# Annual governance report

## Halton Borough Council

**Audit 2011/12**

# Contents

# Key messages

**This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

## Financial statements

As at 7 September, and subject to my final review procedures, I expect to issue an unqualified audit opinion on the Council's 2011/12 financial statements. My audit identified three material errors in the Cashflow Statement, all of which have been amended. None of the errors had an impact on the Council's year end financial position. My audit has not identified any other material errors or uncertainties in the financial statements and the Operational Director Finance has agreed to amend the accounts for the majority of the other errors identified during the audit. The uncorrected misstatements are not material and therefore I anticipate being able to issue an unqualified audit opinion by the required deadline of 30 September.

Finance officers worked well to produce the financial statements and submit them for audit by the 30 June deadline. The statements were substantially more complete than last year with evidence that some quality assurance had been built into the closedown process. However, the quality of the accounts submitted for audit once again indicates that officers were pushed to achieve the 30 June deadline, an indicator of capacity pressures within the finance team. Workings papers were of a high standard and we received excellent co-operation from the finance team during the audit.

## Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. The Council continues to have effective arrangements in place to secure financial resilience and manage risks but these arrangements will be severely tested over coming years as budget pressures increase. During 2011/12 the Council planned and managed its finances effectively, once again keeping expenditure levels within budget. It also continues to show a healthy financial position with general fund balances totalling some £7.565m at 31 March 2012. The future however is even more challenging. The current economic climate and changes to funding streams places significant pressure on the Council to generate efficiencies and work within reduced resources. Savings of £11m are required for 2012/13, with further savings of some £14m in

2013/14. Early indications are that the Council's 2012/13 budget will be delivered but the pressures around continuing care and reducing income levels will need to be carefully managed and monitored through the remainder of the year.

The Mersey Gateway project represents a huge opportunity for the Council but with it comes some significant risks that need to be carefully managed. It is a hugely complex and costly project which will have significant financial and value for money implications for the Council for generations to come. The Council needs to continue to closely review and manage the risks and costs of the project to ensure its ongoing affordability and delivery. The project is now entering a critical stage in its development. It is important that any project assurance is available to officers and members on a timely basis so that any identified risks and issues can be addressed as quickly as possible.

# Before I give my opinion and conclusion

**My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.**

## Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2011/12.

## I ask the Business Efficiency Board to:

- take note of the adjustments to the financial statements included in this report (appendices 2 and 3);
- approve the letter of representation (appendix 4), on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 6).

# Financial statements

**The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.**

## Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, and in particular my final review procedures, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

At 7 September my audit is substantially complete although there is a small amount of additional testing on Mersey Gateway expenditure still ongoing. If any matters arise as a result of this work I will report this to you verbally at the Business Efficiency Board meeting on 26 September.

The financial statements submitted for audit were more substantially complete than last year with evidence of some quality assurance built into the accounts closedown process. However, the first version of the statements omitted some significant notes as well as internal cross references and page numbers.

Subject to the completeness issues above, the accounts were generally of a good quality. However there continue to be a number of formatting and presentational issues, including the continued use of irrelevant disclosure notes. I suggest officers review their current financial statements against those of other councils with a view to updating their format and content in 2012/13.

## Uncorrected errors

There are four uncorrected errors set out at Appendix 2.

Mersey Gateway development costs totalled £7.435m in 2011/12, of which £4.803m (65%) has been capitalised. My testing of a sample of development costs capitalised this year identified £0.513m of costs incorrectly categorised as capital expenditure. In my view these costs should be charged to revenue expenditure. As the error cannot be classed as an isolated instance our audit approach requires extrapolation of the error across the full population. The extrapolated error is £2.288m. Officers are currently testing an additional sample of Mersey Gateway costs to try to reduce the size of the error. My audit team will review the outcome of this additional testing. The accounts have not been amended to correct this error.

The council tax bad debt provision of £3.420m within the Collection Fund includes an overstatement of £0.527m. The Council has inflated its 2011/12 bad debt provision for potential future debts arising from the changes to council tax benefit support which will take place in 2013/14. Accounting rules specifically state that expected losses as a result of future events, no matter how likely, should not be recognised. The accounts have not been amended to correct this error.

The sundry debtors impairment (previously known as the bad debt provision) of £7.623m has been reviewed by each department and assessed as having a 'cushion' of some £0.850m.  A decision was taken to keep this cushion in light of future pressures on recovery rates. As above this is not in line with accounting rules. The debtors impairment is overstated by £0.850m. The accounts have not been amended to correct this error.

