;
 - The Council's risk and performance management frameworks;
 - The work undertaken by internal audit;
 - The work of the Information Management Group.

Outcome of the review of the Council's governance arrangements

- 3.7 The issues identified in the 2009/10 AGS have been addressed as follows:
- The Council's governance and internal control framework has been adequately maintained despite the significant budgetary pressures and funding constraints experienced. The Audit Commission's Annual Governance Report from September 2010 stated that the 2009/10 financial statements audit 'has not identified any material weaknesses in internal control'. Similarly the work of internal audit continues to provide assurance that the Council's risk management, control and governance processes are generally effective.
 - IT business continuity arrangements have been further developed:
 - A business impact review has been undertaken to assess the impact as well as the likelihood of failure of key business and IT systems.
 - Business Continuity Plans (BCP) detailing the procedures to allow recovery from a partial or total loss of IT and business services in a controlled manner are being reviewed and updated.
 - The Council has a contract in place for the provision of standby ICT facilities.
 - Business continuity requirements are now routinely considered during the development and specification of new computer applications.
 - Section 64 and Schedule 4 of the Local Government and Public Involvement in Health Act 2007 required all local authorities to adopt one of two new governance models – either a 'new style' Leader and

Cabinet Executive or a Mayor and Cabinet Executive. Following a formal public consultation process, the Council at its meeting on 15 December resolved that the Leader with Cabinet model of governance be adopted, with effect from the third day after the ordinary election of Councillors in May 2011.

3.8 No further significant governance issues have been identified through the 2010/11 review of the Council's governance framework that require disclosure in the AGS.

3.9 The draft AGS for 2010/11 is attached at Appendix 2.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 The Accounts and Audit Regulations 2011 include a statutory requirement to prepare a statement on internal control in accordance with 'proper practice'. Proper practice is defined by the CIPFA/SOLACE Framework as an Annual Governance Statement.

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

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

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

5.2 Employment, Learning and Skills in Halton

See 5.1 above.

5.3 A Healthy Halton

See 5.1 above.

5.4 A Safer Halton

See 5.1 above.

5.5 Halton's Urban Renewal

See 5.1 above.

6.0 RISK ANALYSIS

- 6.1 Under the Accounts and Audit Regulations 2011 the Council is legally required to 'conduct a review at least once a year of the effectiveness of its system of internal control'. Following the review, the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.
- 6.2 The processes followed in reviewing the system of internal control aim to ensure that an accurate statement can be produced in line with the requirements of the Act. Part of the review process includes consultation with the Business Efficiency Board, which is responsible for ensuring that the Council's governance arrangements comply with best practice.

