



**Business Efficiency Board**

**Thursday, 25 September 2008 at 6.30  
p.m.  
Civic Suite, Town Hall, Runcorn**



**Chief Executive**

**BOARD MEMBERSHIP**

<b>Councillor Dave Leadbetter (Chairman)</b>	<b>Labour</b>
<b>Councillor Martha Lloyd Jones (Vice-Chairman)</b>	<b>Labour</b>
<b>Councillor Trevor Higginson</b>	<b>Liberal Democrat</b>
<b>Councillor Eddie Jones</b>	<b>Labour</b>
<b>Councillor Alan Lowe</b>	<b>Labour</b>
<b>Councillor Peter Murray</b>	<b>Conservative</b>
<b>Councillor Ulfar Norddahl</b>	<b>Liberal Democrat</b>
<b>Councillor Shaun Osborne</b>	<b>Labour</b>
<b>Councillor Ged Philbin</b>	<b>Labour</b>
<b>Councillor Geoffrey Swift</b>	<b>Conservative</b>
<b>Councillor Philip Worrall</b>	<b>Liberal Democrat</b>

*Please contact Caroline Halpin on 0151 471 7394 or e-mail [caroline.halpin@halton.gov.uk](mailto:caroline.halpin@halton.gov.uk) for further information.*

*The next meeting of the Board is on Wednesday, 12 November 2008*

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

**Part I**

<b>Item No.</b>	<b>Page No.</b>
<b>1. MINUTES</b>	
<b>2. DECLARATION OF INTEREST</b>	
Members are reminded of their responsibility to declare any personal or personal and prejudicial interest which they have in any item of business on the agenda, no later than when that item is reached and, with personal and prejudicial interests (subject to certain exceptions in the Code of Conduct for Members), to leave the meeting prior to discussion and voting on the item.	
<b>3. ANNUAL GOVERNANCE REPORT 2007/08</b>	<b>1 - 26</b>
<b>PART II</b>	
<b>SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	
In this case the Board has a discretion to exclude the press and public but, in view of the nature of the business to be transacted, it is RECOMMENDED that under Section 100(A)(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act.	
<b>4. INTERNAL AUDIT PLAN - QUARTER 1</b>	<b>27 - 46</b>

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

**REPORT TO:** Business Efficiency Board  
**DATE:** 25 September 2008  
**REPORTING OFFICER:** Operational Director – Financial Services  
**SUBJECT:** Annual Governance Report 2007/08  
**WARDS:** Borough-wide

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

1.1 To consider the report of the Audit Commission on the 2007/08 financial statements (The Annual Governance Report).

### **2.0 RECOMMENDED: That**

**(1) the Audit Commission's Annual Governance Report 2007/08 in Appendix 1 be received;**

**(2) the Audit Commission's role and responsibilities be noted; and**

**(3) the Council's Summary Accounts 2007/08 in Appendix 2 be noted.**

### **3.0 SUPPORTING INFORMATION**

3.1 At the meeting on 26<sup>th</sup> June 2008 Members approved the Council's draft Statement of Accounts (The Abstract) for 2007/08. Since that meeting the Audit Commission have undertaken their audit of the Council's financial statements. The District Auditor will attend the meeting to present the report of their findings, the Annual Governance report, which includes their work in respect of the Council's arrangements for securing value for money in its use of resources, as shown in Appendix 1.

3.2 As agreed at the meeting on 26<sup>th</sup> June 2008, the District Auditor will also make a presentation to Members regarding the Statement of Responsibilities and the introduction of the Comprehensive Area Assessment, in order to aid Members' understanding of the Audit Commission's role.

3.3 Following the meeting, the Audit Commission will provide their audit opinion and the Council's Statement of Accounts (The Abstract) will be published, with copies being made available to the public via Halton Direct Link, Libraries and other public locations, as well as via the Council's website.

3.4 A brief Summary of the Council's 2007/08 Statement of Accounts has also been produced, shown in Appendix 2, which is intended to outline

the key aspects of the accounts in a simplified form. The Summary will also be made available to the public alongside the full Statement of Accounts and an extract will be included within the next issue of the Inside Halton magazine and within the Council's forthcoming Annual Report.

**4.0 POLICY IMPLICATIONS**

4.1 There are no policy implications arising directly from this report.

**5.0 OTHER IMPLICATIONS**

5.1 There are no other implications arising directly from this report.

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

6.1 There are no direct implications, however, the Council's financial resources support the delivery and achievement of all the Council's priorities.