The 2011/12 creditor balance includes a land deposits creditor of £0.099m. This creditor balance has not decreased in value for a number of years. It is unlikely that the Council will be liable to pay this amount in the future. The accounts have not been amended to reduce the creditor balance.

## Corrected errors

There are a number of corrected errors as set out at Appendix 3. The material and more significant corrections are highlighted below.

Three lines within the Cash Flow Statement were incorrect, as were the supporting notes. Officers had used the wrong figures in calculating the required entries. Net cash flows within the Cash Flow Statement have been amended. Operating activities have reduced from £(53.622)m to £(2.043)m; investing activities have reduced from £106.698m to £69.252m and financing activities have increased from £(59.757)m to £(73.890)m. None of these amendments had an impact on the Comprehensive Income and Expenditure Statement or the Balance Sheet.

There were several omissions from the initial set of financial statements submitted for audit. The most significant were the Property, Plant and Equipment note, the full year comparator for the Movement in Reserves Statement and the comparator supporting note on adjustments between accounting basis and funding basis under regulation.  Additionally, my team identified errors in the opening balances on the 2011/12 Movement in Reserves Statement.  The accounts have been amended for these issues.

There were a significant number of internal inconsistencies between statements and notes, and typographical errors in the accounts. These have been amended where appropriate and have no overall effect on the Comprehensive Income and Expenditure Statement or the Balance Sheet.

## Other Matters

In addition to the above I identified a number of other matters I wish to bring to your attention and these are set out below.

## Significant risks and my findings

I reported to you in my January 2012 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 1 I report to you my findings against each of these risks.

Table 1: **Risks and findings**

| Risk | Findings |
|---|---|
| **Mersey Gateway Project**<br>The Council has established a development cost budget of £12.37 million for the Mersey Gateway project covering the period January 2011 to April 2013. It has classified the majority of these costs as capital. The accounting treatment is being considered by my audit team. If more of the expected costs are deemed to be revenue rather than capital in nature it will be a further pressure on the Council's 2011/12 and 2012/13 budgets. | Mersey Gateway is a unique scheme with high value transactions. It is also a complex accounting area where I have required material changes to accounting treatment in previous years.<br>My work on Mersey Gateway is ongoing. This year I continued to review the Council's accounting treatment of development costs against the financial reporting standards. This included discussion of the principles applied with the Council's external financial advisers.<br>Mersey Gateway development costs totalled £7.435m in 2011/12. Of this £4.803m (65%) has been capitalised and £2.633m (35%) charged to revenue. I sample tested development costs of £1.077m. I concluded that £0.513m (47.6%) was incorrectly categorised as capital rather than revenue expenditure, an error rate of 47.64%. As this error cannot be classed as an isolated error our audit approach requires extrapolation of the error across the full population. The extrapolated error based on the sample tested totals some £2.288m. In my view 2011/12 capital expenditure is overstated by £2.288m and revenue expenditure understated by the same amount.<br>Officers have declined to amend the accounts for this misstatement. They are carrying out some additional testing to prove to me that the actual error is less than £2.288m. The results of this testing are currently outstanding.<br>As I reported in last year's governance report, the Council's 2011/12 accounts included £0.812m of Mersey Gateway development costs as capital expenditure. I did not request an amendment to the accounts because the costs involved were not material and I was still discussing the appropriate accounting treatment with officers. Based on my findings this year, it is unlikely that all of last year's costs were capital in nature. I need to consider this potential mis-statement in the context of this year's audit findings.<br>Over the past couple of years I have had a significant involvement in discussing and reviewing the accounting treatment of the costs associated with the Mersey Gateway project. Although there has been finance team involvement with the project at a |

