

Public Document Pack



Audit and Governance Board

Wednesday, 26 June 2024 at 6.30 p.m.
Civic Suite, Town Hall, Runcorn

S. Young

Chief Executive

BOARD MEMBERSHIP

Councillor Rob Polhill (Chair)	Labour
Councillor Andrea Wall (Vice-Chair)	Labour
Councillor John Abbott	Labour
Councillor Victoria Begg	Labour
Councillor Neil Connolly	Labour
Councillor Eddie Dourley	Labour
Councillor Robert Gilligan	Labour
Councillor Tony McDermott	Labour
Councillor Norman Plumpton Walsh	Labour
Councillor Margaret Ratcliffe	Liberal Democrats
Councillor Pamela Wallace	Labour

Please contact Gill Ferguson on 0151 511 8059 or e-mail gill.ferguson@halton.gov.uk for further information.

The next meeting of the Board is on Wednesday, 25 September 2024

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

Part I

Item No.	Page No.
1. MINUTES	1 - 6
2. DECLARATION OF INTEREST	
<p>Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item.</p>	
3. CORPORATE RISK REGISTER REVIEW, MAY 2024	7 - 52
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8. SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
<p style="text-align: center;">PART II</p> <p>In this case the Board has a discretion to exclude the press and public and, in view of the nature of the business to be transacted, it is RECOMMENDED that under Section 100A(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act.</p>	
9. INTERNAL AUDIT PROGRESS REPORT	168 - 278

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

AUDIT AND GOVERNANCE BOARD

At a meeting of the Audit and Governance Board held on Wednesday, 20 March 2024 at the Boardroom - Municipal Building, Widnes

Present: Councillors Polhill (Chair), Abbott, Bevan, Dourley, Gilligan, McDermott and Wallace

Apologies for Absence: Councillors Wall, Begg, J. Bradshaw and N. Plumpton Walsh

Absence declared on Council business: None

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

Also in attendance: Councillor Dennett and S. Nixon, M. Green and L. Luddington (Grant Thornton UK LLP)

ITEMS DEALT WITH UNDER DUTIES EXERCISABLE BY THE BOARD

AGB20 MINUTES

The Minutes of the meeting held on 22 November 2023 were taken as read and signed as a correct record.

AGB21 STANDARDS UPDATE

The Board considered a report of the Operational Director, Legal and Democratic Services/Monitoring Officer, which provided an update on Standards issues for the Municipal Year 2023/24. The Board had assumed responsibility for the work of the former Standards Committee in 2021 and it was agreed that a report on Standards issues would be brought each year.

A verbal update was given on local matters that had been considered since the last meeting involving Councillors and also those involving Parish Councils.

Following a discussion about Councillor register of interest forms, it was agreed that following the May elections, a reminder would be sent to all Councillors to ensure that the information on their individual register of interest form is kept up to date.

Action

RESOLVED: That the report be noted.

AGB22 SETTLEMENT AGREEMENT POSITION

The Board considered a report of the Corporate Director, Chief Executive's Delivery Unit, that detailed the Council's position on settlement agreements which are used in exceptional circumstance.

It was noted that where the need to use a settlement agreement was required, the legal framework set out in Section 111A of the Employment Rights Act 1996, and the guidance for Best Value authorities on Special Severance Payments, as set out in Section 26 of the Local Government Act 1999, would be discharged appropriately. In the event that a settlement agreement was considered appropriate for a position appointed to by the Council's Appointment Committee, discussions would take place between the Chief Executive, Leader and the appropriate Executive Board Portfolio Holder and a decision would be made to use such an agreement for that position.

Arising from the discussion, it was agreed that consideration would be given by Officers to how information on future settlement agreements could potentially be shared with Councillors'.

RESOLVED: That the report be noted.

AGB23 INTERNAL AUDIT PLAN – 2024/25

The Board considered a report of the Divisional Manager, Audit, Procurement and Operational Finance, which sought approval for the planned programme of internal audit work for 2024/25.

A risk based Audit Plan had been prepared, designed to enable Internal Audit to deliver an overall opinion on the Council's risk management and control and governance arrangements. A copy of the draft Audit Plan for 2024/25 was attached as an appendix to the report.

The Board was advised that, as in previous years, the Audit Plan would need to remain flexible and that changes may be required in order to respond to the changing governance, risk and control landscape, which emerge during the year.

Performance against the Audit Plan would be kept

under review throughout the year and regular progress reports would be provided to the Board. Internal Audit would work closely with the Council's External Auditor, Grant Thornton, to minimise duplication and to ensure efficient and effective deployment of the overall audit resource.

RESOLVED: That the Board approves the proposed Internal Audit Plan for 2024/25.

Operational
Director - Finance

AGB24 ANNUAL GOVERNANCE STATEMENT 2022/23

The Board considered a report of the Operational Director - Finance, which sought approval of the final 2022/23 Annual Governance Statement (AGS).

The AGS provided a summary of the authority's governance arrangements during 2022/23 and also provided an opinion on whether they were fit for purpose. It identified any issues with the Council's governance arrangements and set out how such issues would be addressed.

The 2022/23 AGS was originally presented to the Board in July 2023. It was important that the AGS was up to date when the statement of accounts were approved. As such, the document had been reviewed and updated to reflect current progress and it was presented again for the Board to review.

Once approved, the AGS would be signed by the Council Leader and Chief Executive and published on the Council's website.

RESOLVED: That the Annual Governance Statement 2022/23 be approved.

Operational
Director - Finance

AGB25 2022/23 STATEMENT OF ACCOUNTS, AUDIT FINDINGS REPORT, AND LETTER OF REPRESENTATION

The Board considered a report of the Operational Director, Finance, which sought approval for the Council's 2022/23 Statement of Accounts (the latest version of which was enclosed with the Agenda), and the report of the Audit Findings of the External Auditor (Grant Thornton) on the 2022/23 financial statements. The report also sought approval of the Council's Letter of Representation.

It was reported that the Statement of Accounts set out the Council's financial performance for the year in terms of revenue and capital spending and also presented the year-end financial position as reflected in the balance sheet. The

key elements were detailed in the report.

The External Auditor presented the Audit Findings report which summarised the findings from 2022/23 external audit. Section 2 of the Audit Finding report presented the finding of the External Auditor in respect of matters and risks identified at the planning stage of the audit and additional and significant matters that arose during the course of their work.

RESOLVED: That

- 1) the draft Letter of Representation in Appendix 1 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in consultation with the Chair of the Audit and Governance Board;
- 2) the External Auditor's draft 2022/23 Audit Findings Report in Appendix 2 be approved and any subsequent additions or amendments be approved by Operational Director - Finance, in consultation with the Chair of the Audit and Governance Board; and
- 3) the Council's draft 2022/23 Statement of Accounts in Appendix 3 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Audit and Governance Board.

Operational
Director - Finance

AGB26 EXTERNAL AUDIT ANNUAL REPORT 2022/23

The Board considered a report of the Operational Director – Finance which presented the 2022/23 External Audit Annual Report.

On behalf of the Council's External Auditor, Grant Thornton UK LLP, Michael Green, presented the Annual Report, which detailed the Council's overall arrangements, as well as providing key recommendations regarding any significant weaknesses identified during the review. It was noted that three significant weaknesses had been identified and the external auditors had made key recommendations where the Council should take action to improve.

RESOLVED: That the contents of the 2022/23 External Audit Annual Report shown in the appendix be noted, including the recommendations contained within the Report.

AGB27 SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

The Board considered:

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

RESOLVED: That, as in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, members of the press and public be excluded from the meeting during consideration of the following item of business, in accordance with Sub-Section 4 of Section 100A of the Local Government Act 1972 because it was likely that, in view of the nature of the business, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972.

AGB28 INTERNAL AUDIT PROGRESS REPORT

The Board received a report from the Divisional Manager – Audit, Procurement and Operational Finance, updating them on the internal audit activity since the last progress report to the Board on 22 November 2023. It also highlighted any matters that were relevant to the Board's responsibilities as the Council's Audit Committee.

Members were referred to Appendix One, which listed all the planned work for the year and its current status. The schedule of audits had been updated to reflect the progress made in completing audits since the last update to the Board. By the end of February 2024, 1132 days of audit

work had been completed, which represented 92% of the total planned days for the year. The team remained on target to achieve the planned number of days for the year.

Appended to the report were the executive summaries of the reports issued numbering 2 to 17, as listed in the report.

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

On behalf of the Board, the Chair thanked Stephen Nixon from the external auditors for all the support he had provided over the years and wished him well for the future.

Meeting ended at 8.10 p.m.

REPORT TO:	Audit and Governance Board
DATE:	26 June 2024
REPORTING OFFICER:	Corporate Director – Chief Executive’s Delivery Unit
PORTFOLIO:	Corporate Services
SUBJECT:	Corporate Risk Register Review, May 2024
WARD(S)	Borough-wide

1.0 **PURPOSE OF THE REPORT**

1.1 To report on the review of the Corporate Risk Register for the 2024/25 financial year.

2.0 **RECOMMENDATION: That**

1) the review of risks mitigating actions is noted; and

2) the Board reviews the robustness of the Corporate Risk Register and the adequacy of the associated risk management arrangements.

3.0 **SUPPORTING INFORMATION**

3.1 The report contains a commentary on the corporate risks for this financial year.

3.2 The Council recognises that it has a responsibility to manage both internal and external risks as a key component of good corporate governance.

3.3 Risk is defined as being the threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and to successfully execute its strategies. Risk Management is defined as the process by which risks are identified, evaluated and controlled.

3.4 Together with consultation with internal stakeholders, annual review and half yearly monitoring reports are central to any reviews and updates of the Corporate Risk Register. This ensures that the council maximises its opportunities whilst minimising and controlling the associated risks in delivering the council’s vision and services for Halton.

- 3.5 The Risk Control Measures have been reviewed and updated in line with current changes within the Authority and as proposed by managers and internal stakeholders.
- 3.6 The risks have been listed and the scores relate to 'Unmitigated Risk Scores' and then to 'Mitigated Risk Scores'. As a result once the mitigation measures have been implemented, it reduces the scores and highlights the remaining 'Residual Risk Scores'.
- 3.7 In particular the risks have been reprioritised so that people, i.e. the community and staff, take priority. The headings and scores are:
- i. Delivery of Services to Vulnerable Adults (25:16) (25:20)
 - ii. Safeguarding Adults (25:16)
 - iii. Children's Services (25:16) (25:16)
 - iv. Health & Wellbeing (9:4) (9:2) (9:6)
 - v. Cyber Risk (25:20)
 - vi. Data Protection (25:15)
 - vii. Capacity and Resilience (20:16)(20:16)
 - viii. Council Finances (25:20)(25:20)
 - ix. Keeping Halton Community Safe (15:12)
 - x. Changes to Government Arrangements (25:15)
 - xi. Fraud (20:4) and
 - xii. Funding and Income Generation (16:12)
 - xiii. Risk to Electoral Process (15:10)

4.0 **POLICY IMPLICATIONS**

- 4.1 To provide a framework which effectively manages the actual and potential opportunities and threats that may affect the achievement of the Council's strategic priorities and operational objectives.

5.0 **FINANCIAL IMPLICATIONS**

- 5.1 Failure to manage risk effectively can lead to unplanned spend manifesting itself in a range of ways, particularly where unforeseen mitigation is required. Robust risk management is inherently linked to the overall management of the Councils finances.

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

6.1 **Priority 01: Improving Health, Promoting Wellbeing and Supporting Greater Independence**

6.2 The Corporate Risk Register has links to the delivery of all corporate priorities

6.3 **Priority 02: Building a Strong, Sustainable Local Economy**

The Corporate Risk Register has links to the delivery of all corporate priorities

6.4 **Priority 03: Supporting Children, Young People and Families**

The Corporate Risk Register has links to the delivery of all corporate priorities

6.5 **Priority 04: Tackling Inequality and Helping Those Who Are Most In Need**

The Corporate Risk Register has links to the delivery of all corporate priorities

6.6 **Priority 05: Working Towards a Greener Future**

The Corporate Risk Register has links to the delivery of all corporate priorities

6.7 **Priority 06: Valuing and Appreciating Halton and Our Community**

The Corporate Risk Register has links to the delivery of all corporate priorities

6.8 **Resilient and Reliable Organisation**

The management or corporate risk sits primarily within the Resilient and Reliable Organisation priority, however has links to the delivery of all corporate priorities.

7.0 **RISK ANALYSIS**

7.1 Failure to review, monitor and act upon the Corporate Risk Register could result in service development opportunities being lost and existing service delivery being compromised.

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 There is the possibility of the emergence of Equality & Diversity issues across the Council's service portfolio where risks emerge and need to be mitigated. These issues would be addressed on a case by case basis.

9.0 **CLIMATE CHANGE**

9.1 There are no climate change implications.

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

10.1 None under the meaning of the Act.

Corporate Risk Register

Lead Officer: **Corporate Director**

Risk Management Coordinator: **Principal H&S Officer**

Initial Register Implementation: **2011**

Register Review Date: **May 2024**

Progress update: **September 2024**

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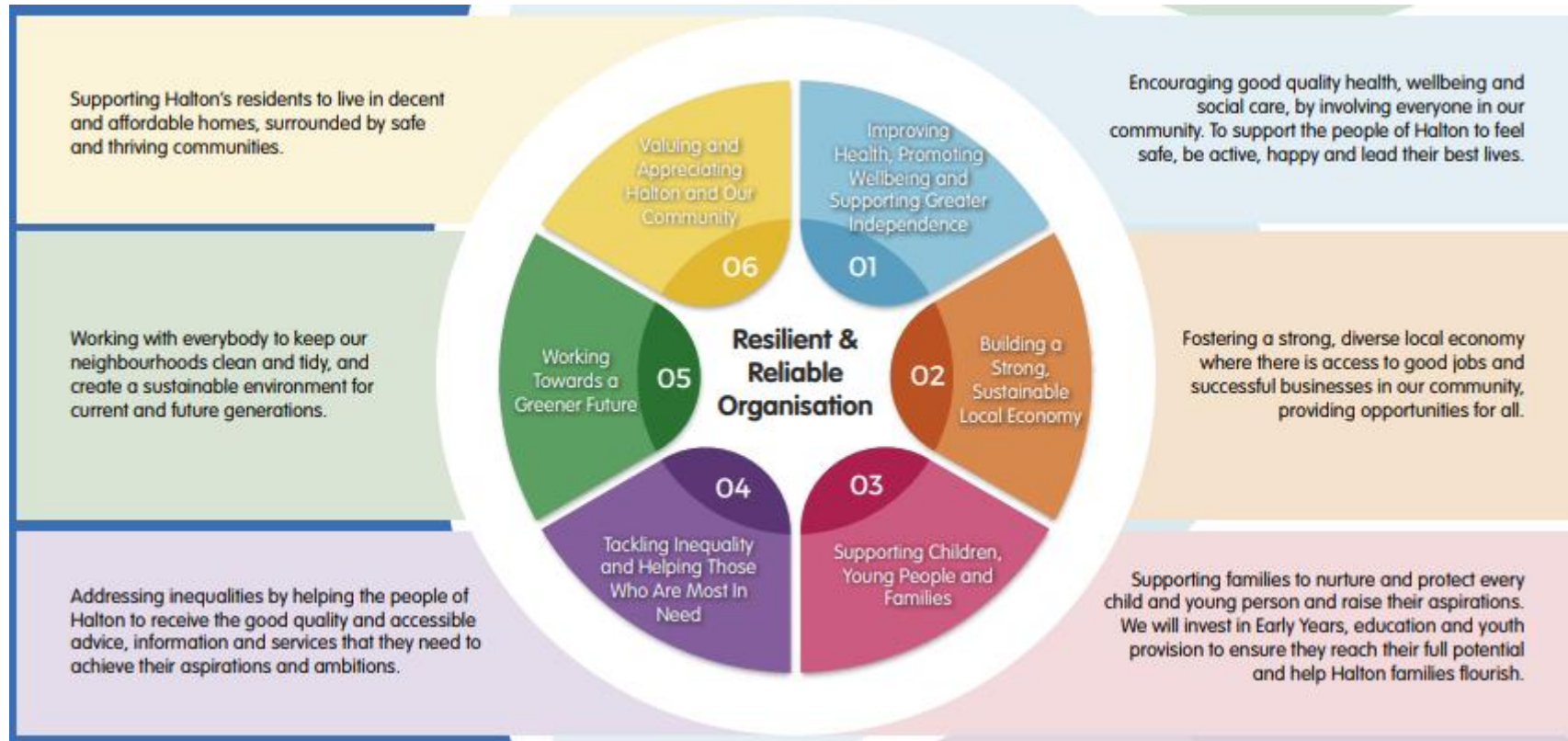
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Halton Borough Council Risk Register Summary

Ref	Risk Name	
1A	Failure to deliver quality services to vulnerable adults could negatively affect their health and wellbeing.	16
1B	Adult Social Care Charging Reforms, likely to cause a shortfall in funding to meet the full cost of care.	20
2	Failure to support and protect the safeguarding of adults could adversely impact on their health, safety and opportunity to reach their potential.	16
3A	Children's Services – Safeguarding and finance.	16
3B	Children's Services - Finance	16
4A	Failure to respond to Public Health Threats	4
4B	Public Health workforce pressures	2
4C	Compromise to sexual health contract provision	6
5	Risk of adverse business Impact as a result of the failure of key business systems brought about by cyber incidents.	20
6	Data Protection: Risk of breach of data caused by mishandling of personal data.	15
7A	Reduced capacity to sustain the delivery of services and respond to emergency situations in line with Council Priorities.	16
7B	Reduced capacity to continue service provision across various services due to recruitment and / or retention difficulties.	16
8A	The Council's funding available from Government grant and/or locally raised business rates/council tax, is not sufficient to meet increasing service demands.	20
8B	Total council spending for the year exceeds available budget provision.	20
9	A failure to monitor and appropriately manage the risks created by global, national and local events.	12
10	Changes to Government arrangements and other public sector organisations could potentially lead to a deterioration of local services.	15
11	Failure to prevent and detect fraud and/or corruption.	4
12	Failure to maximise and identify funding opportunities in light of government cuts.	12
13	Risk to Electoral Process by criminals / nation-state actors	10