**7.0 RISK ANALYSIS**

7.1 The Council must have internal controls and processes in place to ensure that spending remains in line with budget.

**8.0 EQUALITY AND DIVERSITY ISSUES**

8.1 There are no equality or diversity issues associated with this report.

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

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

# Annual Governance Report

Halton Borough Council

Audit 2007/08

Date

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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# Summary

## Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is substantially complete. It identifies the key issues that you should consider before we issue our audit opinion, value for money conclusion and certificate.
- 2 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

## Financial statements

- 3 Subject to a final check on the amended abstract of accounts, we expect to issue an unqualified audit opinion on the 2007/08 financial statements.

## Value for Money

- 4 Our value for money conclusion work is now complete. We expect to issue an 'except for' conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources as a result of gaps identified in the Council's asset management arrangements during 2007/08.

## Formal audit powers

- 5 There is no reason for us to propose taking any formal audit actions at the Council.

## Next steps

- 6 We ask the Business Efficiency Board to:
  - consider the matters raised in the report before approving the financial statements;
  - note the amendments to the draft abstract;
  - approve the representation letter on behalf of the Council before we issue our opinion, conclusion and certificate; and
  - agree the recommendations contained in the report.

# Financial statements and Annual Governance Statement

- 7 The Council's financial statements and Annual Governance Statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you adopt the financial statements and the Annual Governance Statement.
- 8 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 9 In addition, auditing standards require us to report to you:
- the draft representation letter which we are asking management and you to sign;
  - our views about the Council's accounting practices and financial reporting;
  - errors in the financial statements;
  - any expected modification to our report;
  - weaknesses in internal control; and
  - certain other matters.

## Key areas of judgement and audit risk

- 10 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Our findings are set out in Table 1.

**Table 1 Key areas of judgement and audit risk**

Issue or risk	Finding
Failure to deliver a substantial element of the capital programme.	The Council has delivered a significant part of its 2007/08 capital programme with slippage of only 8%. In testing capital expenditure we found items of expenditure which in our view (based on FRS15) may not be capitalised, this was particularly significant on the Mersey Gateway Scheme. Whilst the amount involved is not material for the 2007/08 accounts it will become material in future years. We have asked officers to obtain professional advice on the accounting basis for capitalising the development costs incurred on the Mersey Gateway scheme, and we will consider the implications of this as part of the 2008/09 audit. We have also requested that officers produce a risk assessment on the scheme that



## Financial statements and Annual Governance Statement

Issue or risk	Finding
	includes a strategy for dealing with any abortive costs should the project not go ahead. This needs to be considered and approved by members.
<p>The main judgements required of me during the year related to:</p> <ul style="list-style-type: none"> <li>• using the work of experts such as valuers and pension actuaries;</li> <li>• obtaining external confirmations where required; and</li> <li>• assessing the reliability of accounting estimates in relation to provisions, accruals and bad debts.</li> </ul>	<p>Figures in the Council's accounts were based on the views of experts in limited areas only and we were able to satisfy ourselves on those judgements based on the qualifications of those experts.</p> <p>Independent verification was obtained for the Council's bank account balances. We obtained sufficient evidence of balances without writing to debtors and creditors for confirmation.</p> <p>Examination of accounting estimates for accruals and bad debts concluded that they were reliable. Testing of the provisions figure of £3.7m highlighted it to be overstated by the full amount due to the incorrect classification of the equal pay/job evaluation reserve and misinterpretation of technical advice relating to the minimum revenue provision. Provisions have been restated to nil.</p>

**Recommendation**

**R1** Strengthen processes to ensure the correct categorisation of expenditure between revenue and capital.

**Draft representation letter**

**11** Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that you:

- acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- have approved the financial statements;
- acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);

- have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
- are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
- are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

12 Appendix 1 contains the draft of the letter of representation we seek from you.

### Accounting policies and financial reporting

13 We consider the qualitative aspects of your financial reporting. Table 2 contains the issues we want to raise with you.