| Risk | Findings |
| --- | --- |
| | strategic level, there has been limited input at an operational level. Given the complexities and potential financial consequences of this project, it is critical that a qualified accountant is involved with the project team to help determine relevant accounting treatment in a prompt and timely manner. This would help minimise the risk of incorrect accounting treatment going forward. It would also help ensure that appropriate processes are in place to capture and record costs. |
| **Financial pressures**<br>The Council continues to face significant financial pressures. In year monitoring reports indicate the Council is in a good position to achieve its approved 2011/12 budget reductions of £13.8 million. However, the pressures continue with a forecast budget gap for 2012/13 of £15 million. | I reviewed management oversight of material accounting estimates and changes to accounting policies. I requested several amendments to your accounting policies to bring them more in line with financial reporting requirements.<br>I reviewed in-year financial reporting compared with the year-end financial position. I identified no issues to bring to your attention.<br>I carried out tests of detail on year-end journals, accruals, provisions and cut-off (the allocation of income and expenditure between financial years). My testing of journals and accruals identified no issues. As mentioned above my testing of provisions noted overstatements on the sundry debtors impairment of debt and on the council tax bad debt provision. In addition to this I found that the methodology for calculating the council tax bad debt provision was inadequate. The provision was based on the previous years figure rather than calculated on a review of actual recovery rates and year end arrears. |
| **Heritage Assets**<br>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. There is a risk that the Council may be unable to identify, appropriately value and account for all heritage assets.<br>A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. For Halton BC this is likely to include your civic regalia, works of art and other cultural assets. | Heritage assets total some £1.067m and as such are not material to the accounts. My review of management's controls to recognise and value heritage assets concluded that they were appropriate and proportionate to the value of the assets.<br>I tested a sample of heritage assets to check that the Council had accounted for them in accordance with FRS 30 and the CIPFA Code. I identified no issues to bring to your attention. |

| Risk | Findings |
| --- | --- |
| **Valuation of Property, Plant and Equipment (PPE)**<br>The Council is required to value PPE at fair value (with some exceptions). There is a risk that the values reported in the financial statements will be materially misstated due to:<br>■ valuation and depreciation values include an element of subjectivity and estimation which, when applied to the total PPE balance gives rise to an inherent risk;<br>■ the risk that valuations between planned revaluation dates are not updated to reflect material changes since the last revaluation (a fifth of the Council's asset base is revalued each year);<br>■ failure to derecognise the carrying value of assets or components that are replaced or restored; and<br>■ in 2010/11 there was no year end reconciliation between the general ledger and the asset register. | PPE totals some £328.423m on the Council's 2011/12 balance sheet. My testing of valuation and depreciation on a sample of property, plant and equipment assets found no errors.<br>My audit testing of impairments (reductions in the value of PPE) highlighted no issues for me to bring to your attention.<br>In line with other local authorities, componentisation was applied to the Council's assets for the first time this year. My review of your approach and application of componentisation found it to be compliant with accounting standards. My testing of a sample of detailed transactions found no errors.<br>The reconciliation between the general ledger and the asset register is a critical control to ensure the completeness and accuracy of the asset (property, plant and equipment) information disclosed in the accounts. Last year I recommended that officers reconcile the general ledger to the asset register as part of the accounts closedown process and use this information to complete the accounts. I am pleased to note that officers have acted on that recommendation. The year end reconciliation between the general ledger and the asset register was completed with no issues arising. |
| **Schools**<br>In most local authorities schools are managed through a variety of governance arrangements. There are also some schools which continue (because of timing) to be funded through the Building Schools for the Future programme. The differences in these arrangements have implications for the accounting treatment. In 2009/10 I requested your accounts be amended to reflect the correct accounting treatment for several voluntary aided and controlled schools. Schools are a material part of the Council's overall PPE balance. There may be a risk that the Council has misstated its PPE due to the incorrect inclusion or omission of schools in its balance sheet. | The accounting treatment of schools continues to be an ongoing, high profile and uncertain issue. CIPFA have recently published a consultation paper on the 2012/13 Code of Practice on Local Council Accounting (the Code) which included some detailed criteria to consider when determining the accounting treatment of schools. It is expected that more definitive guidance will be published as part of the 2012/13 Code.<br>The Council has used CIPFA's criteria in assessing which schools should be included on its balance sheet this year. As part of this process it has removed four schools totalling some £22.642m from the balance sheet (three academies and one voluntary controlled primary school). My review of the Council's assessment has not identified any material misstatements or omissions of schools in this year's financial statements. Officers plan to review and update their assessment once the 2012/13 Code is published. |

| Risk | Findings |
| --- | --- |
| **Upgrade to the general ledger system (Agresso)** The general ledger system is being upgraded in January 2012. This will involve significant changes to both the accounts payable and accounts receivable systems. There is a risk that system controls may not be effective. | My testing of the general ledger pre and post upgrade identified no issues to bring to your attention. |

## Significant weaknesses in internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Council only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and, following amendment, can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements.