HI	5	10	15	20	25
S	4	8	12	16	20
M	3	6	9	12	15
L	2	4	6	8	10
IM	1	2	3	4	5
	H IMPROB	IMPROB	POSS	PROB	H PROB

HALTON BOROUGH COUNCIL CORPORATE PRIORITIES: 2024 - 29



The complete Corporate Plan can be accessed at: [corporateplan.pdf \(halton.gov.uk\)](https://www.halton.gov.uk/corporateplan.pdf)

DELIVERY OF SERVICES TO VULNERABLE ADULTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
1a	<p>Failure to deliver quality services to vulnerable adults could negatively affect their health and wellbeing i.e. increasing complex care needs, ageing population, reduction in available funding, recruitment and provider failure. Impact of COVID19 on service delivery</p> <p>Care Home Sector financial sustainability due to the impact of COVID 19 and cost of living</p>	5	5	25	01 04 06

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Effectively allocating and using available finances and resources in the delivery of services. Integration of Health and Social Care with a view to improving the outcomes for people using the services, such as joint commissioning arrangements for services, joint strategies, e.g. Carers Strategy and Autism Strategy, etc. Transformation of provider markets so that responsive and sustainable markets in adult social care can be developed and supported, e.g. Care Home Development project and Transforming Domiciliary Care. 	4	4	16	6 monthly	Executive Director - Adults

<ul style="list-style-type: none"> • Delivery of prevention and early intervention to vulnerable adults through a range of services. • Effective use of alternative funding streams and community assets to provide services. • Joint approach with Health to ensure efficient quality assurance across all adult social care services. <p><u>COVID-19</u></p> <ul style="list-style-type: none"> • Continued focus and support to Care Homes • Support the flu and COVID booster programmes • Ensure any emergency funding is allocated immediately • Continued focus on resilience 					
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Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
1b	Adult Social Care Charging Reforms, as announced September 2021 likely to cause a shortfall in funding to meet the full cost of care. This in turn may trigger a judicial review if Local Authority do not fully fund	5	5	25	01 04 06

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> ADASS regional groups to review risks and approaches and address areas of concern. Local task and finish group to fully understand risks and make recommendations to Local Authority. Reforms delayed until 2025- waiting for further information and guidance. Cost of care exercise now published. 	5	4	20	6 monthly	Executive Director - Adults

SAFEGUARDING ADULTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
2	Failure to support and protect the safeguarding adults could adversely impact on their health, safety and opportunity to reach their potential	5	5	25	01 02 03 04 06

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		

<ul style="list-style-type: none"> Halton's Safeguarding Adults Board meets on a quarterly basis, to ensure effective oversight of safeguarding in the Borough. Peer review completed in July 2023- the board will implement findings. Safeguarding Adult's Board works with strategic groups within the Borough to ensure accountability and effectiveness of safeguarding. Multiagency audits are completed and reported to the Board to ensure oversight of quality and consistency of practices. Comprehensive performance dashboard for Adults are reviewed at least monthly and compared with regional and national benchmarks. 	4	4	16	6 monthly	Executive Director - Adults
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<ul style="list-style-type: none"> • Improving the health and wellbeing of adults through early intervention and prevention services. • Providing efficient safeguards to support vulnerable adults who lack capacity and require the support of the Deprivation of Liberty Safeguards and the Court of Protection. • Support local care home and community providers to drive up the quality of care within their services to ensure positive outcomes for vulnerable adults. • Regular reports to health PPB. • Quarterly assurance meetings with the leader, chief executive and chair of the board. <p><u>COVID-19</u></p> <ul style="list-style-type: none"> • Continue to monitor concerns in relation to care home outbreaks • Maintain focus on quality • Maintain focus on ensuring visiting is available to all care home residents, including families and other professionals. 					
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CHILDREN SERVICES

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
3a	<p>Death or serious harm to a child that was or should have been in receipt of services, either from the council (or a partner agency). There is an on-going need to ensure that services to all vulnerable children and young people have a focus on safeguarding and prevention of harm. Failure to support and protect children could adversely impact on their health and safety and compromise their ability to fulfil their potential.</p>	5	5	25	01 02 03 04 06

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		

<ul style="list-style-type: none"> Leadership system across children's services and the wider corporate council are connected to the child's voice by the golden thread Children are seen and heard and their assessed needs and voice are used to inform SMART plans for them Management oversight and intervention is strong Quality Assurance processes including audit, supervision and performance data management provide oversight and assurance DfE Improvement Notice Jan 2022: Children's Improvement Board in place 	4	4	16	6 monthly	Executive Director - Childrens
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<ul style="list-style-type: none"> • Halton’s Children’s and Young People Safeguarding Partnership Board fully operational connecting partners across the Borough • Attendance of CYP in education is monitored, supported, challenged and shared with appropriate services to ensure children are seen, supported and safe 					
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Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
3b	<p>Overspend in Children’s Services</p> <p>a. Demand at the front door and throughout the ‘child’s journey’ in the child services system has been exacerbated by a risk averse approach which is being challenged to ensure an appropriate intervention at the right (earliest) time</p> <p>Extensive additional resources have been provided to address this inflated demand, but resources are finite and cannot be continued beyond the next year</p> <p>b. The number of children with an Education Health and Care plan is, proportionally, significantly higher than regionally and the needs of this large cohort cannot be met through ‘in Borough’ placements alone. Transport to ‘out of Borough’ placements is a consequence and is extremely costly</p>	5	5	25	01 02 03 04 06 Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		

<p>a. Children’s social care</p> <ul style="list-style-type: none"> Staffing Establishment ‘as is’ position Analysis of the demand for HBC children’s services 	4	4	16	6 monthly	Executive Director - Childrens
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<ul style="list-style-type: none"> • TDU Children Services Transformation Programme • Desired position established and budget control system introduced <p>b. SEND - Out of Borough Placements and Transport</p> <ul style="list-style-type: none"> • Baseline position established providing tracking data for children 'in the system' • Review of EHCP assessment process and further development of graduated approach to identify, assess and intervene/ meet need earlier • Sufficiency strategy and JSNA to inform provision required and work with wider stakeholders to develop further specialist provision in borough • Management oversight, monitoring and analysis of data to inform future planning, development and training of workforce • Partnership working with health, social care and multi-agency services to share and learn effective practice whilst providing scrutiny and challenge to partner agencies as appropriate to meet need • Analysis of effective implementation of transport policy and practice; review of promotion for independence and preparation for adulthood with partners, wider council services, parent/carers and young people 					
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HEALTH AND WELLBEING

Item	Identified risk	Impact ¹ (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
4a	Failure to respond to emerging public health threats (infectious diseases, environmental hazards, major emergencies) resulting in harm to the Population in Halton	3	3	9	01 02 03 04 05 06

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
Key Public health staff engaged appropriately with wider public health systems for early alerts, advice, mutual support. Halton Health Protection Board established. Work redistributed; Agency staff and cover from other senior staff	2	2	4	Ongoing	Director of Public Health
Contribution to and development of multi agency joint response plans; development of local contingency plans (heatwave , floods etc) and environmental plans	2	2	4	ongoing	Director of Public Health

Item	Identified risk	Impact ⁱ (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
4b	Work force pressures in team due to staff not in post /off	3	3	9	01 02 03 04 05 06

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
Posts have been recruited to and some posts still out to recruitment	2	1	2	4 monthly	Director of Public Health

Item	Identified risk	Impact ⁱⁱⁱ (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
4c	Sexual Health contract providers have issues with estates and may not be able to provide service	3	3	9	01 02 03 04 05 06

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
Ongoing discussions with providers and legal and estates and finance	2	3	6	Ongoing	Director of Public Health

CYBER RISK

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
5	Risk of adverse business Impact as a result of the failure of key business systems brought about by cyber incidents	5	5	25	Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> The Council adopts a range of activities to manage the risk of loss of services as a result of Cyber threats, which includes risk reduction (mitigation), Risk retention (acceptance), Risk avoidance, Risk transfer A dedicated service within ICT Services that has the responsibility of managing the cyber risk facing the Council Clear reporting lines to senior management allowing the risk to be managed. Numerous Compliance regimes that provide the necessary assurance frameworks to demonstrate how the Council complies with industry standards Ongoing education and awareness programme for key staff Ongoing adoption and implementation of advice and guidance from NCSC Continuous improvement - ongoing upskilling of security and Information Governance teams to expand their capabilities against the prevailing cyber climate through training and certification 	5	4	20	6 monthly	Operational Director – IT and Support Services

• Migration to office 365 will significantly enhance security posture					
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DATA PROTECTION

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
6	Data Protection: Risk of breach of data caused by mishandling of personal data by inadequate data handling and not adequately preventing and minimising security incidents, including ICT incidents, resulting in loss of data, unlawful sharing of data, reputational damage and significant financial penalties levied by the Information Commissioner’s Office Failure to comply with information governance requirements, e.g. Data Protection Act (General Data Protection Regulation); Freedom of Information Act	5	5	25	Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> • Policies and procedures for council staff including Data Protection • Policy and Information Governance Handbook • Wide range of guidance about handling personal data available to council staff on the internal intranet site • Mandatory training for council staff via E-Learning module • Reporting to senior Management Team Reviews and internal audits 	5	3	15	6 monthly	Operational Director – IT and Support Services

<ul style="list-style-type: none"> • Privacy Impact Assessments for new technologies or where processing is likely to result in a high risk to individuals • Contractor’s compliance • Management controls, including effective logging and tracking, complaints and appeals procedures • Effective use of technology • The model publication scheme approved by the Information Commissioner adopted • Improvement plan developed and being implemented 					
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CAPACITY AND RESILIENCE

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
7a	Reduced capacity to sustain the delivery of services and respond to emergency situations in line with Council Priorities	5	4	20	Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Maintaining a supportive working environment through shared service organisational ethos, pride and value across Members, staff, management, Unions and partners. Work on values and branding completed and launched May 2024. Focusing delivery of performance on the council’s corporate vision and key strategic priorities leading to a clearly understood and shared set of priorities Revised priorities and new Corporate Plan launched April 2024 Emphasis on management and leadership standards with recognition of the challenges faced by the Authority leading to managers who are able to direct, inform, develop and support staff. This also enables a focus on succession planning Maintaining a workforce that are skilled, informed, flexible and competent in order to ensure that they deliver efficient and effective services 	4	4	16	6 monthly	All Directors

<ul style="list-style-type: none"> • Deliver the Council’s Transformation Programme 2023-26 to align service provision to resources and provide prioritised resilient services in the community • Utilise learning from the management of working practices during the pandemic to inform future ways of working and optimise resources. This will be done in a controlled way, alongside an accommodation review, sponsored by Management Team and delivered in a structured way using programme management principles 					
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Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
7b	Reduced capacity to continue service provision across various services due to recruitment and / or retention difficulties and high sickness absence levels	5	4	20	Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> • Development of a medium-term strategic approach to resourcing in order to address the issue of an ageing workforce, facilitated through Transformation Delivery Unit. • Development of a short-term strategic approach to resourcing in order to address emerging labour market difficulties, recruitment to hard-to-recruit professional roles, and recruitment to a growing number of vacant posts 	4	4	16	6 monthly	Corporate Director - CXDU

<ul style="list-style-type: none"> • Design and implementation of career pathways to attract younger potential employees to the workforce • Collaborative working with LCR CA and LA's to implement broader projects and initiatives to attract potential employees to the sub-regional Local Government Sector • Development of broader projects and initiatives to retain employees within the Council (e.g. flexible working) • Develop a more robust model for the provision and management of Flexible Workforce through a joint venture arrangement. • Develop a new 'Employer Value Proposition' as part of the Council's Transformation Programme • Development of short term/long term plans to improve management of employee absences 					
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COUNCIL FINANCES

Item	Identified risk	Impact ^v (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
8a	The Council’s funding available from Government grant and/or locally raised business rates/council tax, is not sufficient to meet increasing service demands and associated costs, which may lead to an inability to deliver the Council’s key service priorities, especially those services essential for the support of the most vulnerable members of the community	5	5	25	Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Financial Planning is undertaken to compare available financial resources with spending requirements over the medium term (3 years), resulting in preparation of the Medium-Term Financial Strategy which allows overall budget gaps to be identified at an early stage and appropriate plans put in place to tackle them Proposed developments regarding the future funding of Local Government nationally are monitored, to assess the potential impact for the Council and take account of this within the Medium-Term Financial Strategy. The Government once again announced only a one-year grant settlement for 2024/25. In addition, the proposed review of the Local 	5	4	20	Monthly	Operational Director – Finance

<p>Government funding regime has been postponed until at least the next Parliament. This continues to provide great uncertainty in terms of medium term financial planning</p> <ul style="list-style-type: none"> • Following the grant settlement, Council on 6th March 2024 set a balanced revenue budget for 2024/25. The budget assumes full delivery of £2.7m efficiency savings and £4m transformation programme savings for 2024/25, with further savings required in each subsequent year. Additional budget provision has been made to address current overspending areas, except for agency staffing costs over and above budget. This creates a significant risk for the Council, if the required savings are not achieved or spending is not contained within budget. • Budget monitoring and progress with the delivery of savings is being reported quarterly to Management Team, Executive Board and the relevant Policy and Performance Boards. • Governance arrangements for the Transformation Programme are being led by the Executive Board, with regular briefings for the Scrutiny Chairs Group and all Members. • Effective business planning is undertaken to ensure that appropriate resources are directed towards the Council’s key strategic priorities. • Budget setting is aligned to the annual business planning cycle in order to ensure that the value of financial resources is maximised. • A budget risk register is maintained which works in conjunction with the budget setting cycle to ensure that emerging budget risks are identified together with relevant mitigating measures. 					
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Item	Identified risk	Impact ^v (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
8b	Total Council spending for the year significantly exceeds available budget provision and thereby requires funding from useable reserves	5	5	25	Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Budget monitoring information is provided to budget managers on a monthly basis, with support and advice provided by Finance Officers Spending is monitored closely, and exceptions highlighted in order that corrective action can be taken as soon as possible. Monthly monitoring of key overspending areas is carried out by Management Team. Action is being taken to reduce key high spending areas including; agency staff placements, adults community care (residential, domiciliary and direct payments), children’s placements, independent foster care placements, home to school transport, high needs special education. The forecast outturn position is updated on a monthly basis. 	5	4	20	Monthly	Operational Director – Finance

<ul style="list-style-type: none"> • Where significant overspend positions emerge, action plans are put in place to address the situation, with close monitoring by relevant budget managers and Management Team • Budget monitoring reports for each Department are presented to the relevant Policy and Performance Boards on a quarterly basis and the overall council wide position is reported quarterly to Executive Board. These reports include forecasts of the likely outturn position. • When Council sets the annual budget, a central contingency budget is included to provide for unexpected and excessive costs. • The Medium Term Financial Strategy includes provision to replenish reserves during 2025/26 and 2026/27, given that useable reserves are now virtually depleted as a result of having to fund overspends in recent years. 					
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KEEPING HALTON COMMUNITY SAFE

Item	Identified risk	Impact ^{vi} (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
9	A failure to monitor and appropriately manage the risks created by global, national and local events, and how these might impact on local community tensions, could potentially lead to a threat to security and have an adverse effect on the stability of Halton's communities.	5	3	15	01 05 06

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		

<ul style="list-style-type: none"> The Safer Halton Partnership (SHP) involves joint working, clear communications and information sharing across various partner agencies, including emergency services. The partnership works to ensure that there is community cohesion with safe and secure neighbourhood environments Multi agency Community Safety team that addresses anti-social behaviour and crime thus supporting the SHP agenda The Channel Panel is a multi-agency group which provides support for those who are vulnerable to be drawn into terrorism through a programme of early intervention and diversion 	4	3	12	Quarterly to MT	Operational Director – Community and Greenspace
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<ul style="list-style-type: none"> • Emergency Planning team have developed and tested Multi-Agency Response plans to mitigate a number of risks within the borough • In response to ‘Major Accident’ cloudburst incidents occurring at Upper Tier COMAH sites; Emergency Planning Team have tested and validated Emergency COMAH Plans for all 9 sites • Emergency Planning Teamwork in partnership with the Cheshire Resilience Forum to provide an integrated approach for facilitating and responding with emergencies across Cheshire • Emergency Planning Teamwork with cross border organisations and responding agencies within the Liverpool City Region regarding cross border risks and resilience planning • Critical Incident Management procedures, including ‘lockdown’, have been developed, communicated and tested for Council buildings and schools. • Security surveys conducted for main council buildings and schools 					
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CHANGES TO GOVERNMENT ARRANGEMENTS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
10	Changes to Government arrangements and other public sector organisations could potentially lead to a deterioration of local services	5	5	25	01 02 03 04 05 06 Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Ensuring that both Members and officers from the Council play an active role in the Combined Authority for the Liverpool City Region Through 'One Halton' work the Authority is ensuring a smooth interaction between Health and Halton Council colleagues, to ensure that Halton's interests are recognised and looked after in the governance arrangements of the Integrated Care System 	5	3	15	6 monthly	Chief Executive