**Table 2 Accounting practice and financial reporting**

Issue or risk	Finding
Changes in accounting policy required by the Code of Practice on Local Authority Accounting in the UK (Statement of Recommended Practice or SORP) from 1 April 2007 introduced a revaluation reserve, a capital adjustment account as well as accounting for financial instruments.	Several areas of non compliance with the 2007 SORP were identified in the draft abstract of accounts. All have been amended with the exception of the revaluation reserve. The Council's revaluation reserve is based on groups of assets rather than individual assets as required by the SORP. We do not believe the impact of this is material for 2007/08 but compliance with the SORP is required for 2008/09.
The overall quality of the draft abstract of accounts was affected by the unexpected absence of a key member of staff towards the end of the closedown period.	A number of amendments have been made to the draft accounts.
For 2007/08 the Council did not have a	Fixed asset information contained within

## Financial statements and Annual Governance Statement

Issue or risk	Finding
comprehensive up to date fixed asset register within its property management system (P2).	the Council's balance sheet was based on a spreadsheet maintained by finance rather than an asset register operated independently within the property management system. Officers within property services provided a register towards the end of the audit which was subsequently reconciled with the records held by finance. Several discrepancies were identified but none were material in the context of our overall opinion. The lack of an up to date asset register during the 2007/08 financial year does however impact upon our value for money conclusion, see page 8 of this report.

**Recommendation**

**R2** Ensure the 2008/09 abstract of accounts is fully compliant with the requirements of the SORP.

**R3** Review arrangements for the production of the 2008/09 abstract of accounts to minimise the impact of any unexpected absences of key members of staff on the quality of the accounts.

**Errors in the financial statements**

- 14** We identified errors in the financial statements (other than those of a trivial nature) and reported these to management.
- 15** Management has agreed to adjust the financial statements for the errors identified in Appendix 2. However, because of the amount of adjustments and the size of some we are reporting these errors to you.

**The audit report**

- 16** We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 3 contains a copy of our draft report.

**Material weaknesses in internal control**

- 17** We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

**Other matters**

- 18** There are no other matters that auditing standards require me to report to you.

# Value for money

- 19** We are required to conclude whether the Council has put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against twelve criteria specified by the Commission. Our conclusion is informed by our work on Use of Resources, a scored judgement reported to the Audit Commission.
- 20** We have identified elements of the Council's arrangements for securing value for money with regard to asset management that do not meet minimum requirements.
- 21** It was reported as part of last year's use of resources work that the Council did not have an up to date asset management plan and that more corporate reporting was needed on the Council's asset base and its use. The Council has acted upon these issues. A draft asset management plan was presented to members in June 2008, and an asset management working group was established in summer 2008 to help strengthen the corporate framework for asset management and reporting. Whilst these initiatives demonstrate a positive direction of travel unfortunately they were not in place in 2007/08 and as such are too late to impact upon my assessment of the Council's arrangements for 2007/08.
- 22** In addition, and as reported by Internal Audit in April 2008, the Council did not have a comprehensive up to date asset register in place during 2007/08. Property services updated their asset register at the end of August 2008. It is important that this momentum is maintained and that the asset register is properly maintained during 2008/09 and used to help manage the Council's assets.
- 23** As a result of the issues identified above, we propose to issue a qualified value for money conclusion stating the Council had adequate arrangements in place for securing economy, efficiency and effectiveness, except in the area of asset management. Appendix 3 contains the wording of our draft report.

## Recommendation

**R4** Strengthen asset management arrangements to ensure:

- the asset management plan provides the framework for the corporate management and reporting of the Council's assets and that it remains up to date;
- the asset register is comprehensive and up to date throughout the year and is reconciled to the general ledger.

# Formal audit powers

24 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
  - making a decision that might give rise to unlawful expenditure; or
  - taking an unlawful course of action that would give rise to a loss; or
  - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

25 We have not and do not propose to exercise these powers.

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# Independence

- 26** The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 27** We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 28** We communicate to you:
- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
  - total fees charged to you for audit and non-audit services; and
  - our arrangements to ensure independence and objectivity.

## Relationships with the Council

- 29** We have identified no relationships that might affect objectivity and independence.

## Audit fees

- 30** We reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the expected outturn fee against that plan.

**Table 3**     **Audit fees**

	<b>Plan 2007/08</b>	<b>Expected 2007/08</b>
Financial statements	131,976	131,976
Use of resources	40,571	47,035
Data quality	25,973	25,973
Whole of government accounts	2,692	2,692
National fraud initiative	1,050	1,050
Inspection fee	122,924	122,924
<b>Total audit and inspection fee</b>	<b>325,186</b>	<b>331,650</b>

## Independence

31 The analysis above shows that we expect to contain our audit fee within the totals you have already agreed. The use of resources expected fee is £6,464 higher than the original plan as a result of a request by the Council to be included in a Merseyside wide review of waste management. The inspection fee is considerably higher than in previous years due to the Corporate Assessment inspection undertaken during 2008.