Table 2: **Internal control issues and my findings**

| Description of weakness | Potential impact | Management action |
| --- | --- | --- |
| For the major part of the 2011/12 year income reconciliations were not completed in line with the Council's procedures. This followed a major restructure of income collection processes including the closure of all cash offices, and was as a result of problems with the new cash collection services and loss of knowledge and expertise of key staff. Month end reconciliations | There was a significant level of un-posted items and un-investigated differences in the daily balancing of receipts at bank with the fund analyses from the cash receipting system. As a result income recorded in the accounts in-year was incomplete and potentially incorrect. | Officers began to investigate the issue in October 2011. In December 2011 officers started reworking daily reconciliations with effect from 1 April 2011. This work was completed in time for the year end ledger close. The March 2012 reconciliation was fully balanced. Subsequent management actions include additional training for the Income |

| Description of weakness | Potential impact | Management action |
| --- | --- | --- |
| of the receipts bank account were not prepared and accounts and fund-holders (such as council tax, NNDR, sundry debtors) were not able to confirm the cash recorded with their records. | | Control Officer, enhanced procedure notes and the introduction of a review checklist for the section supervisor. |

## Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

The table below sets out the matters I wish to report to you.

Table 3: **Other matters**

| Issue | Findings |
| --- | --- |
| Related party transactions – note 18 | I have evaluated the Council's arrangements for identifying and disclosing related parties within its financial statements. Following my comments last year arrangements have been strengthened and additional guidance issued to officers and members. However, my review of the related party declaration forms found that members are returning nil declarations when directorships are held. Officers should consider amending the declaration forms and the guidance provided to make it clear that all directorships and employments with potential related party organisations should be disclosed even if the value of transactions is unknown. |
| Accounting policies – critical judgements: capitalising development costs | The Council apportions total development cost expenditure on the Mersey Gateway project between capital and revenue using a Net Present Value (NPV) approach. This |

| Issue | Findings |
| --- | --- |
| | approach estimates the proportion of capital and revenue expenditure to be incurred during the letting of the operational contract. For 2011/12, the Council estimated the weighting at 65% capital and 35% revenue, and then capitalised 65% of most of the 2011/12 Mersey Gateway development costs.<br>Development costs can only be capitalised if they meet strict accounting criteria. [The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.] The classification of development costs incurred should therefore be assessed by a detailed review of actual invoiced costs against these accounting criteria. In my view, the application of this 'percentage' approach is not a reliable or appropriate method for estimating the level of capital costs within the wide range of project development costs incurred on the Mersey Gateway project. |
| Evidence to support staff costs charged to capital | My review of Mersey Gateway development costs identified that 65% of the costs within the 'Core Team Consultants', 'Core Team HBC Staff' and 'Commercial Director' cost categories have been capitalised. This proportion is based on a calculation of the total capital/revenue percentage split when all of the other development costs are assessed as capital or revenue. This approach is based on the assumption that the work done by these staff and consultants is directly in proportion to the capital/revenue split of other costs. Again, in my view, the application of this general 'percentage' approach is not a reliable or appropriate method for estimating the level of capital costs within these cost categories.<br>In order to justify capitalising elements of these costs, particularly during the procurement phase when it is more difficult to demonstrate that costs/activities relate to capital expenditure, the Council needs to support the capitalisation with detailed time records for individuals, setting out the specific areas being worked on and how the costs satisfy the accounting capitalisation criteria. If an estimation technique is used then it needs to be robust. |
| Borrowing and waivers | During the year the Council entered into a loan agreement with an individual for |

| Issue | Findings |
| --- | --- |
| | £0.516m to fund a new artificial pitch at Halton Stadium. The potential source of funding for the pitch was reported to Members in August 2011. Officers have satisfied themselves that this arrangement is legal and provides value for money. Standing orders (SOs) were waived for the procurement of the new pitch due to the urgency and specialist nature of the project although this has yet to be reported back to members as required by the Council's standing orders. Also I have been uncertain as to how this loan fitted in to the Council's treasury management strategy. The scope for local authorities to enter into loan arrangements is quite wide but it must have regard to CIPFA's Treasury Management in the Public Services and Cross-Sectoral Guidance Notes 2011. |

| Recommendation | |
| --- | --- |
| **R1** | Undertake a full review of the presentation and content of the financial statements in advance of completion of the 2012/13 financial statements. |
| **R2** | Base the calculation of the council tax bad debt provision on actual recovery rates and levels of arrears. |
| **R3** | Ensure appropriate and timely input from qualified finance staff in the accounting arrangements for costs associated with the Mersey Gateway project. |
| **R4** | Amend the related party declaration form to clearly specify that all directorships and employments (other than those with the Council) should be included within the related party form. |
| **R5** | Ensure that Mersey Gateway development costs are only capitalised when they satisfy the relevant accounting capitalisation criteria (Code/IAS 16) and make this assessment based on a review of individual costs/invoices. |
| **R6** | Where costs of Halton BC staff and consultants working on the Mersey Gateway project are capitalised, this should be supported by detailed evidence which demonstrates that the time relates to eligible capital expenditure. |
| **R7** | For any future such borrowings the Council should explicitly consider how it has paid regard to CIPFA's treasury management guidance under Regulation 24 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) (as amended). |

| Recommendation |
| --- |
| **R8** Ensure all waivers of standing orders are reported to the Executive Board Sub Committee. |

## Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 7 September I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 30 September.