FRAUD

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
11	Large-scale fraud and/or corruption may lead to significant financial loss and reputational damage	4	5	20	Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Time scale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<p>The Audit and Governance Board monitors and reviews the adequacy of the Council’s anti-fraud and corruption policies and arrangements. These arrangements include:</p> <ul style="list-style-type: none"> • Maintenance of an effective system of internal control • Rigorous pre-employment checks of new employees • Officers’ Code of Conduct • Members’ Code of Conduct • Gifts and Hospitality Policy • Registration of Interests • Local Code of Corporate Governance • Whistleblowing arrangements • Finance Standing Orders 	2	2	4	6 monthly	Operational Director – Finance

<ul style="list-style-type: none"> ● Procurement Standing Orders ● Anti-Fraud, Bribery & Corruption Strategy ● Fraud Response Plan ● Fraud Sanction and Prosecution Policy ● Anti-Facilitation of Tax Evasion Policy ● Fraud, corruption and bribery awareness training ● A continuous internal audit of the Council's systems and services ● A corporate fraud investigation team, which receives fraud referrals, investigates allegations, recovers losses and sanctions fraudsters ● External testing and assurance over the Council's cyber security arrangements ● Crime insurance policy to indemnify the Council against significant financial loss resulting from fraud ● Participation in the National Fraud Initiative ● Fraud awareness campaigns encouraging members of the public and employees to raise any concerns about fraud and corruption ● Collaboration with other local authorities and sharing of best practice in regard to tackling fraud and corruption ● Formal arrangements with the DWP to participate in joint criminal fraud investigations relating to the Council Tax Reduction Scheme (CTRS) and social security benefit fraud ● Membership of the National Anti-Fraud Network (NAFN), which is the largest shared service in the country and provides data, intelligence and best practice in support of fraud and investigation work 					
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FUNDING AND INCOME GENERATION

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
12	Failure to maximise and identify funding opportunities in light of government cuts resulting in a potential challenge of the Councils capacity to delivery its priorities	4	4	16	02 04 Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Continuing to identify funding streams and income generating options through horizon scanning, alternative untapped funding opportunities and shared partnerships with 3rd sector, private sector, and other public sector bodies Review team structures and redeploy staff to respond to emerging funding streams e.g. housing, climate change and town centre funding. During the budget setting process Directorates identify and prioritise funding requirements biannually including ensuring that there are systems to capture and report when funding comes to an end Corporate reports to Executive Board and Management Team to highlight services the Team can offer and meets with Departments to 	3	4	12	6 monthly	All Executive Directors

<p>identify funding requirements; regularly signposts Council services to specific funding streams</p> <ul style="list-style-type: none"> • Commercially focussed through establishing trading and income generation possibilities in order to protect and effectively use funds, pilot Charging Policy for bid-writing introduced September 2018 and has been made permanent. • Continue to work with colleagues to improve the methods of dissemination and ensure prioritisation of/submission to relevant funding streams 					
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DISRUPTION TO ELECTORAL PROCESS

Item	Identified risk	Impact (Severity)	Likelihood (Probability)	Unmitigated Risk Score (I x L)	Corporate Priority Area(s)
13	Criminals and nation-state actors may seek to deliberately disrupt or sabotage the electoral process, resulting in a failure to deliver all or part of an election outcome in line with legislation.	5	3	15	Reliable & Resilient Organisation

Risk control measures	Residual score with measures implemented			Timescale / Review frequency	Lead Officer/s
	Impact (Severity)	Likelihood (Probability)	Mitigated Risk Score (I x L)		
<ul style="list-style-type: none"> Up-to-date cyber security measures in place around Electoral Management Software (links to broader Cyber Security and Data Protection risks and measures in sections 5 and 6 of register). Elections staff briefed on security and personal safety. Physical security measures in place for electoral assets (documentation, ballot boxes, premises). Electoral staff and Returning Officer alert to IT threats, such as phishing. Electoral candidates and agents briefed on security and personal safety. Adherence to Electoral Commission and LGA guidelines. 	5	2	10	6 monthly	Electoral Services Manager / Chief Executive

Version Control Record

Version	Date Created	Date of Amendment:	Nature of Amendment	Date of Next Review:
1.0	13.10.11			
1.1		28.08.12	Progress Commentary.	
2.0		13.03.13	Reviewed and updated.	13.10.13
2.1		20.09.13	Progress Commentary.	
3.0		31.03.14	Reviewed and updated in line with the Corporate Peer Challenge and the revised Business Planning Process and associated guidance notes.	13.10.14
3.1		15.09.14	Progress Commentary.	
4.0		10.04.15	Reviewed and updated.	12.10.15
4.1		10.09.15	Progress Commentary.	
5.0		01.04.16	Reviewed and updated.	01.04.17
5.1		10.09.16	Progress Commentary.	

6.0		01.04.17	Reviewed and updated.	01.09.17
6.1		10.09.17	Progress Commentary.	
7.0		01.04.18	Reviewed and updated.	01.09.18
7.1		01.09.18	Progress Commentary.	
8.0		01.04.19	Reviewed and updated.	01.09.19
8.1		01.09.19	Progress Commentary.	
9.0		01.05.20	Reviewed and updated.	01.05.20
9.1		01.09.20	Progress Commentary.	
10.0		01.04.21	Reviewed and updated.	01.09.21
10.1		01.09.21	Progress Commentary.	
11.0		01.04.22	Reviewed and updated.	01.09.22
11.1		01.09.22	Progress Commentary.	
12.0		01.04.23	Reviewed and updated in line with Zurich Municipal 1 st review. 2 nd review will progress on September	01.09.23

			<p>update. Mersey Gateway and Community Expectations removed after consultation with relevant managers/directors. Education risk removed as being dealt with as a separate matter at the request of the interim Executive Director for Adults/Childrens Services. Depleted staffing resource for Emergency Planning added to 'Keeping Halton's Community Safe'.</p>	
12.1		01.09.23	<p>Reviewed and updated in line with Zurich Municipal 2nd review. Risk Register summary and matrix added at beginning of document as a quick reference. Safeguarding of adults and Childrens split into 2 separate sections at request of Executive Director of Adults Services. Information for the new section, Children's Services now included.</p>	01.04.24

			<p>Partnerships removed after consultation with DM Community Safety. Keeping Halton's community safe updated with new EPO's on call and rota agreement.</p>	
13.0		01.05.2024	<p>EPO staffing concerns removed from Keeping Halton's Community Safe risk by DM Community Safety.</p> <p>Updates to Health & Wellbeing risks and risk mitigation measures by Dir. Public Health.</p> <p>Updates to Capacity & Resilience risk mitigation measures by CD Chief Executive's Delivery Unit.</p> <p>Updates to Council Finances risk mitigation measures by OD Finance.</p>	01.09.2024

			<p>Updates to Council Finances risk mitigation measures by OD Finance.</p> <p>Addition of Risk to Electoral Process and risk mitigation measures by Chief Executive.</p> <p>New Corporate Priorities added as illustration on page 4 and cross-referencing to those priorities updated throughout.</p>	
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Appendix 'A'

Scoring Mechanism

Once the business risks are identified and analysed, they are scored by multiplying the impact and likelihood. They will then establish a final score (or significance rating) for that risk:

See below.

I
M
P
A
C
T

HI	5	10	15	20	25
S	4	8	12	16	20
M	3	6	9	12	15
L	2	4	6	8	10
IM	1	2	3	4	5
	H IMPROB	IMPROB	POSS	PROB	H PROB

LIKELIHOOD

Those that have been placed in the red boxes are the primary or **Top Risks** followed by lower risks leading to **improbable** risks

Measures to control the risks are identified from the following options;

1. Reducing the likelihood; or
2. Reducing the impact; or
3. Changing the consequences of the risks by,
 - Avoidance
 - Reduction
 - Retention
 - Transference; or
4. Devising Contingencies, i.e. Business Continuity Planning

The risks are scored again to establish the effects the measures have once implemented on reducing the risks and identify a score rating for residual risks.

Colin Hill
Principal H & S Adviser and Risk Management Co-Ordinator
May 2024

REPORT TO: Audit & Governance Board
DATE: 26 June 2024
REPORTING OFFICER: Operational Director, Finance
PORTFOLIO: Corporate Services
SUBJECT: External Audit Plan – 2023/24 Year-End
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 To consider the External Audit Plan relating to the 2023/24 year-end, which will be presented by the Council's external auditor, Grant Thornton UK LLP.

2.0 RECOMMENDATION: That the contents of the External Audit Plan for 2023/24 year-end, be noted.

3.0 SUPPORTING INFORMATION

3.1 The External Audit Plan for 2023/24 year-end is attached to this report and will be presented at the Board by Grant Thornton UK LLP.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 The report contains details of the external audit fees for 2023/24

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

6.2 Employment, Learning and Skills in Halton

6.3 A Healthy Halton

6.4 A Safer Halton

6.5 Halton's Urban Renewal

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

7.0 RISK ANALYSIS

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

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 None

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

10.1 None under the meaning of the Act.

Halton Borough Council audit plan

Year ending 31 March 2024

June 2024

Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

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

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

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) in March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters

Local context

As noted in the national context, Demand led services, Children in Care, ASC Community Care, Schools Transport (EHCPs) have all seen an increase in demand which is driving the Council's cost base further above the level of funding available.

Increased cost and demand on the High Needs budget has had a detrimental impact on the overspend relating to the Dedicated Schools Grant. The Council has had approved by Government the Delivering Better Values recovery program which will look to minimise the financial impact of High Need (SEN) demand on DSG over the medium term.

Difficulties in staff recruitment and retainment are having a negative impact on the need to use additional agency staff, which impacts on cost and service delivery. This is most notable within children's social care, internal care homes and legal locums. In addition the Council had growth of 4% in the budget to fund the 2023/24 pay award but the actual increase was in the region of 6%.

During the year a performance review of the Mersey Gateway project was undertaken by Mersey Gateway Crossing Board (MGCB) and the Department for Transport (DfT). This review covered the period October 2017 to March 2023 and future reviews will be undertaken every 3 years. As part of the review an exercise was undertaken regarding the excess revenue share procedure. This identified that up to March 2023 the excess income from the project over and above project costs was £53 million. The share to the Council of this amount is £8 million, with £45 million being repayable to DfT.

In February 2023, the Council agreed the establishment of the Transformation Programme. The programme formally commenced on 1 April 2023, and is funded through a capitalisation order of £7 million across the period April 2023 to March 2026. The programme is tasked with identifying fundamental changes to the way services are delivered, in order to bring costs more in line with benchmark comparators and thereby provide sustainable efficiency savings.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Director of Finance.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance Quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit & Governance Board, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness and we will consider progress against previously agreed recommendations.
- We will continue to provide you and your Audit & Governance Board with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit & Governance Board updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Key matters - continued



Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk regarding management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue– refer to page 9
- We identified an other audit risk relating to the accounting for the Mersey Gateway project.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Halton Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Halton Borough Council. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Governance Board); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

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

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



Introduction and headlines

Significant risks

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

- Management override of controls
- Valuation of property plant and equipment
- Valuation of pension fund net liability

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

Materiality

We have determined planning materiality to be £9.756m (PY £9.267m) for the Council, which equates to 2% of your prior year gross expenditure on provision of services.

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

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

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

- Senior officer remuneration £38k (PY £35k). This is based upon 2% of total senior officer remuneration.

Clearly trivial has been set at £0.48m (PY £0.46m).

Value for Money arrangements

Our Auditor's Annual Report for 2022/23 identified significant weaknesses in financial sustainability, governance and improving economy efficiency and effectiveness. Our planning work for 2023/24 is not yet complete, and we will update you separately once this has concluded.

Audit logistics

Our planning work took place in March 2024 and our final visit will take place from July to September. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for our work to take place on site alongside your officers.

Our proposed fee for the audit will be £319,902 (PY: £144,826) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of controls, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council.</p>	<p>We will:</p> <ul style="list-style-type: none">• make enquiries of finance staff regarding their knowledge of potential instances of management override of controls• evaluate the design effectiveness of management controls over journals• analyse the journals listing and determine the criteria for selecting high risk unusual journals and those falling into certain criteria determined by the audit team• test a sample of journals recorded during the year and after the draft accounts stage for appropriateness and corroboration• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness regarding corroborative evidence• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue recognition risk	<p>ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition. This presumption can be rebutted if the auditor concludes there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Council, mean that all forms of fraud are seen as unacceptable <p>Although the risk of fraud is rebutted, we recognise the risk of error in revenue recognition and this is addressed through the responses to risk detailed across.</p>	<p>N/A as rebutted.</p> <p>Despite revenue recognition not being a significant risk, we will still undertake the following procedures to ensure that revenue included within the accounts is materially correct:</p> <ul style="list-style-type: none"> • evaluate the Council’s accounting policy for income recognition for appropriateness and compliance with the Code • update our understanding of the Council’s system for accounting for income and and evaluating the design of relevant controls • undertake detailed substantive testing on the income streams in 2023/24, including sample testing of material revenue transactions • review the accounting treatment of all new income streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards
ISA240 expenditure recognition risk	<p>In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure.</p> <p>This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure.</p>	<p>N/A as rebutted.</p> <p>Despite expenditure recognition not being a significant risk, we will still undertake the following procedures to ensure that expenditure included within the accounts is materially correct:</p> <ul style="list-style-type: none"> • evaluate the Council’s accounting policy for expenditure recognition for appropriateness and compliance with the Code • update our understanding of the Council’s system for accounting for expenditure and evaluating the design of relevant controls • undertake detailed substantive testing on the expenditure streams in 2023/24, including sample testing of material expenditure transactions • review the accounting treatment of all new expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the Pension Fund Net Liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£574 million liabilities at 31 March 2023 and £569 million of assets) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary - Hymans) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of Cheshire Pension Scheme as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements

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

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

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Land & Buildings	<p>The Council revalues its property assets on a rolling basis. Revaluations are shared between the Council's Internal Valuer and an external valuation expert, Sanderson Weatherall.</p> <p>These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved (£210 million of land and buildings at 31 March 2023) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally for land & buildings, management will need to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the valuation of land & buildings as a significant risk for the Council.</p>	<p>For assurance over the balance sheet valuation of land & buildings (including valuations undertaken by both the internal and external valuation experts), we will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the valuation estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write out to the valuation expert and discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • evaluate the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable • test a selection of other asset revaluations made during the year to ensure they have been input accurately into the Council's asset register, revaluation and Comprehensive Income and Expenditure Statement • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • For assets not formally revalued or revalued on a desktop/indexation basis only, evaluate the judgements made by management or others in determination of the value of these assets • agree the basis of revaluations relating to Assets Held For Sale.

Other risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Accounting for Mersey Gateway Bridge as well as the associated Private Finance Initiative (PFI) liability	<p>The Mersey Gateway Bridge PFI scheme is large and high profile to the residents of the borough.</p> <p>During the year a performance review of the Mersey Gateway project was undertaken by Mersey Gateway Crossing Board (MGCB) and the Department for Transport (DfT). As part of the review an exercise was undertaken regarding the excess revenue share procedure, which identified the amounts being repayable to DfT.</p> <p>In addition, PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information.</p> <p>We therefore identified the accounting for the Mersey Gateway bridge and the accuracy and presentation of the Mersey Gateway Bridge PFI scheme as a risk for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> review the proposed accounting for the excess revenue share procedure review the PFI model and assumptions contained within obtain an understanding of any changes to PFI contracts made since the prior year compare the PFI model to the prior year model to identify any changes review and test the output produced by the PFI model to generate financial balances within the financial statements review the disclosures relating to the PFI scheme for compliance with the Code and the International Accounting Standard IFRIC12.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Council's financial statements, which resulted in 6 recommendations being reported in our 2022/23 Audit Findings Report. We are pleased to report that management have implemented 4 of our recommendations and one is in progress.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Implemented	<p>R1. Land and buildings assets not revalued</p> <p>Management had not carried out a review of assets not revalued as part of the triennial cycle as at 31 March 2023 to ensure there was no material change in value. At our request, management carried out a review which involved liaison with the external valuer.</p> <p>Management should conduct an exercise to assess the valuation change in assets not revalued annually unless a full valuation takes place.</p>	<p>Sandersons Weatherall have been asked to review all class of assets, not revalued in 2023/24 which have not changed significantly. Desktop valuation on all assets with a value over £3m, and a third of assets valued over £1m</p>
Implemented	<p>R2. Pension actuarial valuation</p> <p>From discussions with the actuarial firms, we understand that the application of IFRIC 14 is not within their normal scope. As such, unless they are instructed otherwise by the employer, they will produce IAS 19 disclosures assuming there are no IFRIC 14 adjustments to any surplus or deficit. This means there is a risk that material adjustments are not factored into the IAS19 disclosures.</p> <p>Management should instruct their actuary to calculate any potential asset ceiling under IFRIC14 when the pension scheme is in surplus to ensure this is reflected in their IAS19 calculations.</p>	<p>Actuary has been asked to provide a report to calculate potential asset ceiling under IFRIC14.</p>
Implemented	<p>R3. Property assets no longer owned by the council</p> <p>A review of fully depreciated vehicles, plant and equipment assets revealed that they had been disposed of by the Council.</p> <p>Management should put in place arrangements to ensure that the fixed asset register is updated when assets are disposed of. A review of the fixed asset register should be undertaken to ensure no assets remain which have been disposed of.</p>	<p>This review has been carried out.</p>

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Implemented	<p>R4. Minimum Revenue Provision</p> <p>Management have not calculated an MRP charge for the £10m borrowing for the delinking project. At 31 March 2023 the MRP is estimated to be c£300k so trivial, but this will increase annually so will need recognising by the Council.</p> <p>The Council expenditure on the De-linking project does meet the criteria for unfinanced capital expenditure which should prudently be included in the annual MRP charge of the Council. As such, the council should apply an MRP charge for the de-linking project borrowing in future years.</p>	<p>DFT have sent e-mail confirming the £10m can be financed through revenue from road charges. MRP will be calculated and funded in full for the period to 31 March 2024.</p>
Not implemented – management comfortable with mitigating controls	<p>R5. Journal Authorisation</p> <p>We noted that there is no formal review or authorisation process for journals. The mitigating control is that each cost centre is monitored by the relevant budget holder. The budget holder reviews transactions against cost centre codes periodically to ensure no unusual or incorrect postings have been made.</p> <p>Management should consider putting in place a preventative control in addition to the existing detective control so that journals are authorised prior to them being posted.</p>	<p>Management consider that this is not required as controls are in place through review of expenditure by Finance Officers and Budget Holder to ensure all transactions are correctly coded.</p>
In progress	<p>R6. Bank reconciliations</p> <p>1. An unreconciled difference of £27k was identified on the General Receipts bank reconciliation for March 2023.</p> <p>2. One school bank reconciliation for March 2023 could not be provided by management. Management confirmed that the reconciliation had not been prepared. We requested it to be prepared and raised a number of unreconciled items.</p> <p>We recommend that management review and improve the bank reconciliation process ensuring unreconciled amounts are investigated and cleared.</p> <p>Management should ensure that school’s bank accounts are routinely prepared and retained.</p>	<p>The receipts account is reconciled daily to the bank statement as part of the Income Manager system. The difference relates to where allocations are made in different financial years, which is difficult to analyse retrospectively due to it being a live system. The Council will continue to try and find a better way of showing the reconciliation without showing an unreconciled balance between years.</p> <p>School bank accounts have been routinely prepared and retained.</p>

Our approach to materiality

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

Matter	Description	Planned audit procedures
1	Determination We have determined financial statement materiality based on a proportion of the gross expenditure on provision of services at the Council for the financial year. Materiality at the planning stage of our audit is £9.756m, which equates to 2% of your gross expenditure on provision of services for the prior period.	We determine planning materiality in order to: <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;– assist in establishing the scope of our audit engagement and audit tests;– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements.
2	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. <ul style="list-style-type: none">– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £38,000, being 2% of the prior year total senior officer remuneration cost.