### Our arrangements to ensure independence and objectivity

32 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 4.

**Table 4 Arrangements to ensure independence and objectivity**

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> <li>• do not hold a financial interest in any of our audit clients;</li> <li>• may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and</li> <li>• may not enter into business relationships with UK audit clients or their affiliates.</li> </ul> <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> <li>• the general requirement to carry out work independently and objectively;</li> <li>• safeguarding against potential conflicts of interest;</li> <li>• acceptance of additional (non-audit) work;</li> <li>• rotation of key staff;</li> <li>• other links with audited bodies;</li> <li>• secondments;</li> <li>• membership of audited bodies;</li> <li>• employment by audited bodies;</li> <li>• political activity; and</li> <li>• gifts and hospitality.</li> </ul>
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

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# Appendix 1

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## **Draft letter of representation**

Michael Thomas  
The Audit Commission  
The Heath Business and Technical Park  
Runcorn  
Cheshire  
WA7 4QF

Dear Mike

## **Halton Borough Council – audit for the year ended 31 March 2008**

We confirm to the best of our knowledge and belief, having made appropriate enquiries of other directors and officers of Halton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2008.

### **Compliance with the statutory authorities**

We acknowledge our responsibilities under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council, Executive Board and Committee meetings, have been made available to you.

### **Irregularities**

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or



## Appendix 1

- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

We also confirm that we have disclosed:

- our knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

### Fair Values

We confirm the reasonableness of the significant assumptions within the financial statements. In respect of Note 33 we confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events [require/do not require] adjustment to the fair value measurement.

### Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note 29 to the financial statements we have no other lines of credit arrangements.

### Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;

- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

### Related party transactions

We confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

### Post balance sheet events

Since the date of approval of the financial statements by the Business Efficiency Board on 26th June 2008, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Halton Borough Council

Signed	
Name	Councillor D. Leadbetter
Position	Chairman of the Business Efficiency Board
Date	

Signed	
Name	David Parr
Position	Chief Executive
Date	

# Appendix 2

## Significant amendments to the draft 2007/08 abstract of accounts

Detailed below are the more significant amendments to the draft abstract of accounts.

Item of account	Draft Abstract £m	Final Abstract £m
<p><b>Provisions</b></p> <p>The equal pay/job evaluation provision of £2.5m and the MRP repayment provision of £1.2m did not comply with the requirements of FRS17. The equal pay/job evaluation provision was restated as a reserve and the MRP repayment provision was removed. This amendment impacted upon several entries in the abstract, including:</p> <ul style="list-style-type: none"> <li>• general reserves increased from £22.190m to £24.690m</li> <li>• net operating expenditure reduced from £103.665m to £101.165m</li> </ul>	3.7	0
<p><b>Temporary loans</b></p> <p>Temporary loans of £2.2m had been incorrectly classified as part of the long term borrowing balance.</p>	14.919	17.216
<p><b>Cash overdrawn</b></p> <p>Cash overdrawn balance has been reduced to reflect an error relating to pooled budgets. This amendment also increased the creditors balance by the same amount.</p>	0.913	0.763
<p><b>Long term borrowing</b></p> <p>See temporary loans above. The additional £0.6m relates to movements in the fair value reserve - moving from a debit balance of £0.197m to a credit balance of £0.431m.</p>	11.532	8.607
<p><b>Government grants deferred</b></p> <p>Grants written back of £3.2m in 2007/08 had not been included within the government grants deferred account. The capital adjustment account was also understated as a result of this omission.</p>	47.552	44.286
<p><b>Capital adjustment account</b></p> <p>The capital adjustment account has increased by £4.487m as a result of the £3.2m government grant above and the removal of £1.287m MRP repayment provision.</p>	222.200	226.687
<p><b>Statement of movement in general fund</b></p> <p>The depreciation of fixed assets balance within this statement incorrectly included £0.611m relating to the amortisation of intangible fixed assets.</p>	19.006	18.395

Item of account	Draft Abstract £m	Final Abstract £m
<b>Statement of total recognised gains and losses (STRGL)</b> The original STRGL contained a number of entries which are reflected elsewhere in the abstract and should therefore have been excluded from the STRGL.	13.648	21.264 *
<b>Disclosure issues</b> Financial instruments note: a new note 33 on financial instruments has been added to the abstract to bring it in line with the requirements of the 2007 SORP; Accounting policies: aspects of the Council's accounting policies have been updated to reflect the requirements of the 2007 SORP.		