# Value for money

**I am required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.**

I assess your arrangements against the two criteria specified by the Commission. In my January 2012 Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 4: **Value for money conclusion criteria and my findings**

| Criteria | Findings |
|---|---|
| **1. Financial resilience**<br>The organisation has proper arrangements in place to secure financial resilience.<br>Focus for 2011/12:<br>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. | The Council has a proven track record of keeping expenditure within budget and securing financial resilience. Systems and processes are well established and a structured approach to identifying and managing budget pressures is in place. As in previous years, the Council once again managed its 2011/12 spending within its revenue budget. The planned savings of £13.8m were achieved.<br>General fund balances at 31 March 2012 totalled £7.565m, just over 6 per cent of net expenditure.<br>The Council's 2012/13 budget includes savings of £11m. First quarter monitoring reports indicate the Council is largely on track to achieve its budget. Pressures are evident though, particularly around continuing care and reducing levels of income. Continued close control and monitoring of spend is required through the remainder of the year to minimise the risk of a budget overspend at year end.<br>The financial challenges continue into 2013/14. The Council is currently working through savings options to identify its required savings target of £14m. As at the end of August 2012, work is ongoing |

| Criteria | Findings |
| --- | --- |
| | to put together a full savings plan and prepare a balanced budget for 2013/14. |
| **2. Securing economy efficiency and effectiveness**<br>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.<br>Focus for 2011/12:<br>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. | The Council has managed its finances to achieve its planned budget in 2011/12. Officers have worked hard to deliver the 2011/12 planned savings target of just under £14m but there remain considerable financial challenges ahead.<br>The most significant issue for the Council in terms of ongoing financial resilience and value for money is the Mersey Gateway project. It is a huge opportunity for the Council but it is also a complex and costly project which has current and long term financial implications for the Council. The Council will need to continue to review and manage the risks and costs of the project to ensure its ongoing affordability.<br>The project is overseen by the Mersey Gateway Executive Board and is supported on a day to day basis by a Project Team of consultants and council staff. Members of the Board are drawn from a range of backgrounds with relevant skills in the development of major projects. The Project Team includes a number of consultants, and relies heavily on specialist advisor input. Whilst this is not unusual in high profile projects of this nature the Council needs to ensure it maintains ownership, control and oversight of the project to ensure that the procurement fits within the Council's legal and strategic framework and resource availability.<br>The project has now entered a critical phase in its development. Written confirmation of Conditional Funding Approval was received from Department for Transport (DfT) in October 2011. This triggered the start of the formal procurement process. The Council issued the Invitation to Participate in Dialogue (ITPD) to three pre-qualified bidders in February 2012, and has now entered the dialogue stage of the procurement for a private sector body to design, build, finance, maintain and operate a new six-lane toll bridge across the Mersey via a Public Private Partnership (PPP). The 30 year contract would also cover the provision of tolling services on the existing Silver Jubilee Bridge (SJB).<br>The Conditional Funding Approval confirmed the availability of Government funding for the project with the Council expected to make a significant capital contribution to the project at the end of the construction period. The Council plans to fund this by prudential borrowing. The Council will also pay an annual unitary charge to the operator. The unitary charge payment will only be partly funded by the Government's revenue support grant, with the balance funded by toll revenues. The Council will retain the toll revenue risk under the proposed arrangement. There a number of significant risks attached to |