Our approach to materiality

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

Matter	Description	Planned audit procedures
3	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
4	Other communications relating to materiality we will report to the Audit Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.488m (PY £0.46m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Board to assist it in fulfilling its governance responsibilities.

Our approach to materiality

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

	Amount (£)	Qualitative factors considered
Materiality for the Council's financial statements	9,756,000	Based upon financial performance of the Council using gross expenditure on provision of services for the prior year as a benchmark.
Materiality for specific transactions, balances or disclosures - senior officer remuneration	38,000	Materiality has been significantly reduced for auditing the senior officer remuneration disclosures due to the sensitive nature of these disclosures and the heightened public interest.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024

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



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

Risks of significant VFM weaknesses – continued

The Audit Code sets out that the auditor’s work is likely to fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. A key part of this is the consideration of prior year significant weaknesses and known areas of risk which is a key part of the risk assessment for 2023/24. We set out our reported assessment below:

Criteria	2022/23 Auditor judgement on arrangements informing our initial risk assessment	Additional risk-based procedures planned
Financial sustainability	<p>Red</p> <p>The Council’s planned and unplanned use of reserves is not financially sustainable and is a significant weakness in the Council’s arrangements. The lack of progress to achieve planned savings from the transformation programme and limited MTFS savings in 2022-23 and in 2023-24 are significant risks to the Council’s financial sustainability.</p>	<p>We will follow up progress against the key recommendation made and ensure that our work assesses the current arrangements in place.</p>
Governance	<p>Red</p> <p>The Council’s arrangements for risk management needs significant improvement.</p>	<p>We will follow up progress against the key recommendation made and ensure that our work assesses the current arrangements in place.</p>

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

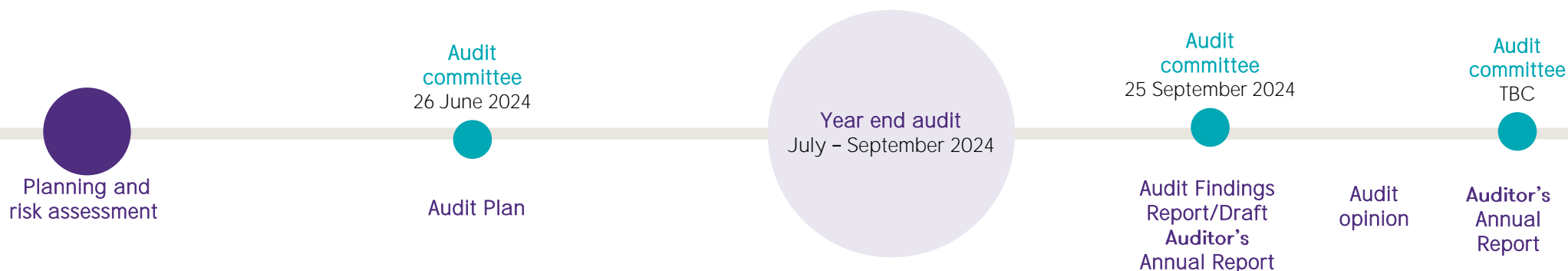
Risks of significant VFM weaknesses – continued

Criteria	2022/23 Auditor judgement on arrangements informing our initial risk assessment	Additional risk-based procedures planned
Improving economy, efficiency and effectiveness	<div style="background-color: red; color: white; padding: 5px; display: inline-block; margin-right: 10px;">Red</div> The Council’s arrangements for performance management are not adequate.	We will follow up progress against the key recommendation made and ensure that our work assesses the current arrangements in place.

Our planning work for 2023/24 is not yet complete, and we will update you separately once this has concluded.

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

Audit logistics and team



Michael Green, Key Audit Partner & Engagement Lead

Michael leads our relationship with you and takes overall responsibility for the delivery of a high-quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Council.

Liz Luddington, Audit Manager

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

Hanna Peurala, Audit In-charge

Hanna is the key audit contact responsible for the day-to-day management and delivery of the audit work.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

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

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

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Halton Borough Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors] The scale fee set out in the PSAA contract for the 2023/24 audit is £307,352.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

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

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

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

	Proposed fee 2023/24
Halton Borough Council Audit	£307,352
ISA 315	£12,550
Total audit fees (excluding VAT)	£319,902

Previous year

In 2022/23 the scale fee set by PSAA was £96,076. The actual fee charged for the audit was £144,826.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”
In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Planning enquiries

As part of our planning risk assessment procedures, we have made initial inquiries to management, that will be presented at the Audit and Governance Committee. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/90422/IFRS_16_Application_Guidance_December_2020.docx)

Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings (ISA260) report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefits Subsidy Certification	£57,200	Self-Interest (because this is a recurring fee), self-review and management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £57,200 in comparison to the planned total fee for the audit of £319,902 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Teachers' Pension Agency Certification	£25,000	Self-Interest (because this is a recurring fee), self-review and management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £25,000 in comparison to the planned total fee for the audit of 319,902 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Total	£82,200		

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit & Governance Board (at next available Audit & Governance Board meeting or in writing to Audit & Governance Board Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the Audit & Governance Board, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Addressing the local audit backlog - consultation

Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- FRC landing page - [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations)
- DLUHC landing page - [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- NAO landing page - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect.

Preparing for the backstop

For any outstanding years up to 2022/23, local authorities should:

- Prepare, adopt and publish financial statements in line with Code and Statutory requirements (Accounts and Audit Regs 2015 – ‘true and fair’)
- Support statements with a proper set of working papers and audit trail
- Work with the auditor to support the completion of outstanding audit work (where possible) and for the completion of Value for Money Work.

For 2023/24, local authorities should:

- Agree a timetable and working paper requirements with the auditor
- Put project planning and key milestones in place
- Consider the implications of CIPFA consultation (property valuation and pensions)
- Ensure the Audit & Governance Board is properly briefed and prepared

As your auditor we will:

- Keep you updated on all national developments
- Set out clear expectations of the information we will require to conclude our work
- Agree a plan for the delivery of our work programme with a commitment to key milestones

Next steps

We await the government’s response to the consultation. We will discuss next steps including any implications for your audit once we have further information. Following the announcement of the General Election for July 2024 we expect there will be a delay in further announcements or guidance.



REPORT TO: Audit and Governance Board
DATE: 26 June 2024
REPORTING OFFICER: Operational Director, Finance
PORTFOLIO: Corporate Services
SUBJECT: Informing the External Audit Risk Assessment
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

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

2.0 RECOMMENDATION: That the draft response shown in the Appendix be provided to the Council's external auditors.

3.0 SUPPORTING INFORMATION

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

3.2 The Appendix presents draft responses to a number of questions contained in a letter from Grant Thornton, which it is proposed to provide to assist with the year-end audit of accounts.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

6.2 Employment, Learning and Skills in Halton

6.3 A Healthy Halton

6.4 A Safer Halton

6.5 Halton's Urban Renewal

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

7.0 **RISK ANALYSIS**

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

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 None.

9.0 **CLIMATE CHANGE IMPLICATIONS**

9.1 None.

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

10.1 None under the meaning of the Act.

Informing the audit risk assessment for Halton Borough Council 2023/24

Michael Green
Director, Engagement Lead for Halton Borough Council
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Halton Borough Council's external auditors and Halton Borough Council's Audit and Governance Board, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Board under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Governance Board. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Governance Board and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Governance Board in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Governance Board and supports the Audit and Governance Board in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Local Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Halton Borough Council's management. The Audit and Governance Board should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?</p>	<p>Funding provided from Government continues to fall behind the level of growth required for Council services.</p> <p>Demand led services, Children in Care, ASC Community Care, Schools Transport (EHCPs) have all seen an increase in demand which is driving the Council's cost base further above the level of funding available.</p> <p>Increased cost and demand on the High Needs budget has had a detrimental impact on the overspend relating to the Dedicated Schools Grant. The Council has had approved by Government the Delivering Better Values recovery program which will look to minimise the financial impact of High Need (SEN) demand on DSG over the medium term.</p> <p>Difficulties in staff recruitment and retainment is having a negative impact on the need to use additional agency staff, which impacts on cost and service delivery. This is most notable within children's social care, internal care homes and legal locums.</p> <p>The Council had growth of 4% in the budget to fund the 2023/24 pay award. The actual cost of the pay award was largely a flat rate of £1,925 paid across all grades. The actual increase in pay costs as a result of this was in the region of 6%, the additional 2% being unfunded and having an impact on the Council's outturn position.</p> <p>The lack of certainty for financial planning purposes of only having a one year Grant Settlement. Short term measures from Government in only notifying of Financial Local Government Settlement and grant award a matter of months before finalising future year budgets has also not helped with the Council's financial planning.</p> <p>During the year a performance review of the Mersey Gateway project was undertaken by Mersey Gateway Crossing Board (MGCB) and the Department for Transport (DfT). This review covered the period October 2017 to March 2023 and future reviews will be undertaken every 3 years.</p>

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?</p>	<p>As part of the review an exercise was undertaken regarding the excess revenue share procedure. This identified that up to March 2023 the excess income from the project over and above project costs was £52.647m. The share to the Council of this amount is £7.897m, with £44.750 being repayable to DfT.</p> <p>Council agreed in February 2023 the establishment of the Transformation Programme. The programme formally commenced on 1 April 2023, and is an addition to the Council's establishment using a mix of seconded employees from other service areas and external expertise. The programme is funded through a capitalisation order of £7m across the period April 2023 to March 2026. The programme is tasked with identifying fundamental changes to the way services are delivered, in order to bring costs more in line with benchmark comparators and thereby provide sustainable efficiency savings of £4m, £8m and £8m which have respectively been included in the Council's 3 year budget forecast from 2024/25.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Halton Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>The Council's accounting policies have been reviewed. There have been no events or transactions which have required changes to or the adoption of new accounting policies.</p> <p>There have been no events or transactions resulting in a change or adoption of new accounting policies.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>There is use of financial instruments, but not derivatives. The policy on the use of financial instruments is reported to Council through the Treasury Management Strategy and reviewed through the Treasury Management monitoring process.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>Capitalisation of spend on the Council's Transformation Programme took place during 2023/24.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	None in which the Council are aware of.
6. Are you aware of any guarantee contracts? If so, please provide further details	There are none
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None, other than what is included in the Statement of Accounts as a provision or contingent liability
8. Other than in house solicitors, can you provide details of those solicitors utilised by Halton Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Weightmans provided advice in respect of litigated insurance claims. Some of the claims relate to previous financial years. Weightmans primarily and other firms of solicitors, as well as legal Counsel are also utilised by the Council for specific legal matters.

General Enquiries of Management

Question	Management response
9. Have any of the Halton Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>PWC provided advice on VAT and CIS matters.</p> <p>Aon provided advice as the Council's insurance broker.</p> <p>MUFG (Mitsubishi UFG), formerly Link Asset Services provided treasury management advice during the year and provided information on the Financial Instruments note to the accounts.</p> <p>Innovate/external consultants and DFE continued to work with Children Services on Ofsted Improvement Plan.</p> <p>External consultants helped the Council submit an application for the Delivering Better Value Programme (High Needs mitigation).</p> <p>Consultants were in place to support the Council's 3 year Transformation Programme. LGA were engaged on a specific piece of work to help identify efficiencies within Adult Social Care.</p> <p>Rockford Associates were engaged to undertake a cost recovery audit focusing on duplicate creditor payments, unclaimed credits on supplier accounts, and VAT errors.</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Credit loss provisions considered on an annual basis for both general and collection fund matters

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Governance Board and management. Management, with the oversight of the Audit and Governance Board, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Governance Board should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Halton Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Governance Board regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Governance Board oversees the above processes. We are also required to make inquiries of both management and the Audit and Governance Board as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Halton Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Halton Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Local Authority's risk management processes link to financial reporting?</p>	<p>The Council believes that there is minimal risk that the financial statements may be materially misstated due to fraud. This is because the Council has robust anti-fraud arrangements and the level of internal fraud is consistently low year on year. External fraud has generally tended to be of a low level attritional nature predominantly relating to Council Tax and Benefits.</p> <p>Staff responsible for preparing the financial statements are appropriately qualified and experienced and there is a rigorous quality assurance process to ensure the financial statements are free from material error.</p> <p>Internal Audit undertakes regular reviews of the core systems which provide the information used for the financial statements. This provides assurance that the systems and information contained therein are robust and there is limited risk of misstatement.</p> <p>The Council has robust arrangements in place for identifying and responding to the risk of fraud.</p> <p>There is an established risk management process and the risk of fraud to the organisation is considered as part of the Council's planning processes. Management Team reviews and monitors the Corporate Risk Register on a regular basis. The Audit & Governance Board also receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Council's Corporate Risk Register, which also details the measures that the Council has in place to deter fraud. The Audit & Governance Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>The Council has an established Anti-Fraud & Corruption Strategy, Fraud Response Plan and a Confidential Reporting Code (Whistleblowing Policy). These documents form part of the Council Constitution.</p> <p>Internal Audit considers the risk of fraud in each audit assignment. Internal Audit also undertakes periodic initiatives to raise fraud awareness amongst employees and members.</p> <p>Internal Audit includes an Investigations Team comprising three investigator posts. These posts provide a dedicated, council-wide fraud investigation resource to undertake fraud investigations.</p>

Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Housing Benefit and Council Tax Reduction Scheme claims are considered to be most susceptible to fraud. This is a national issue and not unique to Halton.</p> <p>Other areas at risk of fraud include:</p> <ul style="list-style-type: none"> • Insurance claims against the Council • Procurement • Supplier invoices, Bank mandate fraud • Council Tax – Single Person Discounts and Council Tax Reduction Scheme • Business Rates • Payroll & Pensions • Recruitment • Electoral fraud, School admission application fraud • Direct Payments / personal budgets • Adult Social Care – Financial Assessments • Grants to individuals or organisations • Development control • Cash handling, Expenses, Blue badges and concessionary travel
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Halton Borough Council as a whole, or within specific departments since 1 April 2023? If so, please provide details.</p>	<p>No. The Council's Investigations Team is constantly investigating low level fraud. The Council is unaware of any allegations of fraud, errors or other irregularities that would be considered material in terms of the financial statements.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>The Audit & Governance Board receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Council's Corporate Risk Register, which also details the measures that the Council has in place to deter fraud. The Audit & Governance Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>Risk issues identified through the work of Internal Audit are reported to the Audit & Governance Board through regular progress reports.</p> <p>The Audit & Governance Board also receives an annual report on the Council's anti-fraud and corruption arrangements. Please see the agenda and minutes from the September 2023 meeting of the Board for the latest report.</p> <p>Any emerging significant risk issues would be communicated to elected members as appropriate.</p> <p>There is a section in the Council's standard Board reporting template that requires consideration of the risks associated with any decision.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Halton Borough Council where fraud is more likely to occur?</p>	<p>Housing Benefit and Council Tax Reduction Scheme claims are considered to be most susceptible to fraud. This is a national issue and not unique to Halton.</p> <p>There are also other areas where local authorities may be at risk of fraud. For Halton these include:</p> <ul style="list-style-type: none"> • Council Tax (Single Person Discounts, Student Exemptions, Non-occupancy), Business Rates (Reliefs and Exemptions), Online Banking Transactions, Procurement, Supplier Payment Fraud, Payroll, Grants, Insurance Claims, Travel and Subsistence Claims, Cash Collection and Banking, Schools, Direct Payments / Personal Budgets