\* Net gain not yet finalised - provisional figure as at 9/9/08.

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# Appendix 3

## Independent Auditor's Report to the Members of Halton Borough Council

### Opinion on the financial statements

I have audited the Council and Group accounting statements and related notes of Halton Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Council and Group accounting statements comprise the Council and Group Income and Expenditure Account, the Council Statement of the Movement on the General Fund Balance, the Council and Group Balance Sheet, the Council and Group Statement of Total Recognised Gains and Losses, the Council and Group Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. This report is made solely to the members of Halton Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Operational Director – Financial Services [as Responsible Financial Officer] and auditor

The Operational Director - Financial Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). I report to you my opinion as to whether the Council and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Council and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered,

whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

I read other information published with the Council and Group accounting statements, and consider whether it is consistent with the audited Council and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Council and Group accounting statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Council and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the Council and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Council and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Council and Group accounting statements and related notes.

### **Opinion**

In my opinion:

- The Council's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended.

## Appendix 3

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### Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Council's Responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

#### Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I was unable to obtain sufficient evidence that Halton Borough Council had an up to date asset management plan and a comprehensive and up to date fixed asset register.

Having regard to the relevant criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Halton Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008 except that it did not put in place:

- arrangements for the management of its asset base.

#### Best Value Performance Plan

I have issued my statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on 21 December 2007. I did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Thomas

District Auditor

September 2008

Audit Commission Office, The Heath Business & Technical Park, Runcorn, WA7 4QF

DRAFT



# Appendix 4

## Value for money criteria

The Audit Commission has published, in accordance with the Code of Audit Practice, 12 criteria on which auditors are required to reach a conclusion on the adequacy of an audited body's arrangements for economy, efficiency and effectiveness in its use of resources.

The Code criteria are linked to the use of resources assessment (UoR) key lines of enquiry (KLoEs). A score of Level 2 or higher under the KLoEs will result in an assessment that the Council has adequate arrangements in place for the purposes of the Code criteria. The Code criteria and the linked KLoEs are show in the table below.

Code Criteria	Description	Criteria met?
1	<b>The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.</b>	<b>Yes</b>
2	<b>The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.</b>	<b>Yes</b>
3	<b>The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.</b>	<b>Yes</b>
4	<b>The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.</b>	<b>Yes</b>
5	<b>The body has put in place arrangements to maintain a sound system of internal control.</b>	<b>Yes</b>
6	<b>The body has put in place arrangements to manage its significant business risks.</b>	<b>Yes</b>
7	<b>The body has put in place arrangements to manage and improve value for money.</b>	<b>Yes</b>
8	<b>The body has put in place a medium-term financial strategy, budgets and a capital</b>	<b>Yes</b>

Code Criteria	Description	Criteria met?
	<b>programme that are soundly based and designed to deliver its strategic priorities.</b>	
<b>9</b>	<b>The body has put in place arrangements to ensure that its spending matches its available resources.</b>	<b>Yes</b>
<b>10</b>	<b>The body has put in place arrangements for managing performance against budgets.</b>	<b>Yes</b>
<b>11</b>	<b>The body has put in place arrangements for the management of its asset base.</b>	<b>No</b>
<b>12</b>	<b>The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.</b>	<b>Yes</b>

DRAFT

**The Council's Financial Position:**

This balance sheet states the total worth of the Council as at 31st March 2008.

**Assets and Liabilities £'m**

Buildings, Land & Equipment	330
Investments	43
Money Owed to the Council	16
Money Owed by the Council	(62)
Provisions and Liabilities	(85)
<b>Total Assets less Liabilities</b>	<b><u>242</u></b>

**Financed by:**

Non Distributable Reserves	(196)
Distributable Reserves	(34)
Balances	
General Fund	(7)
Schools	(5)
<b>Total Equity</b>	<b><u>(242)</u></b>

**The Brindley**



Halton Borough Council  
Municipal Building  
Kingsway  
Widnes  
Cheshire WA8 7QF  
Tel 0151 424 2061  
Fax 0151 471 7301

The full Statement of Accounts 2007-08 is available on the Council's website at [www.halton.gov.uk](http://www.halton.gov.uk) and printed copies can be obtained on request or are available for review in public libraries and at [Halton Direct Link](#).

**For more information**

If you require further information or have any suggestions concerning the format and presentation of the Council's accounts please contact Ed Dawson, Chief Accountant, on 0151 471 7366 or email [ed.dawson@halton.gov.uk](mailto:ed.dawson@halton.gov.uk).