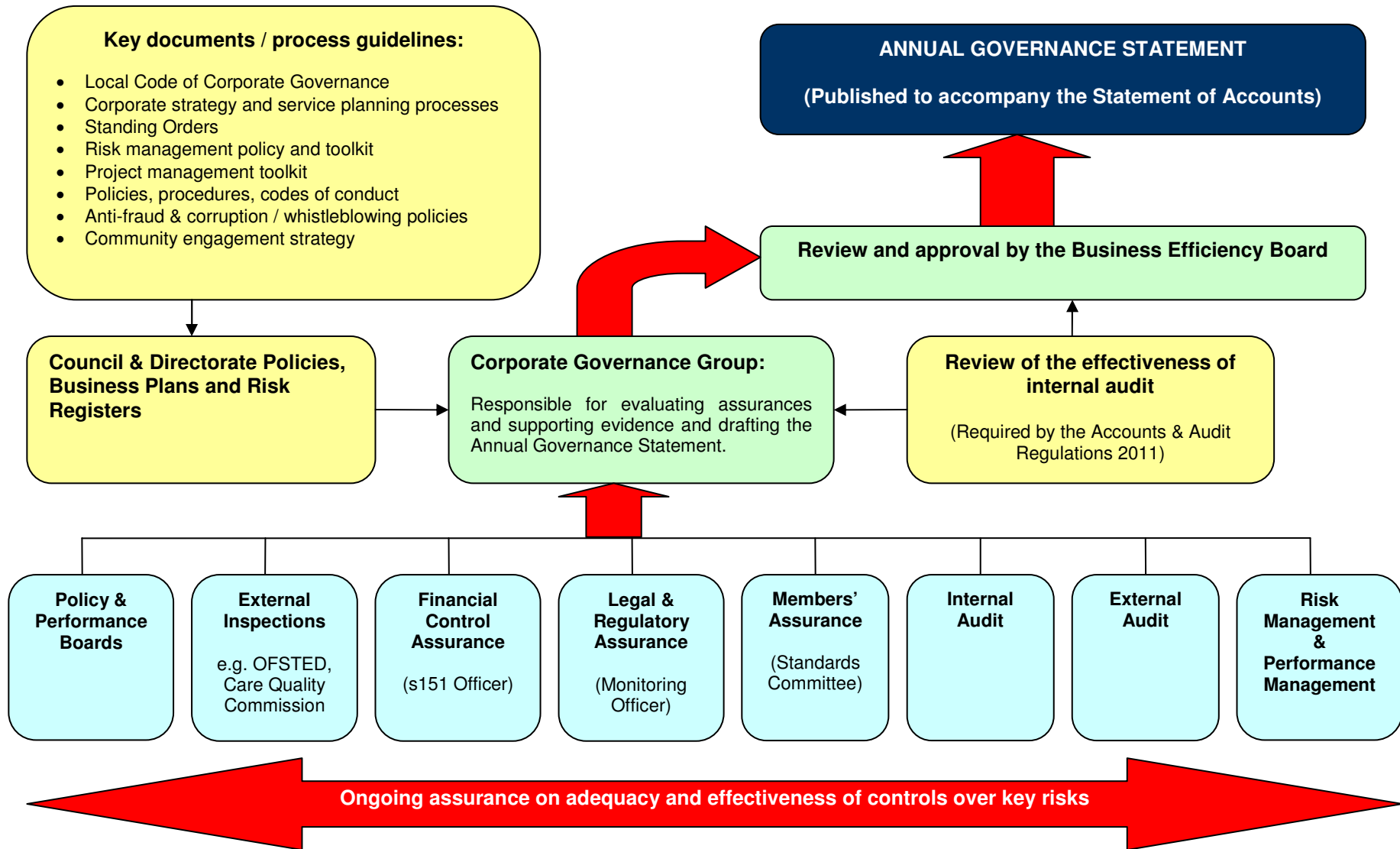
7.0 EQUALITY AND DIVERSITY ISSUES

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

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

| Document | Place of Inspection | Contact |
|---|---------------------------|-------------|
| CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2007) | Kingsway House, Widnes | Merv Murphy |
| CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2007) | | |
| The Accounts and Audit (England) Regulations 2011 | | |

ANNUAL GOVERNANCE STATEMENT – ASSURANCE FRAMEWORK



ANNUAL GOVERNANCE STATEMENT

for the year ended 31 March 2011

1. Scope of Responsibility

- 1.1 Halton Borough Council is responsible for ensuring that:
- its business is conducted in accordance with the law and proper standards;
 - public money is safeguarded and properly accounted for; and
 - public money is used economically, efficiently and effectively.
- 1.2 Halton Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, Halton Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has adopted a local code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework *Delivering Good Governance in Local Government*.
- 1.5 This statement explains how Halton Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Halton Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Halton Borough Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

3. The Council's Governance Framework

The key elements and processes that comprise the Council's governance framework are described below. Documents referred to may be viewed on the Council's website and are available from the Council on request.

3.1 Communicating the Council's vision

- a) The long-term vision for Halton is set out in the Sustainable Community Strategy and the Council's own Corporate Plan.
- b) To deliver this vision, the Council has identified five key priorities that underpin all aspects of the Council's work:
 - A Healthy Halton
 - Environment & Regeneration in Halton
 - Children & Young People in Halton
 - Employment, Learning and Skills in Halton
 - A Safer Halton
- c) The Corporate Plan is built on these five shared priorities, plus a sixth priority about the way we run the business. There are clear objectives and targets for each priority that are common to the two plans.

- d) The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Plan. Quarterly monitoring reports record progress against key service plan objectives and targets. These are reported to the Corporate Management Team and to the Policy and Performance Boards.
- e) The Council's medium term financial strategy, capital programme, and budget process ensure that financial resources are directed to the Council's priorities.