| Criteria | Findings |
| --- | --- |
| | this arrangement not least the uncertainty around traffic volumes under a tolling regime over a 30 year period and the potentially higher incidence of non-payment under the proposed open road tolling system. Whilst the Board is aware of and monitoring these risks, Members need to continue to ensure that any residual risks are being managed to an acceptably low level by the Council and fit within the Council's overall affordability envelope.<br><br>The Council has continued to make good progress in its land assembly and remediation of early works arrangements for the new bridge, and is currently forecasting an underspend on its DfT grant for this aspect of the project. The Council is currently in talks with the DfT about the availability and allocation of grant beyond December 2012.<br><br>The procurement period has so far extended beyond the original timetable because of additional information requests from Government and the later than anticipated start to the procurement process. The Project Team and the Mersey Gateway Executive Board is aware of an expected shortfall in the development cost budget due to these delays, but has deferred further consideration of alternative funding until it has more information about the affordability position of the overall project.<br><br>During 2011/12 the Project Team identified the need for a post contract close structure to manage the project's ongoing risks and responsibilities. As a result the Crossings Board was established. The Council will need to continue to develop these arrangements during the procurement phase.<br><br>The 2011/12 Internal Audit (IA) plan included two pieces of work on Mersey Gateway: governance, risk management and use of consultants; and land acquisitions. IA's field work began in March 2011 but has yet to be completed due partly to difficulties in gaining access to Project Team members at a very busy time in the project cycle. IA has an important role to play in monitoring and reporting on the management and control of this major, complex, high risk project. It is critical that this project assurance is available to members and officers on a timely basis so that risks to the Council and any issues identified can be addressed as quickly as possible. There have not been any other sources of independent project assurance for the Mersey Gateway project since the March 2011 Gateway 2 Review (Delivery Strategy). I understand IA have included a review of the Mersey Gateway procurement process in the 2012/13 Internal Audit Plan. It is important that this work is completed and reported promptly.<br><br>As with many other local government organisations, the level of cost reductions needed to achieve a balanced budget has meant job losses and re-organisation of structures and responsibilities. With this |

| Criteria | Findings |
| --- | --- |
| | come risks around capacity and loss of corporate knowledge and experience. Officers are fully aware of the risks associated with reducing staff numbers and capacity risk is included within the corporate risk register. Officers will need to continue to monitor these risks and mitigate their impact wherever possible.<br>Building Schools for the Future (BSF) was identified in my audit plan as a specific risk. My review of the Council's much reduced BSF programme did not identify any areas of concern. |

# Fees

## I reported my planned audit fee in the January 2012 Audit Plan.

I have agreed with the Operational Director Finance a revision to the 2011/12 audit fee. I agreed an additional fee of £10,000 to accommodate the audit work required on the Mersey Gateway project, in particular the review of the development costs and associated meetings.

Table 5: **Fees**

| | Original scale fee 2011/12 £ | Planned fee 2011/12 (£) | Expected fee 2011/12 (£) |
|---|---|---|---|
| Audit | 232,204 | 232,204 | 242,204 |
| Claims and returns | 33,852 | 33,852 | 33,852 |
| Non-audit work | 0 | 0 | 0 |
| **Total** | | **266,056** | **276,056** |

# Appendix 1 – Draft independent auditor’s report

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF HALTON BOROUGH COUNCIL**

**Opinion on the financial statements**

I have audited the financial statements of Halton Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

**Respective responsibilities of the Operational Director Finance and auditor**

As explained more fully in the Statement of the Responsibilities for the Statement of Accounts, the Operational Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council and Group; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Halton Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or

- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

### Respective responsibilities of the Council and the auditor

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 to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

### Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Halton Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

**Certificate**

I certify that I have completed the audit of the accounts of Halton Borough Council 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

Audit Commission Office, 2nd Floor, Aspinall House, Aspinall Close, Middlebrook, Horwich, Bolton BL6 6QQ

# Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management have not addressed in the revised financial statements.

| | | Statement of comprehensive income and expenditure | | Balance sheet | |
|---|---|---|---|---|---|
| Item of account | Nature of error | Dr £'000s | Cr £'000s | Dr £'000s | Cr £'000s |
| Capital expenditure | Mersey Gateway development costs totalling £0.513m have been incorrectly categorised as capital rather than revenue expenditure.<br>The extrapolated error of £2.288m is the subject of additional testing by officers. I have not requested amendment for this extrapolated amount. | 513 | | | 513 |
| Collection Fund- Provision for Doubtful Debts (Council Tax) | The provision for council tax bad debts of £3.420m includes £0.527m related to the impact of a potential fall in future recovery rates. Accounting standards do not allow expected losses arising from future events to be provided for no matter how likely. The provision £0.527m should be credited back to CIES. | | 527 | 527 | |
| Balance Sheet- Debtors- Note 27 | The provision for impairment of debtors of £7.623m includes £0.850m as a "cushion" for the potential future effects of a fall in recovery | | 850 | 850 | |

| | | Statement of comprehensive income and expenditure | | Balance sheet | |
|---|---|---|---|---|---|
| | rates. As above, expected losses arising from future events cannot be provided for no matter how likely. The provision £0.850m should be credited back to CIES. | | | | |
| Balance Sheet- Creditors- note 30 | The 2011/12 closing balance includes a land deposits creditor of £0.099m. This creditor balance has not decreased in value for a number of years. It is unlikely that the Council will be liable to pay this amount in the future and as such it should consider writing this amount back to the CIES. | | 99 | 99 | |