Fraud risk assessment

Question	Management response
<p>6. What processes do Halton Borough Council have in place to identify and respond to risks of fraud?</p>	<p>There is a well-established risk management process and the risk of fraud to the organisation is considered as part of the Council's planning processes. Management Team reviews and monitors the Corporate Risk Register on a regular basis. The Audit & Governance Board also receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Council's Corporate Risk Register, which also details the measures that the Council has in place to deter fraud. The Audit & Governance Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>The Council has an established Anti-Fraud & Corruption Strategy, Fraud Response Plan and a Confidential Reporting Code (Whistleblowing Policy). These documents form part of the Council Constitution.</p> <p>Internal Audit considers the risk of fraud in each audit assignment. Internal Audit also undertakes periodic initiatives to raise fraud awareness amongst employees and members.</p> <p>Internal Audit includes an Investigations Team comprising three investigator posts. These posts provide a dedicated, council-wide fraud investigation resource to undertake fraud investigations.</p> <p>The Council also operates a fraud reporting system that allows members of the public to report any concerns that they have in regard to potential fraud.</p> <p>Other arrangements to identify and respond to the risk of fraud include:</p> <ul style="list-style-type: none"> • Crime insurance policy to indemnify the Council against significant financial loss resulting from fraud • Participation in the National Fraud Initiative • Collaboration with other local authorities and sharing of best practice in regard to tackling fraud and corruption • Formal arrangements with the DWP to participate in joint criminal fraud investigations relating to the Council Tax Reduction Scheme (CTRS) and social security benefit fraud • Membership of the National Anti-Fraud Network (NAFN), which is the largest shared service in the country and provides data, intelligence and best practice in support of fraud and investigation work <p>As far as is known, these arrangements have been effective in mitigating the risk of fraud and corruption. Levels of identified fraud remain low.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Halton Borough Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The Council believes that it operates a robust control environment, which is borne out by the annual opinions provided by the Head of Internal Audit over an extended period.</p> <p>Internal Audit provides a continuous audit of the Council's control environment and undertakes regular reviews of the core systems which provide the information used for the financial statements. This includes assessing the adequacy and operation of internal controls plus the risk of fraud, as part of each audit review.</p> <p>Action plans are put in place to address any significant internal control weaknesses identified through the work of Internal Audit, External Audit or any other assurance providers. The results of each Internal Audit review and follow-up reviews are reported to the Audit & Governance Board.</p> <p>A fraud awareness e-learning module operates in-house to raise staff awareness of potential fraud risks.</p> <p>Staff responsible for preparing the financial statements are appropriately qualified and experienced and there is a rigorous quality assurance process to ensure the financial statements are free from material error.</p> <p>The Audit & Governance Board also reviews and approves the Council's Annual Governance Statement, which considers assurances from various sources with regard to the Council's internal control framework.</p> <p>We are not aware of any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>

Fraud risk assessment

Question	Management response
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>We are not aware of any areas where there is potential for misreporting. The processes established for reporting include reconciliations to ensure all costs are included and reconcile to overall control totals. Verification, checking and challenging of figures prior to being reported helps to mitigate the risk of deliberate misreporting.</p>
<p>9. How does Halton Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Council's Local Code of Corporate Governance, which forms part of the Council Constitution, sets out the processes in place to ensure that officers behave in ways that exemplify high standards of conduct and effective governance. These arrangements are wide ranging and communicated by Management Team to staff in a variety of ways including; induction procedures, the employee code of conduct, Finance Standing Orders, Procurement Standing Orders, registers of interests, In-Touch staff bulletins, staff letters, registers of gifts and hospitality, whistle-blowing procedures, HR policies and fraud awareness training.</p> <p>E-learning has been used to improve employee awareness of the Bribery Act, Fraud and Corruption, and Information Governance.</p> <p>Staff are expected to report any concerns regarding potential fraud, corruption and unethical or unprofessional behaviour. The Council operates a whistleblowing policy for staff and contractors to report any concerns. The channels by which concerns may be raised are well publicised. All reports received are investigated. The list of reports received during 23/24 can be shared if required.</p>

Fraud risk assessment

Question	Management response
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Any posts having high value levels of delegation are considered potentially higher risk from a fraud and corruption perspective, as well as those dealing with the procurement of contracts. However, the Council operates a scheme of delegation which ensures that an appropriate structure of financial authorisation is in place to mitigate potential risks. Appropriate segregation of duty is inbuilt into the Council's finance and banking systems to ensure that the same officer cannot initiate a transaction and authorise it.</p> <p>The Council operates robust procurement arrangements, which are overseen by the Procurement Team. This provides assurance that the Council's procurement activity is legally compliant and compliant with the requirements of the Council's own Procurement Standing Orders.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>A list of related parties will be included within the Council's draft 2023/24 Statement of Accounts. We are not aware that any of these relationships or transactions could give rise to instances of fraud.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit and Governance Board?</p> <p>How does the Audit and Governance Board exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Audit & Governance Board receives regular reports on the Council's corporate risk management arrangements and reviews the Corporate Risk Register. The risk of fraud is specifically acknowledged in the Council's Corporate Risk Register, which also details the measures that the Council has in place to deter fraud. The Audit & Governance Board regularly reviews the robustness of the Council's risk management arrangements.</p> <p>Risk issues identified through the work of Internal Audit are reported to the Audit & Governance Board through progress reports to each meeting of the Board</p> <p>The Audit & Governance Board also receives an annual report on the Council's anti-fraud and corruption arrangements. The Board received the 2022/23 report in September 2023, the 2023/24 version will be reported in September 2024.</p> <p>No significant fraud issues / risks were reported to the Audit and Governance Board in 2023/24.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Yes - All whistleblowing complaints are logged and investigated by the Audit & Investigations Team. A summary of the complaints received, and outcomes, is reported to the Audit and Governance Board in the annual report on the Council's anti-fraud and corruption arrangements</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Governance Board, is responsible for ensuring that Halton Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Governance Board as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Halton Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Local Authority's regulatory environment that may have a significant impact on the Local Authority's financial statements?</p>	<p>Senior Officers, the Legal Department and Finance Officers are responsible for ensuring compliance with relevant laws and regulations. Internal Audit reviews such arrangements as part of its annual plan of work and report on any non-compliance.</p> <p>The Council also operates whistleblowing arrangements which provide for the safe reporting of any non-compliance with laws and regulations.</p> <p>There have not been any changes to the Council's regulatory environment which would have a significant impact upon the financial statements.</p>
<p>2. How is the Audit and Governance Board provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Audit & Governance Board considers the Annual Governance Statement which provides various assessments of compliance.</p> <p>Assurances are also provided by the arrangements operated by the Council's statutory Section 151 Officer and Monitoring Officer and from the Council's Annual Governance Statement.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>There have been no such instances of non-compliance or suspected non-compliance since 1 April 2023.</p>

Impact of laws and regulations

Question	Management response
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	Only for those where it is possible the liability is with the Council and there is uncertainty over the amounts. These are covered within the contingent liabilities note.
5. What arrangements does Halton Borough Council have in place to identify, evaluate and account for litigation or claims?	<p>Senior Officers, the Legal Department and Finance Officers are requested on an annual basis to consider potential litigation and claims. Regular financial reporting and budget monitoring also help with the identification process.</p> <p>Assessments are undertaken by the Revenues & Financial Management Division and decisions taken on how to account for claims in line with accounting standards and the CIPFA Code of Practice. A provision is set for all insurance claims, in order to quantify the full potential cost of all outstanding claims.</p> <p>Regular meetings take place with service providers that will highlight these events.</p>
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	<p>For the first time in over a decade the Council had its VAT arrangements inspected by HM Revenues and Customs. As a result of the review there were a small number of issues identified for which the Council has corrected and put in place procedures to ensure they do not re-occur. The Council received a suspended fine from HM Revenues and Customs for the errors identified. This suspension period has now passed with no further errors identified and as such the inspection has finalised and been closed.</p> <p>The Council continues to engage with VAT specialists (PWC) for support on VAT matters and has now a dedicated VAT Officer in place.</p>

Related Parties

Matters in relation to Related Parties

Halton Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Halton Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Local Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Local Authority, or of any body that is a related party of the Local Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Local Authority's perspective but material from a related party viewpoint then the Local Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Halton Borough Council's 2023/24 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and Halton Borough Council • whether Halton Borough Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>A list of related parties are included within the Council's draft 2023/24 Statement of Accounts. There have been no material changes from those disclosed in the 2022/23 financial statements.</p>
<p>2. What controls does Halton Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>An exercise is undertaken annually as part of preparing the Statement of Accounts, to identify potential related party transactions and ensure they are properly accounted for.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>All transactions with related parties are subject to the Council's normal controls over authorisation and approval of transactions in line with Finance Standing Orders.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>There are no transactions outside the normal course of business and all transactions are subject to the normal authorisation and approval controls.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Halton Borough Council will no longer continue?</p>	<p>Council Executive Board receive quarterly reports covering the Council's financial position (including update on the level of available reserves), this will highlight any risk to the Council's finances which may have a detrimental impact on continued delivery of Council services.</p> <p>Financial Management undertake forecasting of estimated outturn position during the financial year and a rolling medium term financial forecast is also produced which reviews the Council's financial position over a three year term. This will enable the Council to identify risks to statutory services continuing to be provided.</p>
<p>2. Are management aware of any factors which may mean for Halton Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>None.</p>
<p>3. With regard to the statutory services currently provided by Halton Borough Council, does Halton Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Halton Borough Council to cease to exist?</p>	<p>The Council expects to deliver statutory services for the foreseeable future.</p>
<p>4. Are management satisfied that the financial reporting framework permits Halton Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Management are satisfied on both counts</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Board members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Governance Board to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Property, Plant & Equipment Pensions Liability Provisions
2. How does the Local Authority's risk management process identify and address risks relating to accounting estimates?	Consideration is given to such whilst preparing the financial statements. These have been noted in the 2023/24 Statement of Accounts and include: <ul style="list-style-type: none"> • Property, Plant & Equipment • Pensions Liability • Collection Fund Provisions
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Professional advice is taken with regards to these estimates. The Councils internal valuer (via Sandersons Weatherall) provides advice on PPE. Advice on the value of the pensions liability is taken from the scheme actuary. Advice, economic climate and use of best available data is used with regard to provisions
4. How do management review the outcomes of previous accounting estimates?	Comparison of values is undertaken between current and prior year. Where material differences apply guidance is sought on the reasons.

Accounting Estimates - General Enquiries of Management

Question	Management response
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No Changes.
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Need for specialist skills or knowledge will be considered separately for each class of estimation.
7. How does the Local Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Control activities are set out in engagement contracts with service providers or management experts. Control activities will be determined in line with CIPFA Code of Practice and International Accounting Standards.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Ensure these are addressed as part of covering reports in receiving estimates from providers or management experts. Clarification sought where there are material differences in estimates between years which has not been addressed.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Detailed information on each estimate is included within the Statement of Accounts.</p>
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>None</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Use of service providers or management experts where required.</p>
<p>12. How is the Audit and Governance Board provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>Use of service providers or management experts where required.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Management experts engaged to provide information.	Market and economic conditions	Yes	Considered under accounting policies and major source of estimation uncertainty.	No
Depreciation	Estimated useful lives are applied for each different class of asset	Depreciation applied to valuation provided by management experts	Yes	Considered under accounting policies and major source of estimation uncertainty.	No
Assets held for sale	Management experts engaged to provide information.	Market and economic conditions	Yes	Considered under accounting policies and major source of estimation uncertainty.	No
Valuation of defined benefit net pension fund liabilities	Management experts engaged through Cheshire Pension Service to provide information.	Market and economic conditions	Yes	Considered under accounting policies and major source of estimation uncertainty.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	Historical experience and current available information.	Comparison made to previous years	No	To be considered if material	No
Fair value estimates	The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: a) in the principal market for the asset or liability, or b) in the absence of a principal market, in the most advantageous market for the asset or liability.	Market and economic conditions	Yes	To be considered if material	No
Accruals	Latest available information.	Comparison to previous years, in-year costs.	No	To be considered if material	No
³¹ Credit loss and impairment allowances/	Historical experience and current available information.	Comparison made to previous years. Market and economic	No	To be considered if material	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Amounts due under finance leases	Latest available information	Comparison to previous years.	No	To be considered if material	No
PFI Liabilities	Model based on latest available information and information relevant to PFI type schemes.	Comparison to previous years.	Experts used in previous years in setting up initial models.	To be considered if material	No
[Please add any other estimate you feel we should be aware of]					



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REPORT TO:	Audit and Governance Board
DATE:	26 June 2024
REPORTING OFFICER:	Head of Audit, Procurement & Operational Finance
PORTFOLIO:	Corporate Services
SUBJECT:	Internal Audit Annual Report and Opinion – 2023/24
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform members of Internal Audit activity during 2023/24 and to provide the Head of Internal Audit's annual opinion on the Council's risk management, control and governance processes.

2.0 RECOMMENDATION:

That the Board receives and notes this report as a source of independent assurance regarding the risk management, control and governance processes operating across the Council during 2023/24.

3.0 EXECUTIVE SUMMARY

- 3.1 Internal audit is an assurance function that provides an independent and objective opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its Annual Governance Statement.
- 3.3 The Internal Audit Annual Report (attached as a separate document) summarises the internal audit work completed over the 2023/24 financial year. It also includes the overall assurance opinion on the Council's risk management, control and governance processes. The report also explains how Internal Audit complied with the PSIAS during the year.

4.0 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications arising from this report. Under Regulation 6 of the Accounts & Audit Regulations 2015, the Council 'must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'. This responsibility is delegated to the Operational Director – Finance.
- 4.2 The Head of Internal Audit's opinion on the Council's risk management, control and governance processes is one of the key sources of assurance that supports the Council's Annual Governance Statement.

5.0 FINANCIAL IMPLICATIONS

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

5.2 There are however no direct financial implications arising from this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

Internal Audit provides assurance over the Council's risk management, control and governance processes, which help to support the achievement of the aims and objectives set out in the Corporate Plan.

6.2 Employment, Learning and Skills in Halton

See 6.1

6.3 A Healthy Halton

See 6.1

6.4 A Safer Halton

See 6.1

6.5 Halton's Urban Renewal

See 6.1

7.0 RISK ANALYSIS

Internal Audit adopts a risk based approach to its work and provides assurance over the Council's key business risks. In the course of its work, internal audit raises issues which have risk implications for the Council. The regular internal audit progress reports to the Audit and Governance Board summarise these issues and provides details of the actions agreed with management to mitigate any risks identified.

There are however no direct risk implications arising from this report.

8.0 EQUALITY AND DIVERSITY ISSUES

None

9.0 CLIMATE CHANGE IMPLICATIONS

None

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

None under the meaning of the Act

Internal Audit Annual Report 2023/24

Audit and Governance Board

26 June 2024



Section One – Executive Summary

Head of Internal Audit Opinion

Sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of the Council's governance, risk management and internal control environment. It should be noted that assurance can never be absolute and the most that the internal audit service can provide is reasonable assurance.

Summary	
Opinion	<p>The Internal Audit work carried out during the year provides reasonable assurance that the Council maintains an adequate system of governance, risk management and internal control, which is designed to support the delivery of the Council's objectives. The results of our work provide assurance that key controls are generally applied consistently.</p> <p>There has been positive engagement with management in agreeing actions where internal audit work has identified weaknesses in the design or application of controls. Action plans are in place to address all the issues identified through the work of internal audit.</p> <p>The results of the follow-up audits completed also provides assurance that the actions agreed in response to internal audit reports are implemented.</p>
Basis of the Opinion	<ul style="list-style-type: none"> • Internal audit work completed since the 2022/23 Head of Internal Audit Opinion • Observations from advisory / consultancy type work • Follow-up of previous audit activity, including implementation of agreed actions • Any significant risks where management has not accepted the need for mitigating action • Consideration of whether any high priority issues identified in individual assignments are indicative of systemic weaknesses • The results of anti-fraud / investigatory work completed • Cumulative knowledge and experience of the organisation
Qualifications to the Opinion	<p>It is however noted that key areas for development were identified by external assurance providers during 2023/24:</p> <ul style="list-style-type: none"> • In the Auditor's Annual Report 2022/23 (reported in March 2024), external audit identified three significant weaknesses in the Council's arrangements for securing value for money (VFM). This resulted in three key recommendations relating to financial sustainability, governance, and improving economy, efficiency, and effectiveness. • The Area SEND inspection of Halton Local Area Partnership by the CQC / Ofsted (reported in March 2024) identified widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership needs to address urgently. <p>These issues are further reported upon in the Council's 2023/24 Annual Governance Statement.</p>

Section Two – Background

2.1 Introduction

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control, and governance processes. This is achieved through delivering a risk-based plan of work (the Internal Audit Plan), which has been agreed with management and approved by the Audit and Governance Board.

The standards require that the annual report provides:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment
- Details of any qualifications to that opinion, together with the reasons for the qualification
- A summary of the audit work from which the opinion is derived
- Details of any issues that the Head of Internal Audit considers particularly relevant to the preparation of the Annual Governance Statement
- A comparison of the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- A commentary on compliance with these standards and communicates the results of the internal audit quality assurance programme

2.2 Purpose of report

The purpose of this report is to satisfy the requirements of the PSIAS. It sets out how the Council's internal audit function has operated in accordance with the standards during the year. It also provides an annual internal audit opinion that can be used by the Council to inform its governance statement.

Section Three – Internal Audit work completed

3.1 Coverage and output

Internal audit delivered 1,235 days of audit work during 2023/24 against the Audit Plan which budgeted for 1,225 days. The planned number of audit days delivered for the year was therefore exceeded.