3.2 Members and officers working together to achieve a common purpose with clearly defined roles and functions

- a) Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Executive Board is the main decision-making body of the Council and is made up of ten members who have responsibility for particular portfolios. The Board is chaired by the Leader of the Council and each Board member has responsibility for policy development for issues that fall within their portfolio.
- b) The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are set out in the Council's Constitution.
- c) The Constitution also includes a Member/Officer protocol which describes and regulates the way in which members and officers should interact to work effectively together.
- d) There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities (the five shared priorities and "Efficient and Effective Services"). They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive.
- e) The Business Efficiency Board has been designated as the Council's Audit Committee. Its core functions are consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- f) The Chief Executive (and Head of Paid Service) is responsible for and accountable to the Council for all aspects of operational management.
- g) The Operational Director – Finance, as the s151 Officer appointed under the 1972 Local Government Act, is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer (CFO) in Local Government (2010).

- h) The Monitoring Officer (Operational Director – Legal and Democratic Services) carries overall responsibility for legal and regulatory compliance.
- i) The Strategic Director – Children and Enterprise is designated as the Council's Director of Children's Services.
- j) The Strategic Director – Communities is designated as the Council's Director of Adult Services.
- k) The Strategic Director – Policy and Resources is designated as the Council's Statutory Scrutiny Officer as required under Section 31 of the Local Democracy, Economic Development and Construction Act 2009.
- l) All employees have clear conditions of employment and job descriptions which set out their roles and responsibilities.
- m) The Council has clearly set out terms and conditions for the remuneration of members and officers and there is an effective structure for managing the process.

3.3 Promoting values and upholding high standards of conduct and behaviour

- a) The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. The Standards Committee trains and advises them on the Code of Conduct.
- b) Officer behaviour is governed by the Employees' Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- c) The Council takes fraud, corruption and maladministration seriously and has established policies which aim to prevent or deal with such occurrences:
 - Anti-Fraud and Anti-Corruption Strategy;
 - Fraud Response Plan;
 - Confidential Reporting Code (Whistleblowing Policy);
 - HR policies regarding discipline of staff involved in such incidents.
- d) A corporate complaints procedure exists to receive and respond to any complaints received.
- e) Arrangements exist to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
 - Registers of interests;

- Declarations of personal or prejudicial interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
- Registers of gifts and hospitality, which are available for public inspection;
- Equal opportunities policy.

3.4 Taking informed and transparent decisions and managing risk

- a) The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.
- b) The Council provides decision-makers with information that is fit for purpose. The executive report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.
- c) The Council has a Risk Management Policy and Toolkit and regularly reviews its corporate and directorate risk registers. The management of risk is monitored through the Council's quarterly performance monitoring arrangements.
- d) Each of the five specialist strategic partnerships (SSPs) has conducted a risk assessment of its objectives to form a Partnership Risk Register.
- e) The Business Efficiency Board approves and reviews the internal audit work programme and oversees the implementation of audit recommendations.

3.5 Developing the capacity and capability of Members and Officers

- a) Management of Human Resources has always been a priority for the Council. It first received accreditation as an Investor in People in 1997, with it being renewed for the fourth time in 2010.
- b) The Council has developed a People Strategy to assist the organisation in addressing leadership, skills development, recruitment and retention, and pay issues in a structured and coordinated way. This will also help the Council plan for the future by providing a framework to assess its current workforce and people management activity and to identify any gaps that need to be filled.
- c) The Council's training and development programme stretches right across the organisation to include members and employees. The Council was awarded the NW Charter for Elected Member Development Exemplar Level status in May 2007.
- d) Newly elected members attend a three-day induction programme with follow-up mentoring and are offered a personal development interview.

- e) All new employees attend an induction programme with a more detailed programme for new managers.
- f) Every employee has an annual Employee Development Review (EDR) to identify key tasks and personal development needs linked to delivering our priorities. Training needs identified in this way are used to design the corporate training programme. They are also used to identify specialised professional training needs.

3.6 Engagement with local people and other stakeholders to ensure robust public accountability

- a) The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- b) Arrangements for consultation and for gauging local views include both formal and informal arrangements:
 - Formal arrangements include the Halton 2000 Citizens' Panel, the seven Area Forums, the Youth Forums, Older Person's engagement network (Halton OPEN).
 - Informal arrangements include contact via our website, Halton Direct Link and magazine based customer surveys.
- c) Community and voluntary sector representatives have decision-making roles on the Halton Strategic Partnership Board and on all its SSPs.
- d) The Executive Board has adopted a new approach to locality working, which each Local Area Forum is using to encourage greater participation and involvement.
- e) Within the Halton Strategic Partnership (HSP), responsibility for quarterly performance management of the five priorities rests with the five thematic partnerships (SSPs). A new performance management framework is in place to ensure that a consistent approach is taken by the SSPs and exceptions reported to the Strategic Partnership Board.
- f) The HSP produces an annual report and stages a whole partnership event each year where progress against the Community Strategy is reported and achievements are celebrated.
- g) The Council's publishes a summary of performance information and its financial statements in the Council newspaper, which is distributed to every household in the Borough.
- h) Council agendas, minutes and performance information are published on the Council's website.