**Victoria Park**



यदि आपका प्रश्न या सवाल है तो हमें कृपया 0151 907 8300 पर फोन करें या [hdl@halton.gov.uk](mailto:hdl@halton.gov.uk) पर ई-मेल भेजें।

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Jezeli angielski nie jest Twoim pierwszym językiem i potrzebujesz informacji o naszych usługach w innym języku, prosimy o zatelefonowanie do nas pod numer: 0151 907 8300 lub wysłanie maila do: [hdl@halton.gov.uk](mailto:hdl@halton.gov.uk)

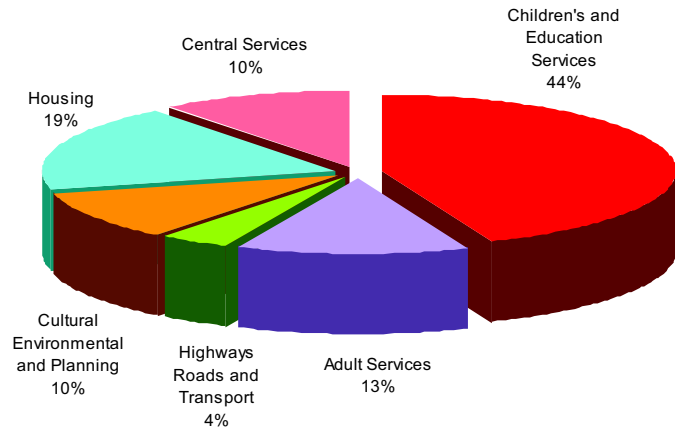
如果您的母语不是英语，而您希望得到有关我们服务的其它语言版本的信息，请致电0151 907 8300或者发送邮件至 [hdl@halton.gov.uk](mailto:hdl@halton.gov.uk) 联系我们。

اگر آپ کی پہلی زبان انگریزی نہیں ہے اور آپ ہماری خدمات کے بارے میں معلومات کسی دوسری زبان میں چاہتے ہیں تو براہ کرم ہمیں 0151 907 8300 پر فون یا [hdl@halton.gov.uk](mailto:hdl@halton.gov.uk) پر ای میل کریں



## Cost of Council Services : Income and Expenditure

This shortened summary has been produced to show the Council's key financial information for the year in a style that is more easily readable than the full Statement of Accounts.



### Spending Across the Council's Services

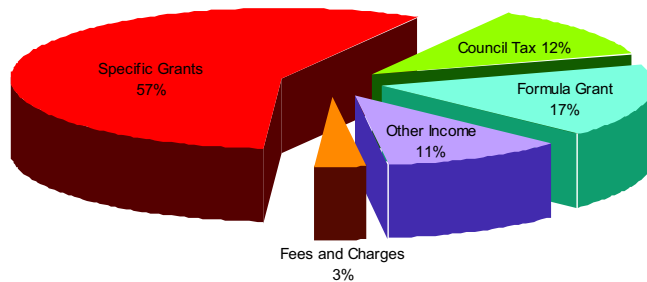
In total the Council spent £321m during 2007/08 on running its day to day services as shown in the pie chart.

### Where does the money come from?

The majority of the Council's funding comes from Specific Government grants which support a range of services. For example £83m is paid as Dedicated Schools Grant from the Government.

Halton's Council Tax for the year was the 3rd lowest in the Northwest and the 29th lowest (of 354) in the country. It funds not only the council but also Cheshire Police and Fire Authorities.

The Council received £48m from redistributed Business Rates and £39m from Council Tax payments.



The Council spent £29m of Capital Resources on acquiring, improving, maintaining and refurbishing assets which was funded by:

£10m of grant income  
£10m from borrowing  
£9m internal resources

### Major Capital Schemes Included:

- Highways and bridge maintenance
- A new refuse collection fleet
- 3MG (Ditton Strategic Rail Freight Park)
- Widnes Waterfront regeneration
- Runcorn Town Hall refurbishment
- Construction of Children's Centres

Halton Borough Council received the top score of 4 in an independent review by the Audit Commission. The Corporate Assessment is one element of the Audit Commission's overall appraisal of how local authorities perform.

Peter Forrester, Audit Commission senior manager, said: "Halton Borough Council is determined to raise the image of the area and the aspirations of local people. This vision is shared and understood by partners, Council staff and residents alike and there is a real sense of pride felt across the community."

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

Document is Restricted