# Appendix 3 – Corrected errors

I identified the following errors during the audit which management have addressed in the revised financial statements.

| | | Statement of comprehensive income and expenditure | | Balance sheet | |
|---|---|---|---|---|---|
| Item of account | Nature of error | Dr £'000s | Cr £'000s | Dr £'000s | Cr £'000s |
| Cash Flow Statement (CFS) | The (CFS) has been amended significantly. This is due to the identification of a £0.608m error (balancing figure) in Cash flows from Financing Activities and the discovery by officers part way through the audit that a number of incorrect figures had been used to calculate the CFS entries.<br>Net cash flows from Operating Activities (note 48) have reduced from £(53.622)m to £(2.283)m. Net cash flows from Investing Activities (note 49) have reduced from £106.698m to £69.252m. Net cash flows from Financing Activities (note 50) have increased from £(59.757)m to £(73,651)m.<br>Individual lines on supporting notes to CFS (notes 48, 49 and 50) have also been revised to ensure internal | N/A | N/A | N/A | N/A |

| | | Statement of comprehensive income and expenditure | | Balance sheet | |
|---|---|---|---|---|---|
| | consistency.<br>Note 48 on operating activities has also been amended to include disclosures incorrectly omitted from the initial version of the accounts. The note was amended for both 2011/12 and 2010/11(comparator year) to include Other receipts (11/12 £29.117m 10/11 £33.473m) and Other payments (11/12 £23.684m 10/11 £25.485m). | | | | |
| Balance Sheet- Provisions - Note 34 | Note amended to remove the Sundry Debtor Impairment of £7.623m. The £7.623m relates to the impairment of a financial asset and as such does not fulfil the criteria of a provision under FRS12. | N/A | N/A | N/A | N/A |
| Contingent Liabilities - Note 42 | Note 42 was amended to remove inappropriate disclosures. The contingent liabilities relating to Building Schools for Future, Onerous Contracts and Redundancy Costs did not meet the accounting criteria for a contingent liability.<br>Audit enquiries identified a contingent liability which was subsequently added to the note. This related to potential liabilities relating to Municipal Mutual | N/A | N/A | N/A | N/A |

| | | Statement of comprehensive income and expenditure | | Balance sheet | |
|---|---|---|---|---|---|
| | Insurance. | | | | |
| Financial Instruments - Note 36 | A number of amendments were made to the financial instruments note and its supporting detail to correct categorisation and disclosure errors and internal inconsistencies. Most notably,<br>• £50.000m was reclassified from Current Assets (loans and receivables) to Current Investments (loans and receivables)<br>• £(1,515)m was reclassified from Long-term Investments to Long-term Assets .<br>• finance lease liabilities were increased from £0.800m to £1.017m.<br>• the prior year comparator for Current Assets (loans and receivables) was reduced from £25.253m to £23.745m.<br>The fair value analyses were also updated to ensure internal consistency within the note. The text on impairments was enhanced and the section on valuation of available for sale assets was deleted as it was not | N/A | N/A | N/A | N/A |

| | | Statement of comprehensive income and expenditure | | Balance sheet | |
|---|---|---|---|---|---|
| | relevant. | | | | |
| Movement in Reserves Statement (MIRS) | The MIRS has been amended to correct an inconsistency found between the audited 2010/11 balance sheet and the opening balances in the Movement in Reserves Statement for 2011/12. This resulted from the incorrect treatment of two prior year audit adjustments. A £0.224m adjustment was also required in year for an error in the treatment of revaluation gains and losses (Dr Capital Adjustment account £0.224m Cr CIES £0.224m). | | 224 | 224 | |
| Capital Expenditure and Capital Financing – Note 21 | The disclosure at note 21 has been amended to ensure consistency with other aspects of the accounts. Purchase of Plant, Property & Equipment now disclosed as £51.874m (was £51.737m) and Minimum Revenue Provision is now £(3.004)m (previously £(2.867)m). | N/A | N/A | N/A | N/A |
| Balance Sheet-Long Term Borrowings - Note 33 | Amendment made to note 33 to correct an error in the maturity analysis. A £0.474m loan was originally included as maturing between 5-10 years. This has now been split to reflect payments due in | N/A | N/A | N/A | N/A |