4. Review of Effectiveness

4.1 Halton Borough Council annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of Internal Audit and by comments made by the external auditors and other inspection agencies.

4.2 The processes applied in maintaining and reviewing the effectiveness of the system of governance include:

- The work of the Business Efficiency Board as the Council's Audit Committee;
- The work of the Standards Committee;
- The role of the Policy and Performance Boards in holding the Executive to account;
- The operation of the Council's risk management and performance management frameworks;
- The work of internal audit and the Head of Audit's annual report;
- The review of the effectiveness of internal audit;
- The Annual Governance Report issued by the Audit Commission, which reports on issues arising from the audit of the Council's financial statements and the results of the work undertaken to assess how well the Council uses and manages its resources to deliver value for money and better and sustainable outcomes for local people;
- The external auditor's opinion report on the Council's financial statements;
- The corporate complaints procedure;
- The roles of the Council's Statutory Officers;
- The work of the Information Management Group;
- The anti-fraud and corruption and whistleblowing framework;
- The results of external inspections by independent review bodies.

- 4.3 The Business Efficiency Board has been advised on the implications of the review of the effectiveness of the governance framework and has considered the evidence provided with regards to the production of the Annual Governance Statement. The conclusion of the review is that the Council's overall governance and financial management arrangements are sound.

Rob Polhill
Leader of the Council

David Parr
Chief Executive

REPORT TO: Business Efficiency Board
DATE: 29 June 2011
REPORTING OFFICER: Strategic Director, Policy & Resources
SUBJECT: Efficiency Programme Update

1.0 PURPOSE OF THE REPORT:

To inform the Board of progress made to date with the Efficiency Programme (refer to Appendix 1).

2.0 RECOMMENDATION:

The board is asked to note the contents of the report.

3.0 SUPPORTING INFORMATION:

None

4.0 POLICY IMPLICATIONS

None identified at this stage. Activity within the Efficiency Programme may result in recommendations to change policies as individual workstreams progress.

5.0 OTHER IMPLICATIONS

None identified at this stage

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

The Efficiency Programme is designed to improve the effectiveness of services across the authority and reduce costs associated with service delivery. This affects all of the Council's priorities.

7.0 RISK ANALYSIS

Given the financial constraints facing the Council in the immediate and medium terms, failure to continue to progress Efficiency Programme workstreams into future stages may result in the Efficiency Programme not achieving its objectives – primarily service improvement and cost reduction. This could result in services being underfunded, with departments unable to meet the costs of staff and other resources required to deliver to the community of Halton. The Programme has its own detailed Risk Register.

8.0 EQUALITY AND DIVERSITY ISSUES

There are no equality and diversity issues directly associated with this report, although changes brought about by the programme may require Community Impact Assessments. Each will be considered on their own merits at the time.

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

None

Halton Council Efficiency Programme

Progress update - June 2011

Wave 3 of the programme is in progress, with some Wave 2 workstreams continuing and others closing. Each workstream is bringing its own challenges.

To summarise, progress to date against each workstream is given below.

Review of Open Spaces (Wave 1)

Evaluation of the first year of operation under new service arrangements has been undertaken and evaluation report completed. Independent site assessments have been used to measure the level of service delivery. The results are positive and the workstream has now closed.

Savings achieved: £531,000.

Review of Property Services (Wave 1)

Redesign and restructuring of the function has been completed, and a new staffing structure is now in place. Workstream now closed.

Savings achieved: £106,000.

Review of Revenues & Benefits & Halton Direct Link (Wave 2)

As a result of the success of the Action Based Research Project, the Workstream Board recommended the placement of Benefits Officers within One Stop Shops as the preferred option for future service delivery.

Following consultation with Unions and employees, a staffing structure has been agreed and was implemented on 29th April 2011. A further range of improvement options have been developed as this workstream has progressed.

Savings achieved: £487,000

A further range of improvement options have been developed as this workstream has progressed.

An evaluation of the first eight weeks of the new operation will be carried out, following which the workstream will be closed.

ICT Support Services Review (Wave 2)

A new ICT staffing structure was implemented in October 2010, along with changes to operational arrangements and rationalisation of some ICT infrastructure.