As reported to the Audit and Governance Board throughout the year, changes to planned coverage were required as a result of some planned assignments taking longer to complete than anticipated. This resulted in seven planned audits from 2023/24 being deferred to 2024/25 with the agreement of the Board at its meeting on 20 March 2024.

Appendix 1 to this report provides a list of the audit reports issued, a summary of the audit assurance opinions provided, and the dates that summary copies of the reports were presented to the Audit and Governance Board. In total, 55 audit reports were issued during the year. A further three audits from the 2023/24 Audit Plan are also nearing completion (Children's Services Commissioning, Domiciliary Care, Microsoft 365 deployment). The work carried out during the year is considered sufficient and wide-ranging enough to support the annual audit opinion.

A significant number of grant certifications and verification audits were completed during the year. These audits are primarily intended to provide assurance to third party organisations that provide or distribute funding, including Government Departments and the Liverpool City Region Combined Authority. However, they also help to secure funding for the Council and, importantly, they also provide assurance over the Council's accounting, procurement, governance, accounts payable, and project management arrangements.

Comparative high-level information on audit coverage and outcomes is provided in the following table for the four preceding financial years. It shows that the number of audits completed, and the proportion of opinions across each assurance category, remain broadly consistent to previous years.

Financial Year	No. of Audit Days	Substantial Assurance Reports	Adequate Assurance Reports	Limited Assurance Reports	Total Reports issued
2023/24	1,235	52	2	1	55
2022/23	812	43	3	1	47
2021/22	1,063	48	7	2	57
2020/21	890	46	5	1	52
2019/20	684	36	6	0	42

Section Three – Internal Audit work completed

3.2 Follow-up audit assignments

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

Six follow-up audits were completed during the year, and these are listed in Appendix 2. The follow-up process involves Internal Audit carrying out further work to determine the progress that management has made in implementing previously agreed actions. A follow-up audit report is then issued summarising the results of this work. Each follow-up audit provides a revised assurance opinion which is informed by the extent to which the risk management, control and governance processes of the area audited have improved since the original audit.

3.3 Issues relevant to the Annual Governance Statement

Where issues have been identified through internal audit work, management has responded positively. There are therefore no outstanding issues from the internal audit work completed in the year that have implications for the Annual Governance Statement.

Section Four – Compliance with Professional Standards

4.1 Introduction

The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector
- Set basic principles for carrying out internal audit in the UK public sector
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning

Conformance with the core principles within PSIAS helps to provide assurance over the way in which the Council's internal audit function is delivered. In turn, this provides assurance over the quality of work completed in support of the overall annual opinion.

Internal audit services are required to have an external assessment against the standards every five years. The Council's most recent external assessment was completed towards the end of the 2023/24 financial year. We are still awaiting the final report, but the overall conclusion from the assessment is that the Council's internal audit arrangements substantially conform to the standards.

4.2 Purpose, Authority, and Responsibility of Internal Audit (PSIAS standard 1000)

The purpose, authority and responsibility of the Council's internal audit activity is formally defined in an internal audit charter, which forms part of the Council's Constitution. The charter sets out Internal Audit's position within the Council, including the nature of the reporting relationship with the Board. It also provides authority to access records, personnel, and physical properties relevant to the performance of audit engagements and defines the scope of internal audit activities.

The internal audit charter is subject to annual review as part of the Constitution review. No changes were made to the charter during 2023/24.

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

During 2023/24, there have been no matters arising which have impacted on the independence of the Internal Audit service and there have been no inappropriate scope or resource limitations on internal audit work.

As previously reported to the Board, the Head of Internal Audit also has managerial responsibility for a number of other finance functions. Arrangements to safeguard the independence of Internal Audit are however well-established and have previously been reported to and agreed by the Board. These arrangements have operated effectively throughout the year.

No audits were completed during 2023/24 that focused specifically on areas for which the Head of Internal Audit also has operational responsibility.

Section Four – Compliance with Professional Standards

4.4 Proficiency and Due Professional Care (PSIAS standard 1200)

All audit engagements carried out during the year were completed with appropriate proficiency and due professional care. Work was allocated to auditors on the basis of the knowledge, skills and competencies needed to perform individual specific assignments. Appropriate support was provided to auditors to enable them to carry out their work effectively.

4.5 Quality Assurance and Improvement Programme (PSIAS standard 1300)

The development and maintenance of a Quality Assurance and Improvement Programme (QAIP) is a requirement within PSIAS.

The purpose of the QAIP is to ensure that the Internal Audit service operates in accordance with PSIAS and the Local Government Application Note (LGAN) and maintains consistently high standards.

Key elements of the quality assurance arrangements in operation during 2023/24 are described below:

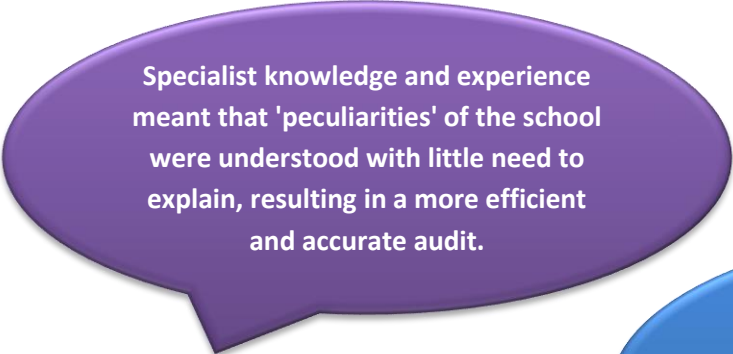
- The Internal Audit team is made up of appropriately trained and qualified staff with significant local government experience. The majority of the team are members of professional institutes, and all members of the team are required to comply with ethical rules, technical standards, and professional practice laid down by those bodies.
- Internal audit work is based upon a detailed risk-based audit plan, which is agreed in consultation with management and is approved by the Audit and Governance Board.
- Internal Audit employs an audit methodology that is in accordance with professional standards.
- Terms of reference are developed with key stakeholders for each audit assignment, which set out the agreed coverage.
- Weekly team meetings take place to discuss progress and issues relating to the completion of audit engagements.
- Robust management review is undertaken of all audit files and reports prior to issue.
- There is a system of regular reporting of progress against the Audit Plan to the Audit and Governance Board.
- All Internal Audit staff complete annual declarations confirming their compliance with the Code of Ethics.
- There is a commitment to the continuing professional development of all Internal Audit staff through a range of learning and development opportunities. These include professional training, on the job training, e-learning, webinars, and attendance at relevant training events and workshops.
- Structured support, mentoring, and supervision continues to be provided to three auditors who joined the team towards the end of 2022/23. This has assisted significantly with their induction and development. It has also helped to ensure that work is undertaken in accordance with professional standards.

Section Four – Compliance with Professional Standards


Internal Audit invites feedback on the quality of service provided by issuing a questionnaire at the end of each audit. This is an important process in terms of identifying how the audit was received by the service area. It is also a valuable means of identifying aspects of the audit process that can be improved.

The feedback received from the surveys returned in the year was positive and there were no comments in the responses received that highlighted any particular areas for development.

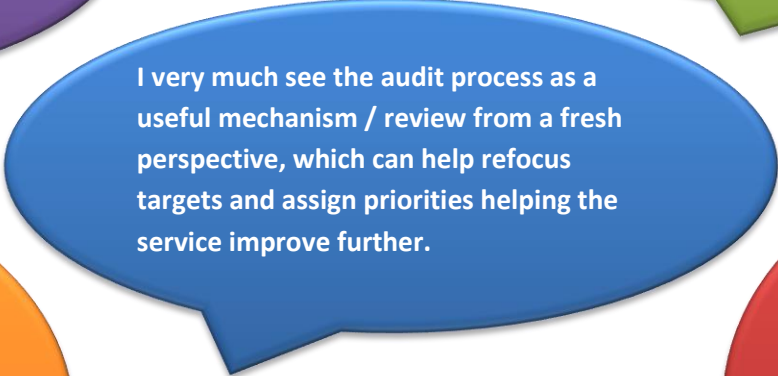
A sample of comments received in response to the questionnaires issued during 2023/24 is included below:



Specialist knowledge and experience meant that 'peculiarities' of the school were understood with little need to explain, resulting in a more efficient and accurate audit.



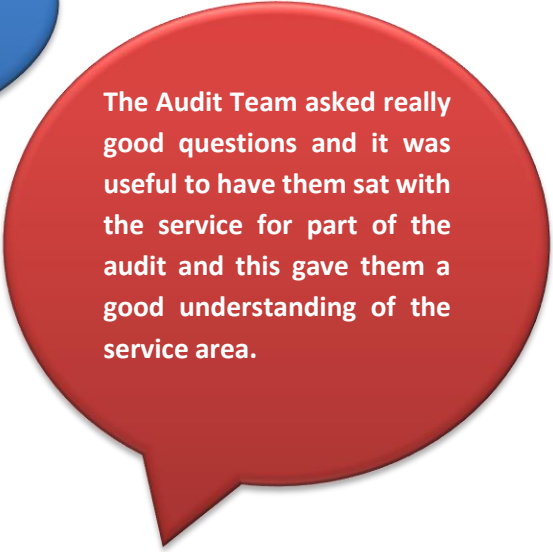
I found it very useful working with the auditor during this procurement - thank you.



I very much see the audit process as a useful mechanism / review from a fresh perspective, which can help refocus targets and assign priorities helping the service improve further.



I am very happy with the report itself and very pleased that we have been given a substantial rating. The auditors conducted themselves professionally and politely during the audit and it was a process done with us rather than to us, with lots of opportunity for dialogue.



The Audit Team asked really good questions and it was useful to have them sat with the service for part of the audit and this gave them a good understanding of the service area.

Section Four – Compliance with Professional Standards

Key actions for 2024/25 to further develop the team's quality assurance arrangements are as follows:

- Report the results of the five-yearly external review of Internal Audit to the Audit and Governance Board and implement any agreed actions.
- Update the Internal Audit Manual - the purpose of the manual is to provide audit staff with a source of reference for general audit procedures and methodology.

4.6 Managing the Internal Audit Activity (PSIAS standard 2000)

In 2023/24 Internal Audit worked to an annual risk-based audit plan that was developed following consultation with senior management and the Audit and Governance Board. The plan took account of the Council's strategies, key business objectives, associated risks, and risk management processes. The 2023/24 Audit Plan was formally approved by the Audit and Governance Board in March 2023.

Regular reports are presented to senior management and the Audit and Governance Board on Internal Audit team's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. The progress reports presented to the Board throughout 2023/24 highlighted any significant risk and control issues, fraud risks, governance issues, and other matters that require the attention of senior management and/or the Board.

4.7 Nature of Work (PSIAS standard 2100)

Internal audit employs a systematic, disciplined, and risk-based approach to its work, which contributes to the ongoing maintenance and development of the Council's governance, risk management, and control processes. This is delivered by the identification of issues and performance improvement opportunities when completing audit assignments, contributions to internal working groups, and the ongoing provision of advice.

4.8 Engagement Planning (PSIAS standard 2200)

The Internal Audit team develops and documents a plan for each engagement (other than for grant claim audits) in a terms of reference. This is produced with the input of management, and it sets out the engagement's objectives, scope, timing, and resource allocations. All assignments take account of the Council's strategies, objectives, and risk management arrangements relevant to the engagement. Each assignment also takes account of value for money considerations that are relevant to the area audited.

4.9 Performing the Engagement (PSIAS standard 2300)

Robust planning, monitoring and review arrangements operated throughout 2023/24 to ensure that an appropriate level of work is undertaken in each engagement in order to achieve the engagement's objectives. Procedures include management sign off for each terms of reference, daily updates on progress with assignments, detailed file review, and management review of draft and final audit reports.

Section Four – Compliance with Professional Standards

All audit working papers are stored in an audit management database, which provides full evidence of management review. Working papers are completed in sufficient detail to substantiate any issues that are highlighted in audit reports.




4.10 Communicating Results (PSIAS standard 2400)

Results of all audit engagements are communicated as appropriate. The Council's Chief Executive and Finance Director receive full copies of all audit reports. The relevant Executive Director, Director, Head of Service, and other managers, as appropriate, also receive full copies of reports.

The Audit and Governance Board receives summary copies of each report completed in the regular progress reports to the Board. Significant issues identified through audit work are also highlighted to the Board.

In each audit report, an overall assurance level is provided on the area audited. This is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the governance, risk management and internal control processes in the area audited.

The range of assurance levels in internal audit reports is set out in the following table:

 Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
 Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
 Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

An overall annual internal audit opinion is also delivered. This is informed by the work completed by Internal Audit during the year and is used by the Council to inform its Annual Governance Statement. The annual internal audit opinion provides a conclusion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and internal control processes and forms part of this annual report.

4.11 Monitoring Progress (PSIAS standard 2500)

Internal Audit has established a follow-up process to monitor and ensure that management actions have been implemented effectively or that senior management has accepted the risk of not taking action. A full follow up audit is completed for all audits that do not receive

Section Four – Compliance with Professional Standards

a 'substantial assurance' opinion. The results of the 'follow-up' audits are reported to the Audit and Governance Board through the regular system of progress reporting.

4.12 Communicating the Acceptance of Risks (PSIAS standard 2600)

In the event that management accepts a level of risk that Internal Audit considers may be unacceptable to the Council, the issue would be raised appropriately with senior management and brought to the attention of the Audit and Governance Board if the matter is not resolved satisfactorily. However, no such issues arose in the course of 2023/24.

Appendix 1 – Internal Audit assignments completed in 2023/24

The following audit assignments were completed during the year and support the overall opinion:

	Assignment	Presented to Audit & Governance Board	Assurance Level
1.	Saints Peter & Paul Catholic High School	27 September 2023	●
2.	Agresso Access Controls	27 September 2023	●
3.	Electric Vehicle Charging Points	27 September 2023	●
4.	Concessionary Travel	27 September 2023	●
5.	St Martin's Primary School	27 September 2023	●
6.	St Mary's C of E Primary School	27 September 2023	●
7.	Runcorn Busway Active Travel Corridor - Q1 2023/24	27 September 2023	●
8.	Local Cycling and Walking Infrastructure Plan - Q1 2023/24	27 September 2023	●
9.	East Runcorn Connectivity - Q1 2023/24	27 September 2023	●
10.	Household Support Fund - Q1 2023/24	27 September 2023	●
11.	Supporting Families - July 2023 Grant Claim	27 September 2023	●
12.	LCR - Brownfield Housing – Foundry Lane – Q1 2023/24	27 September 2023	●
13.	Runcorn Waterfront Development - Q1 2023/24	27 September 2023	●
14.	UK Shared Prosperity Fund - Q1 2023/24	27 September 2023	●
15.	Changing Places Fund 2022/23	22 November 2023	●
16.	Runcorn Busway Active Travel Corridor - 2023/24 Q2	22 November 2023	●
17.	Alternative Fuel Payment Scheme 2023-24	22 November 2023	●
18.	Energy Bills Support Scheme Alternative Funding - 2023/24	22 November 2023	●
19.	Household Support Fund - 2023/24	22 November 2023	●
20.	CRSTS - City Region Sustainable Travel Settlement - 2023/24 Q2	22 November 2023	●
21.	Runcorn Station Quarter (Phase 2) - 2023/24 Q2	22 November 2023	●
22.	Local Cycling and Walking Infrastructure Plan - 2023/24 Q2	22 November 2023	●
23.	East Runcorn Connectivity - 2023/24 Q2	22 November 2023	●
24.	LCR - Brownfield Housing – Foundry Lane – 2023/24 Q2	22 November 2023	●
25.	UK Shared Prosperity Fund - 2023/24 Q2	22 November 2023	●

Appendix 1 – Internal Audit assignments completed in 2023/24

	Assignment	Presented to Audit & Governance Board	Assurance Level
26.	Disabled Facilities Grant Claim – 2022/23	22 November 2023	●
27.	Development Control	22 November 2023	●
28.	Brookvale Primary School	20 March 2024	●
29.	Chesnut Lodge School & Specialist SEN College	20 March 2024	●
30.	Supporting Families – November 2023 Grant Claim	20 March 2024	●
31.	Supporting Families – December 2023 Grant Claim	20 March 2024	●
32.	Local Authority Bus Subsidy (Revenue) Grant 2022/23	20 March 2024	●
33.	Runcorn Busway Active Travel Corridor – 2023/24 Q3	20 March 2024	●
34.	CRSTS – City Region Sustainable Travel Settlement – 2023/24 Q3	20 March 2024	●
35.	CRSTS – Local Cycling & Walking Infrastructure Plan – 2023/24 Q3	20 March 2024	●
36.	Runcorn Waterfront Development – 2023/24 Q3	20 March 2024	●
37.	East Runcorn Connectivity – 2023/24 Q3	20 March 2024	●
38.	Ways to Work – Q3 2023/24	20 March 2024	●
39.	Household Support Fund – 2023/24 Q3	20 March 2024	●
40.	St. Basil's Catholic Primary School	20 March 2024	●
41.	UK Shared Prosperity Fund – 2023/24 Q3	20 March 2024	●
42.	Oakfield Primary School	20 March 2024	●
43.	Halton Leisure Centre Development	20 March 2024	●
44.	Social supermarkets	26 June 2024	●
45.	Cemeteries & Crematoria	26 June 2024	●
46.	Supporting Families - March 2024 Grant Claim	26 June 2024	●
47.	Household Support Fund	26 June 2024	●
48.	UK Shared Prosperity Fund - 2022/23 Q4	26 June 2024	●
49.	Local Cycling and Walking Infrastructure Plan - 2023/24 Q4	26 June 2024	●
50.	City Region Sustainable Travel Settlement - 2023/24 Q4	26 June 2024	●
51.	Ways to Work - 2023/24 Q4	26 June 2024	●

Appendix 1 – Internal Audit assignments completed in 2023/24

	Assignment	Presented to Audit & Governance Board	Assurance Level
52.	Kingsway Quarter Development	26 June 2024	●
53.	Place Based Business Support Grant - UKSPF 2023/24 Q4	26 June 2024	●
54.	Runcorn Waterfront Development - 2023/24 Q4	26 June 2024	●
55.	Key Route Network Levelling Up - Grant Claim 2023-24	26 June 2024	●

Appendix 2 – Follow-up work completed in 2023/24

In order for the Council to derive maximum benefit from the work of Internal Audit, agreed actions should be implemented. In accordance with the Internal Audit Plan, we follow up all audits that do not receive a 'substantial' audit opinion. This process involves carrying out work to determine the progress that management has made in implementing actions previously agreed. A follow-up audit report is then issued summarising the results of this work.