Savings from this workstream totalled £250,000 and the workstream is now closed.

Review of Contracted Services to Schools (Wave 2)

New charges for contracted services to schools (SLA's) have been agreed and conveyed to schools. The additional income from revised SLA rates has been tracked and an increased cost recovery figure has been established - £195,000.

This workstream has now closed and the activity has been handed over to the Procurement Unit to manage on a day to day basis.

Review of Operational Fleet & Client Transport (Wave 2)

'As-Is' reports have been completed for the Client Transport and Utilisation of Operational Fleet projects within this workstream. Work has commenced on documenting the 'As Is' for the Fleet Management function.

Initial improvement opportunities for consideration as part of the 'To Be' phase have been discussed by the Workstream Board, and a number have been prioritised for further investigation.

Transactional / Non-Transactional: Process Review (Wave 2)

The first four 'task and finish' projects are ongoing and progressing as follows:

- HR Processes – Business Analysts currently developing an 'I want HR' portal to automate the amendment to establishment process.
- Implementation of Document Imaging & Workflow - initial business case has been approved by Management Team and Programme Board and has received broad approval to take forward. The Project Group is beginning to identify candidate services where a document imaging system can be implemented.
- Review of Invoice Payment Process (P2P) to streamline and adopt a common process. Work is continuing to rationalise and consolidate invoice load.
- Review of officer authorisation processes – Management Team endorsed a series of principles to be adopted Authority-wide which will see the reliance on paper-based systems reduced. The Project Group will support individual departments to adopt more efficient approaches to authorisation as processes are reviewed and revised.

Each of the above projects will result in more efficient working practices with a reduced resource requirement.

Further process review projects will be added to this workstream as it progresses.

Libraries Service Review (Wave 2 – Directorate Led)

This review has now been completed with staffing structures reconfigured in some areas of the service, along with the introduction of new technology.

Savings Achieved: £157,500

Review of Income & Charging (Wave 3)

Work on a Corporate Fees and Charges Register is now underway. The workstream will establish the extent of full cost recovery based on current charges. This will be approached on a department by department basis.

Review of the Contact Centre (Wave 3)

As the review of Revenues and Benefits and Halton Direct Link focussed on service delivery via the One Stop Shops, it was decided to conduct a separate review of the Contact Centre.

An Outline Business Case/Project Initiation Document has been developed, and an 'As-Is' report will be presented to the Programme Board in June 2011. Thereafter, improvement opportunities will be evaluated and followed up to develop a 'To-Be' model for the service.

Savings from this workstream are anticipated to be a minimum of £110,000.

Review of Business Development & Regeneration (Wave 3)

An Outline Business Case/Project Initiation Document and 'As-Is' report have been developed, along with activity impact assessments on the key activities taking place within Business Development, External Funding and Major Projects. Improvement opportunities are to be identified, and will then be evaluated and followed up to develop a 'To-Be' model for the service.

The operations of the Market Service and utilisation of the Council's Industrial Estate portfolio are being mapped. A peer review of the markets is also planned. Improvement options will be identified once the mapping and peer review process is completed.

Review of Development Control/Building Control (Wave 3)

The scope of the workstream has been agreed and an Outline Business Case/Project Initiation Document has been drafted for submission to the Efficiency programme Board.

Review of Adults' and Children's Social Care Commissioning (Wave 3)

Initial investigative work underway, workstream scheduled to start June 2011. OBC / PID in draft.

Review of Community Services (Wave 3)

Scope has been agreed to include: Tourism and Promotions, Sports Development, The Brindley Arts Centre, Museums, Community Centres, Community Development, Voluntary Sector Grants and Dorset Gardens. OBC/PID being developed and due to go to Programme Board in June 2011.

Workstream lead and savings and income targets to be decided.

Traded Services Workstream (Wave 3)

PID approved by Programme Board May 2011. Detailed investigation into the legal framework underpinning traded services is underway. A baseline of all current trading activity is being collated. This will be presented in the form of an 'As-Is' report.

Wave 1 Savings:

The completion of the Open Spaces and Property Services workstreams brought Wave 1 of the Efficiency Programme to a close. Total gross savings for Wave 1 of the Efficiency Programme amount to £4,521,934

Wave 2 Savings to date:

To date, gross savings achieved from the Wave 2 workstreams detailed above are £1,189,483. These savings will be increased as the workstreams that are still in progress continue.

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