Each follow-up audit provides a revised overall assurance opinion, which is based on the extent to which the risks identified in the original audit have been addressed. The following table summarises the results of the follow-up assignments completed during 2023/24.

	Assignment	Presented to Audit & Governance Board	Assurance Level
1.	St Clement's Catholic Primary School	27 September 2023	●
2.	Pewithall Primary School	27 September 2023	●
3.	School Meals Service	27 September 2023	●
4.	Delinking of SJB	27 September 2023	●
5.	Remote Access Management	22 November 2023	●
6.	St. Martin's Catholic Primary School	20 March 2024	●

REPORT TO:	Audit and Governance Board
DATE:	26 June 2024
REPORTING OFFICER:	Director - Finance
SUBJECT:	Annual Governance Statement - 2023/24
PORTFOLIO:	Corporate Services
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

This report presents the draft 2023/24 Annual Governance Statement (AGS) to accompany the 2023/24 statement of accounts. The preparation and publication of an AGS is necessary to meet the statutory requirement set out in regulation 6 of the Accounts and Audit Regulations 2015.

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

2.0 RECOMMENDATIONS:

The Board is asked to consider and approve the 2023/24 Annual Governance Statement subject to any changes or additions that members feel appropriate.

3.0 SUPPORTING INFORMATION

3.1 The Delivering Good Governance in Local Government: Framework, published by CIPFA / SOLACE, sets the standard for local authority governance in the UK. The Council's AGS for 2023/24 has been developed with reference to this guidance and is attached as an appendix to this report.

3.2 The AGS provides an overview of the governance framework that was in place during 2023/24 and up to the date the financial statements are signed off by the Council's external auditor. The document will therefore be reviewed again prior to the meeting of the Board at which the financial statements are approved.

3.3 The AGS seeks to demonstrate that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. It also seeks to demonstrate how the Council has complied with its duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which the Council's functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

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

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

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

3.5 The AGS includes an action plan relating to the issues identified from the annual review of the Council's governance arrangements. An update is also provided on the progress made addressing the governance issues identified in the 2022/23 AGS.

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

3.7 Once approved by the Audit and Governance Board, the AGS will be signed by the Council Leader and Chief Executive who are responsible for ensuring that the Council addresses any significant issues identified in regard to its governance arrangements.

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

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

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

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

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

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 **Children and Young People in Halton**

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

5.2 Employment, Learning and Skills in Halton

See 5.1 above

5.3 A Healthy Halton

See 5.1 above

5.4 A Safer Halton

See 5.1 above

5.5 Halton's Urban Renewal

See 5.1 above

6.0 RISK ANALYSIS

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

7.0 EQUALITY AND DIVERSITY ISSUES

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

8.0 CLIMATE CHANGE IMPLICATIONS

8.1 None arising directly from this report.

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

9.1 None under the meaning of the Act.

Halton Borough Council

Annual Governance Statement 2023-24



Governance

Local authorities are accountable to their communities for the money they spend. They are also required under law to ensure they provide value for money, and to achieve this they need to have a governance framework that supports a culture of transparent decision-making.

Good governance in local authorities ensures that decision-making is lawful, informed by objective advice, transparent, and consultative. It is crucial in achieving value for money and in securing financial sustainability. It is therefore important that Halton Borough Council conducts its business in the correct way, for the right people, in a timely, inclusive, open, honest, and accountable manner. Good rules, systems, and information are important in maintaining good governance.

The Council therefore strives to meet the highest standards of corporate governance to help ensure it meets its objectives and serves its communities well. Members and Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.

The Council's governance framework comprises the systems and processes, cultures, and values by which the organisation is directed and controlled, and through which it is accountable to, engages with, and leads its communities. It ensures that appropriate mechanisms for control are in place, and that risks and opportunities are managed effectively.

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

Halton Borough Council recognises its responsibility to ensure that it:

- Conducts its business in accordance with the law and proper standards
- Safeguards and properly accounts for public money
- Uses public money economically, efficiently, and effectively
- Maintains effective arrangements for the management of risk
- Secures continuous improvement in the way in which its functions are exercised

The Annual Governance Statement

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

In this document the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period
- Provides details of how the Council has responded to the issues identified in last year's governance statement
- Openly communicates significant governance issues that have been identified during this year's review and sets out how the Council will develop and secure continuous improvement in these areas over the coming year

The main aim of the annual governance statement is to provide residents, communities, partners, and the businesses of Halton with confidence in the Council's governance arrangements. This includes confidence that our ways of working enable us to provide the right services effectively and efficiently and on a consistent basis, and that we take informed, transparent and lawful decisions. It also is intended to provide assurance that we properly account for the money the Council receives and spends.

The Council's Governance Framework

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

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

The Council's governance framework comprises a range of systems and processes that ensure a robust control environment and effective arrangements for the management of risk and opportunity. Key elements of the governance framework are described in this statement.

Good governance is underpinned by the behaviours of members, officers, and partners, which includes adherence to the decision-making framework as set out in the Council Constitution, adherence to various codes and protocols, the culture and values of the organisation, and how the Council is accountable to and engages with the communities it serves.

The annual governance statement reports on the governance framework that has been in place at Halton Borough Council for the year ended 31 March 2024 and up to the date of approval of the annual statement of accounts. It provides an open and honest reflection of the Council's governance arrangements and the current challenges faced.

The Council considers that it is compliant with the 'CIPFA Delivering Good Governance in Local Government: Framework 2016'. The following pages provide examples of how the Council complied with the seven key principles set out in the Code during 2023/24.

How the Council applies the Principles of Good Governance

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

- The Council has a constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent, and accountable. The Constitution was reviewed and updated in May 2023.
- The Council's Local Code of Corporate Governance, which forms part of the Council Constitution, sets out the processes in place to ensure that officers behave in ways that exemplify high standards of conduct and effective governance. These arrangements are wide ranging and communicated by Management Team to staff in a variety of ways including induction procedures, the employee code of conduct, Finance Standing Orders, Procurement Standing Orders, registers of interests, staff bulletins, registers of gifts and hospitality, whistle-blowing procedures, HR policies and fraud awareness training. The Local Code of Corporate Governance is subject to annual review.
- One of the roles of the Audit and Governance Board is to promote high standards of member conduct. Members of the Board were kept updated during the year of standards issues that had arisen.
- During 2023/24 the Council developed a values and behaviours framework which provides a common language around values, fostering a positive organisational culture where employees feel empowered and motivated to uphold these principles. By defining expected behaviours, the Council is promoting accountability and consistency across all levels, leading to increased trust and cohesion within teams. The framework will also serve as a compass in times of uncertainty or conflict, guiding ethical decision-making, and ensuring that actions are in line with the Council's mission and vision. The framework was launched at the Council's Celebrating Success Award Ceremony. Award categories were aligned to the five headlines within the framework, with additional categories for Apprenticeship of the Year and the Community Service Award.
- All new employees undergoing the corporate induction process during 2023/24 were made aware of the Employees' Code of Conduct. There is an established disciplinary procedure which is invoked when an employee deliberately breaches rules and/or commits acts of misconduct, which are considered sufficiently serious as to warrant formal investigation.
- A complaints process exists for members of the public to raise concerns about standards exhibited by members which can be accessed through the Council's website.
- The Council takes fraud, corruption, and maladministration seriously and has established a suite of policies and processes which aim to prevent or deal with such occurrences. On 27 September 2023, the Audit and Governance Board received an annual report summarising the operation of the Council's counter fraud and corruption arrangements
- The Director – Legal Services provided legal advice to the Council throughout the year as the Council's Monitoring Officer. One of the key functions of that role is to ensure the lawfulness and fairness of decision-making. There are no known instances of the Council failing to comply with relevant laws and regulations during the 2023/24 financial year.

How the Council applies the Principles of Good Governance

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

- The Council publishes an annual Modern Slavery Act Transparency Statement that sets out the Council's actions to understand the potential modern slavery risks related to its business. It also explains the steps the Council has taken to ensure that no slavery or human trafficking takes place in its own business or through its supply chains.
- A corporate complaints procedure operated throughout the year to receive and respond to any complaints received. An annual report summarising the complaints received, trends and outcomes is presented each year to the Corporate Policy and Performance Board. The latest report, which covered 2022/23, was presented at the Board's meeting on 23 January 2024. Complaints received are used to inform the development of the Council's services and policies.
- Arrangements exist to ensure that members and officers are not influenced by prejudice, bias, or conflicts of interest in dealing with different stakeholders. These include:
 - Registers of disclosable pecuniary interests were maintained
 - Registers of gifts and hospitality were maintained
 - Opportunities to declare disclosable pecuniary interests and disclosable other interests were provided at the start of meetings.
- The Council's higher value procurement activity is undertaken in accordance with the Public Contracts Regulations 2015 (PCR 2015). The Council has included provisions within its procurement processes which allow for the discretionary exclusion of suppliers that fail to comply with the Modern Slavery Act 2015 and / or breach environmental, social, or labour law obligations.

How the Council applies the Principles of Good Governance

Ensuring openness and comprehensive stakeholder engagement

- During 2023/24 the Council engaged with stakeholders who live and work within the borough to share the challenges that the Council is facing and to establish what is most important to them. Known as the 'Big Conversation', the consultation was live for four months and was used to establish a set of key priorities which would drive the organisation forward over the next five years. The Big Conversation led to six key priorities being identified and agreed.
- Information on the Council's performance, finances and the democratic running of the Council is routinely published on the Council's website. The Council also fully complies with the reporting requirements of the Local Government Transparency Code 2015.
- The Council's Constitution is published on the Council's website. It explains the Council's decision-making processes and delegated authorities. All key decisions taken by the Council are also publicly available on the Council's website.
- The Council engages with key partners and institutional stakeholders in various ways. Formal partnerships include the Health and Wellbeing Board, the Safer Halton Partnership, the Halton Children's Trust, and the Halton Learning Alliance. An executive director from the Halton Clinical Commissioning Group (CCG) is also a member of the Council's Management Team.
- The Health and Wellbeing Board provides a key forum for public accountability of the NHS, Adult Social Care, Children's Services, Public Health, and other commissioned services relating to the wider determinants of health in Halton. The Board met on four occasions during 2023/24. Its work included receiving:
 - Updates on the One Halton Place Based Partnership
 - the Public Health Annual Report (2022/23)
 - the Adult Social Care Annual Report (2022/23)
 - the Halton Safeguarding Adults Annual Report (2022/23)
- Engagement with citizens and service users is carried out using a variety of methods, including a range of survey techniques and sampling techniques. During 2023/24 the Council consulted on a range of issues, which included:
 - Family Hub Launch - Gathering parent and professional feedback from the launch event
 - SEND provision - Consulting about SEND provision for schools
 - Mental Health Marketing for young people - Finding out why teenage males do not engage with mental health services
- In setting its budget the Council listens to the views of the public and the experience of elected members through their ward work. Individual consultations took place in respect of specific budget proposals and equality impact assessments were completed where necessary.

How the Council applies the Principles of Good Governance

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

- The long-term vision for Halton is set out in the Council's Corporate Plan, which defines the Council's priorities and how it hopes to achieve them. It also explains the Council's values and principles. During 2023/24, following widespread engagement with stakeholders through the 'Big Conversation', six new key priorities were identified and agreed. These now form the basis of the Council's new Corporate Plan for the next five years, from April 2024 through to 2029.
- The Council's Corporate Planning Framework provides the means by which the Council's activities are developed and monitored. A regular system of reporting to the Council's Management Team, Executive Board and Policy and Performance Boards records progress against key business plan objectives and targets.
- Directorate and Departmental Business Plans were produced for 2023/24 that described key developments and emerging issues relating to each department of the Council. The plans formally set out key objectives, milestones, and measures for each business area.
- The Council has established a Climate Change Strategy & Action Plan for the Council's operations and activities. The Action Plan is predominantly focused on reducing the Council's own carbon production. However, during the lifetime of the Plan, the Council has committed to broaden the scope and develop proposals to provide a broader borough-wide strategy.
- The Council has approved the principles set out in the LCR Zero Waste 2040 Strategic Framework to reduce waste related carbon emissions. The Council also approved continued partnership working with Merseyside Recycling and Waste Authority (MRWA) and the other LCR local authorities to deliver action to meet our individual and collective climate targets and objectives.
- During 2023/24 the Executive Board agreed to the commencement of a procurement process in respect of a project to extend the Council's existing Solar Farm and create a micro grid connecting the Municipal Building, Lowerhouse Lane depot and the new leisure centre in Moor Lane. The project will include a battery storage scheme in order to maximise the use of solar PV power overnight and support the use of heat pumps at the new leisure centre. It will also provide an EV electrical charging infrastructure at Lowerhouse Lane Depot to enable electrification of the Council's vehicle fleet.
- The Council's Big Halton Forest is part of delivering a green recovery after the pandemic and tackling the climate emergency head on, by planting trees and enhancing the green infrastructure of Runcorn and Widnes and its villages. The project involves working with individuals, communities, organisations, and businesses, with the aim of adding a new tree for every citizen by 2030 across the Borough of Halton. This will be in addition to the approximate 1,500 new trees the Council plants each year.
- The Council routinely publishes information on the Council's vision, strategy, plans, finances, and performance on its website.
- The Council has continued to generate social value through its procurement activity. Details of the Council's approach to social value in procurement, and examples of outcomes achieved, were shared in the Procurement Update report to the Audit and Governance Board on 22 November 2023.

How the Council applies the Principles of Good Governance

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

- The Council's Corporate Planning Framework in operation during the year provided the means by which the Council's activities were developed and monitored.
- There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council's six corporate plan priorities. They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive. The Lead Member for Scrutiny also meets regularly with the S31 Scrutiny Officer and chairs the Scrutiny Chairs Group, comprising the Chairs of each of the Scrutiny Boards.
- Performance monitoring reports were produced throughout the year recording progress against key business plan objectives and targets. These reports were presented to the Council's Management Team, to the Executive Board, and to the Policy and Performance Boards.
- The Council operates a corporate complaints procedure and specific complaints procedures for Adult Social Care, Children's Social Care, schools, and complaints relating to elected members. These procedures allow the Council to identify areas where things may have gone wrong and to put them right and prevent them from happening again.
- The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under best value terms. The Council's procurement activity is undertaken in line with the Council's Procurement Strategy and within clearly defined rules set out in Procurement Standing Orders, which are reviewed and updated annually.
- The Council's internal audit team carried out a comprehensive programme of audits during the year reviewing both front line and support services. The implementation of recommendations arising from the work of internal audit assists the Council in identifying and managing risks that may impact on the achievement of intended outcomes. Implementation of agreed actions from internal audit reports is monitored by the Audit and Governance Board through a robust follow up process.
- The Council recognises that it has a responsibility to manage both internal and external risks as a key component of good corporate governance. Risk is defined as being the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. In order to manage risks effectively the Council operates a formal process to identify, evaluate and control risks. The Council's Corporate Risk Register summarises the key strategic risks faced by the Council and includes details of arrangements established to ensure that intended outcomes are achieved.
- The Council continued to implement a Children and Young People's Improvement Plan in response to the OFSTED inspection in October 2021. The plan sets out how the Council will ensure that children and young people in Halton are safeguarded and achieve the Council's aspiration that all its services for children and young people are good or better. Implementation of the improvement plan is continuing to be monitored by the Halton Children and Families Improvement Board

How the Council applies the Principles of Good Governance

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

- Elected members are provided with the opportunity for an annual review to identify their development requirements, which are set out in a Member Action Plan.
- The Council has a Member Development Group that monitors key performance indicators in relation to member development. Its remit also includes raising awareness of learning and development updates. The group also provides a forum for members to raise any other training or support issues to help them in their roles.
- Members of the Audit and Governance Board received training during the year to assist them in their role as the Council's Audit Committee.
- The Council's Organisational Development Team went through significant changes during 2023/24 that have fallen inline with the Transformation Delivery Unit priorities. The key areas of work have been the development of a Corporate Values & Behaviours Framework, the introduction of an employee recognition event called Celebrating Success and facilitating the way forward in the Council becoming an employer of choice.
- Maintaining the Council's Leadership capability continued to remain a top priority with the following taking place during the year:
 - 19 employees undertaking the level 2 in Leadership & Team Skills
 - 5 employees undertaking the Institute of Leadership & Management (ILM) level 5
 - 10 employees undertaking ILM Level 7 in Leadership & Management
 - 4 employees undertaking BCS Certificate in Requirements Engineering qualification
 - 4 employees undertaking Leadership & Accountancy qualifications
 - 2 employees undertaking Transport Management and Professional Certificate/Diploma in Transport Development Management
 - 1 employee undertaking Level 5 Diploma in leadership for Health and Social Care and young people's services
 - 1 employee undertaking Post Graduate Certificate in Data Science and Artificial Intelligence
- A contemporary approach to leadership and management learning has continually been promoted and is available via the e-learning platform covering subject topics such as:
 - Change Management
 - Cross Functional Working Teams
 - Understanding Organisational Culture & Ethics
 - Communication Skills
 - Project Management
 - Planning & Running Effective Meetings
 - Difficult Conversations
 - Stress Awareness for Managers

How the Council applies the Principles of Good Governance

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

- The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the policy, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.
- The Council has a well-established Audit Committee (the Audit and Governance Board), which met regularly during 2023/24. The Board has clearly defined responsibilities and provides oversight and challenge in regard to the Council's governance, risk management, audit, efficiency and improvement, accounts, procurement, and counter fraud and corruption arrangements.
- The Council has embedded risk management arrangements. Directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions. The Corporate Risk Register was reviewed and approved by the Audit and Governance Board at its meeting on 27 September 2023.
- The Council has a Head of Internal Audit and a continuous internal audit service, which has been externally assessed as conforming to the Public Sector Internal Audit Standards. Internal audit plays a key role in reviewing and improving the effectiveness of the Council's risk management, governance, and control arrangements. No restrictions are put on the role of internal audit and management regularly engages internal audit to examine specific areas which are causing concern.
- The Head of Internal Audit provides an annual opinion on the Council's risk management, control, and governance processes. The annual opinion is based upon the internal audit work completed during the year. The opinion covering 2022/23 was presented to the Audit and Governance Board on 5 July 2023 and concluded that the Council's risk management, control and governance processes that were in place during 2022/23 were considered to be adequate and to have operated effectively during the year.
- The Council has a well-established information governance framework. The Data Protection Officer is supported by the Information Governance Service, which plays a key role in ensuring that the Council remains compliant in data protection and security arrangements. The Information Governance Service is responsible for, and oversees, data management and risk, corporate data security policies, staff training and the production of monitoring reports and annual reports to the Council's Senior Information Risk Owner. The Council had no cause to report any data breaches to the Information Commissioner's Office during 2023/24.
- Quarterly reports on the Council's overall capital and revenue net spending position and forecast outturn position were presented to the Executive Board throughout the year.
- Ongoing pressures within demand-led services, particularly Children's Social Care, resulted in net spending for 2023/24 being £5.633m over budget. Whilst this overspend has a detrimental impact on the Council's finances, it represents a significant improvement from the forecast outturn position of £7.144m reported at the end of December 2023. This demonstrates that the actions being taken by the Council to control spending are having a positive effect.

How the Council applies the Principles of Good Governance

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

- The Council produces a Medium-Term Financial Strategy (MTFS), which is refreshed each year. The Strategy covering the period 2023/24 – 2025/26 was approved by the Executive Board at its meeting on 16 November 2023. The MTFS represents the “finance guidelines” that form part of the medium term corporate planning process. These guidelines identify the financial constraints which the Council will face in delivering its key objectives over a three-year period and are an important influence on the development of the Corporate Plan, Service Plans and Strategies.
- The Council produces an annual Capital Strategy which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Strategy is reviewed and approved annually by Executive Board.
- In compliance with the requirements of the CIPFA Prudential Code and the CIPFA Treasury Management Code, the Council produces an annual Treasury Management Strategy Statement. This sets out the Council’s strategy for borrowing and also includes an Annual Investment Strategy, which sets out the Council’s policies for managing its investments. The strategy enables the Council to maximise its financial yield whilst keeping within the principles of security and liquidity as set out in the Prudential Code. The Treasury Management Strategy Statement is reviewed and approved annually by Executive Board. A half-yearly update report and annual report on treasury management activity is also provided to the Executive Board.
- The Council’s external auditor is required to provide an opinion on whether the Council’s financial statements provide a true and fair view of the financial position of the Council and its income and expenditure for the year. On 20 March 2024, the Council’s external auditor reported to the Audit and Governance Board that they anticipated issuing an unqualified audit opinion on the Council 2022/23 financial statements.
- The Council operates a robust performance management framework with performance monitoring reports being produced each quarter recording progress against key service objectives in relation to the Corporate Plan. The reports were presented to the Council’s Management Team, to the Executive Board, and to the Policy and Performance Boards.

How the Council applies the Principles of Good Governance

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

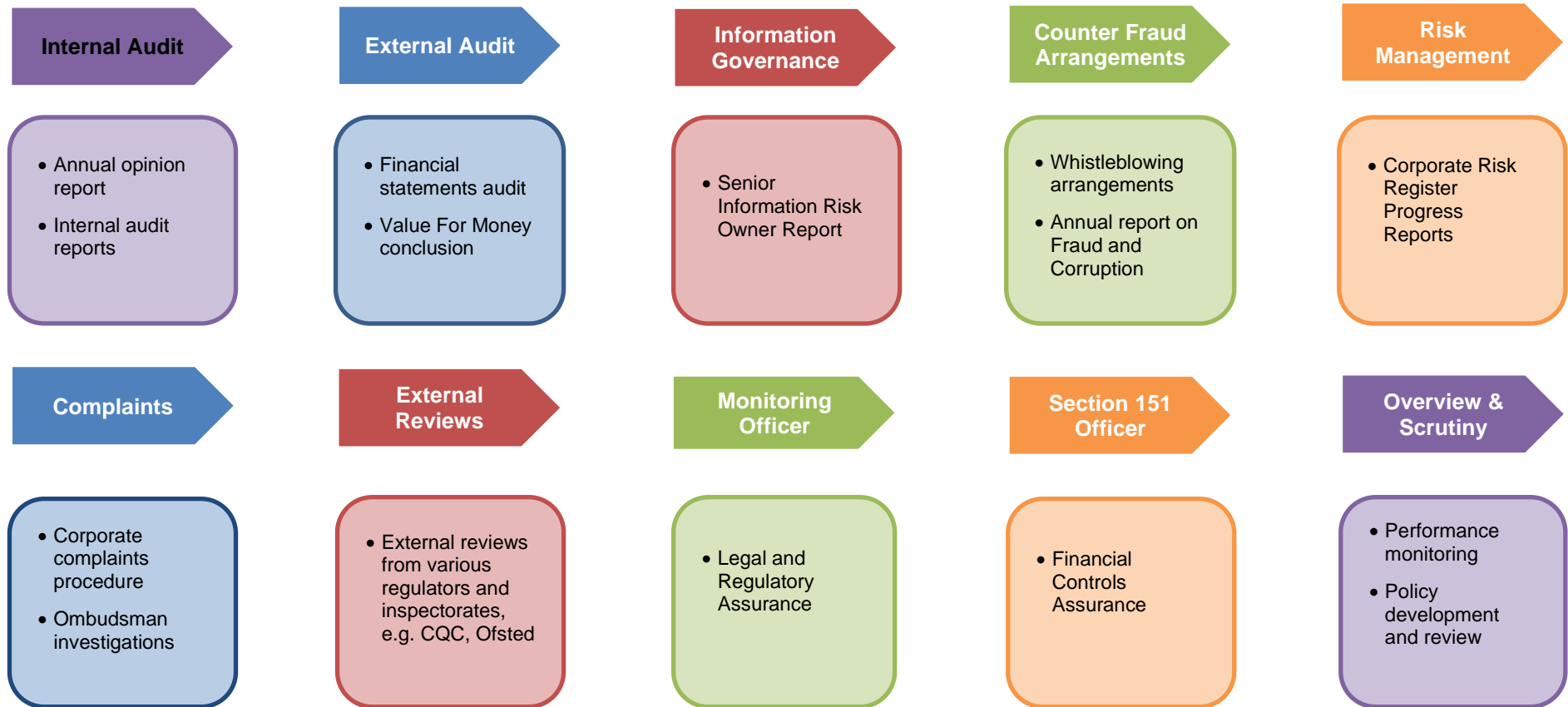
- The Council complies with the Local Government Transparency Code 2015 and publishes a wide range of information on its website. This includes details of meetings, minutes and agendas, policies and plans, the Council Constitution, the Statement of Accounts, details of members' allowances and expenses, details of senior staff pay, contract awards, and details of land and building assets.
- The Council operates clear and effective processes for dealing with Freedom of Information (FOI) requests and Subject Access Requests (SAR).
- All Council meetings are open and can be attended by members of the public with the exception of those where confidential or personal matters may be disclosed.
- A commitment to transparency is also demonstrated by a high percentage of reports being considered in the Part 1 (open to the public) part of committee meetings, the Forward Plan, an active website, and by the Council having an active presence on social media.
- The Council has an effective Audit and Governance Board that provides a source of assurance over the Council's risk management, control, and governance arrangements.
- The Council has established various ongoing arrangements that provide effective assurance. These include the work of Internal Audit, the Council's risk and performance management arrangements, the work of the Information Governance Group, the work of the Policy and Performance Boards and the work of the Audit and Governance Board.
- The Council operates a whistleblowing procedure and has well-publicised arrangements for employees and the wider community to raise any concerns relating to fraud, misconduct, or other issues. All whistleblowing complaints and referrals received were assessed and investigations undertaken where sufficient information was provided.

The roles of those responsible for developing and maintaining the governance framework

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

How the Council monitors and evaluates the effectiveness of its governance arrangements

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



Review of the effectiveness of the governance framework

The Council has a responsibility to undertake, at least annually, a review of the effectiveness of key elements of its governance framework including the system of internal control. The Council has carried out this review in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The initial review of the Council's governance framework was led by a small core group of officers supported by other officers across the Council. The core group comprised the following officers:

- [Director - Legal Services](#)

This post is designated as the Council's Monitoring Officer under section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000. The Monitoring Officer is responsible for ensuring that the Council acts and operates within the law.

- [Director - Finance](#)

This post is designated as the s151 Officer appointed under the 1972 Local Government Act. The post holder is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council.

- [Head of Audit, Procurement & Operational Finance](#)

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

In preparing the annual governance statement the Council has:

- Reviewed the Council's existing governance arrangements against its Local Code of Corporate Governance
- Considered any areas where the Local Code of Corporate Governance needs to be updated to reflect changes in the Council's governance arrangements and best practice guidance
- Taken account of various internal and external sources of assurance over the operation of the Council's governance framework
- Assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period
- Reviewed previously identified governance issues and the progress made against these during 2023/24

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

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

The following pages summarise how the Council has responded to the governance issues identified from the 2022/23 annual governance statement. An action plan is also included setting out the issues identified from this year's review of the effectiveness of the Council's governance framework.

2022/23 Governance Review – Action Plan Update

Development areas identified in 2022/23	Progress achieved
<p><u>Corporate Plan</u> Consultation and development of a new Corporate Plan.</p>	<p>The Big Conversation was about engaging with all our stakeholders who live and work within the borough to share the challenges that the Council is facing and to establish what is most important to them.</p> <p>The consultation was live for four months (August - November 2023) in order to engage with as many stakeholders as possible and in doing so help to establish a set of key priorities which would drive the organisation forward over the next five years.</p> <p><u>Consultation success:</u> The overall success of this venture can be validated in that The Big Conversation was the second most responsive survey ever in the history of Halton Borough Council with a total of 1,076 responses.</p> <p><u>The Corporate Plan (2024-2029)</u> The Big Conversation led to six key priorities being identified and agreed. These now form the basis of the Council’s new Corporate Plan for the next five years, from April 2024 through to 2029.</p> <p>A detailed publicity and marketing plan has been created to ensure that our four key stakeholders, (residents, partners and businesses, elected members, and workforce), are informed, and kept up to-date with developments and achievements throughout the next five years, which will be underpinned by a new performance management framework.</p> <p>The Council has also developed a Values and Behavioural Framework which, once rolled out, will help to create an organisational culture that will underpin the delivery of the key priorities in the new Corporate Plan.</p>
<p><u>Risk Management</u> Development of the Council's risk management arrangements, including updating of the Risk Management Policy and associated toolkit.</p>	<p>A review of the policy was conducted in 2023. As a result, references to toolkit and e-learning were included, titles of directors updated, and improvements made to the presentation of the document.</p> <p>Additional measures have included working with Zurich Municipal. This is an ongoing project which will include additional training with management at all levels. Relevant staff have also attended training events again to improve knowledge. A review of documentation has also taken place and recommendations made by Zurich Municipal have been acted upon.</p>

2022/23 Governance Review – Action Plan Update

Development areas identified in 2022/23	Progress achieved
<p><u>Transformation Programme</u></p> <p>Delivery of a Transformation Programme tasked with saving £4m in 2024/25, £8m in 2025/26, and £8m in 2026/27.</p>	<p>The Reimagine Halton Transformation Programme mobilised in 2023/24 and consists of five key projects as we moved in to 2024/25 – these are focused on Children’s Services, Adult Social Care, Council workforce, accelerating the growth of the Borough, and Customer Journey.</p> <p>Savings and cost reductions validated and captured at the end of May 2024 amount to £700k, along with a range of non-financial benefits.</p> <p>Governance of the programme has sat with the Executive Board since its inception. During Summer 2024, a dedicated Transformation Programme Board will be formed with the Executive Members making up its membership. This will provide enhanced governance now that the programme has grown in breadth and complexity.</p>
<p><u>Children and Young People’s Improvement Plan</u></p> <p>Implementation of Children and Young People’s Improvement Plan developed in response to the Ofsted improvement notice issued in October 2021.</p>	<p>The Ofsted Improvement Board has met regularly to monitor progress against the Ofsted Improvement Action Plan. The Board has an independent Chair and representatives from the Department for Education to help support the process. It also includes the Portfolio Holder for Children’s, the Chief Executive, and representatives from the Children’s, Adults and Chief Executive’s directorates, along with partners from Police and Health.</p>
<p><u>CIPFA Financial Management Code</u></p> <p>Self-assessment against the CIPFA Financial Management Code. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.</p>	<p>This review was not completed due to capacity issues and has been carried forward into the 2023/24 action plan.</p>

2023/24 Governance Review – Action Plan

Development areas identified in 2023/24	Lead Officer	Timescale
<p><u>Transformation Programme</u></p> <p>The Council is to ensure that the Transformation Programme is sufficiently developed to meet the medium-term financial funding gap and to replenish its reserves.</p> <p>(Key recommendation 1 from the External Auditor’s annual report on Halton Borough Council – March 2024)</p>	Corporate Director - Chief Executive’s Delivery Unit	31 March 2025
<p><u>Risk Management</u></p> <p>The Council will continue to improve and develop its approach to risk management in accordance with the recommendation made by the external auditor.</p> <p>(Key recommendation 2 from the External Auditor’s annual report on Halton Borough Council – March 2024)</p>	Corporate Director - Chief Executive’s Delivery Unit	31 March 2025
<p><u>Performance Management</u></p> <p>The Council will continue to improve and develop its approach to performance management in accordance with the recommendation made by the external auditor.</p> <p>(Key recommendation 3 from the External Auditor’s annual report on Halton Borough Council – March 2024)</p>	Corporate Director - Chief Executive’s Delivery Unit	31 March 2025
<p><u>Special Educational Needs / Disabilities (SEND)</u></p> <p>The Council will work with partners to address the five key areas for priority action that were outlined in the CQC and Ofsted inspection of the Halton Local Area Partnership that took place in November 2023.</p>	Senior Operational Lead - SEND	31 March 2025

2023/24 Governance Review – Action Plan

Development areas identified in 2023/24	Lead Officer	Timescale
<p><u>Workforce Development Strategy</u></p> <p>The Council will continue to implement its Workforce Development Strategy to identify skill gaps and by designing interventions to equip employees with the necessary competencies to meet the demands of the evolving organisation.</p> <p>The three key areas of the strategy are:</p> <ul style="list-style-type: none"> • Implement the Values and Behavioural Framework • Develop and implement an Employee Review Process • Developing a new approach to Succession Planning 	Corporate Director - Chief Executive's Delivery Unit	31 March 2025
<p><u>Corporate Complaints Procedure</u></p> <p>The Local Government Ombudsman – Complaint Handling Code was launched in February 2024. The Code sets out a process for organisations that will allow them to respond to complaints effectively and fairly. The purpose of the Code is to enable organisations to resolve complaints raised by individuals promptly, and to use the data and learning from complaints to drive service improvements.</p> <p>The Code has been issued as “advice and guidance” for all local councils in England under section 23(12A) of the Local Government Act 1974. This means that councils should consider the Code when developing complaint handling policies and procedures and when responding to complaints.</p> <p>The Council will therefore complete a review of its corporate complaints procedure during 2024/25 and adopt the Code into its existing working practices.</p>	Assistant to the Chief Executive	31 March 2025
<p><u>CIPFA Financial Management Code</u></p> <p>A self-assessment against the CIPFA Financial Management Code will be completed. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.</p> <p>(Action carried forward from 2022/23 annual governance statement)</p>	Director - Finance	31 March 2025

2023/24 Governance Review – Action Plan

Development areas identified in 2023/24	Lead Officer	Timescale
<p><u>Connect2Halton Joint Venture</u></p> <p>The Council has entered into a joint venture partnership with the Commercial Services Group, for the provision of agency staffing required within Council departments. Robust governance arrangements for the joint venture partnership will be established prior to the partnership becoming operational later in the 2024/25 financial year.</p>	<p>Corporate Director - Chief Executive's Delivery Unit</p>	<p>30 September 2024</p>

Certification

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

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

Signed on behalf of Halton Borough Council:

Stephen Young - Chief Executive

Date -

Mike Wharton - Leader of the Council

Date -

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of the Local Government Act 1972.

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