| | | Statement of comprehensive income and expenditure | | Balance sheet | |
|---|---|---|---|---|---|
| | the next five years. | | | | |
| Capital Commitments- Note 20 | Several significant capital commitments were initially omitted from this disclosure. The note has been amended to include the £4.2m commitment for Silver Jubilee Bridge repairs and £1.9m commitment for the PFI capital scheme at the Grange School. | N/A | N/A | N/A | N/A |
| Collection Fund | Several amendments have been made to the Collection Fund disclosures in the accounts. Incorrect figures were used for the 2012/13 precept demands in the Collection Fund disclosures. Figures for Halton BC and Cheshire Police Council have been adjusted to agree with the actual precept demands for 2012/13.<br>Inconsistencies were also identified between different Collection Fund disclosures. Amendments have been made to the cash and surplus balances in the Collection Fund Balance Sheet to ensure consistency with other disclosures and prior year figures. Total cash has been amended from £0.640m to £0.332m and total surplus adjusted from (£0.356m) to £(0.048)m. Related apportionments | | | | |

| | | Statement of comprehensive income and expenditure | | Balance sheet | |
|---|---|---|---|---|---|
| | between the Council, Police and Fire Authorities for both items have also been amended. | | | | |
| Accounting Policies | Amendments were made to the Council's disclosed accounting policies on senior officer remuneration and the treatment of Mersey Gateway development costs. In both cases the Council had excluded the detail required to sufficiently understand what these costs are and how they have been treated. | N/A | N/A | N/A | N/A |
| Overall Accounts | The Abstract of Accounts presented for audit on 29 June 2012 was incomplete and contained a number of internal inconsistencies and typographical errors. Omissions included:<br>• the Property, Plant and Equipment note (note 20) and its supporting information<br>• the Exit Packages note (note 4)<br>• the 2010/11 comparator Movement in Reserves Statement<br>• the 2010/11 comparator note on adjustments between accounting basis and funding basis under regulation (note 44) | N/A | N/A | N/A | N/A |

| | Statement of comprehensive income and expenditure | Balance sheet |
|---|---|---|
| The Debtors note (27) was incomplete and no page numbers and cross references were provided. These omissions have been corrected in the audited version of the accounts.<br>The foreword has been amended to correct a number of typographical errors.<br>A number of internal inconsistencies between the core statements and notes, incorrect comparators and typographical errors have been amended. | | |

# Appendix 4 – Draft letter of management representation

Mr M Thomas
District Auditor
Audit Commission Office
3rd Floor, Millennium House
60 Victoria Street
Liverpool L1 6LD

Dear Mike

**Halton Borough Council - Audit for the year ended 31 March 2012**

I confirm to the best of my 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 2012.

**Compliance with the statutory authorities**

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

**Uncorrected misstatements**

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council. The reasons for not correcting these items are, the amounts although significant are not material in terms of total spending, and are considered to reflect the prudent approach taken by the Council to managing its finances given the exceptional financial environment we are currently experiencing.

**Supporting records**

I have made available all relevant information and access to persons within the Council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Council.

**Internal control**

I have communicated to you all deficiencies in internal control of which I am aware

**Irregularities**

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my 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;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

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

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

**Accounting estimates including fair values**

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

**Related party transactions**

I confirm that I have disclosed the identity of the Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

**Subsequent events**

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Halton Borough Council
I confirm that this letter has been discussed and agreed by the Business Efficiency Board on 26 September 2012.

Signed

Name

Position

Date

## Schedule of Uncorrected Misstatements

### Collection Fund Provision for Doubtful Debts (Council Tax)

The provision for council tax bad debts of £3.420m includes £0.527m related to the impact of a potential fall in future recovery rates. Accounting standards do not allow expected losses arising from future events to be provided for no matter how likely.

Whilst significant this amount is not material to total spending. Therefore given the current economic climate and the potential impact upon collection rates of the forthcoming welfare reforms and changes to council tax support, this is considered to be a prudent approach to managing the Council's finances.

### Balance Sheet Debtors

The provision for impairment of debtors of £7.623m includes £0.850m as a "cushion" for the potential future effects of a fall in recovery rates. As above, expected losses arising from future events cannot be provided for no matter how likely.

Whilst significant this amount is not material to total spending. Therefore given the current economic climate this is considered to be a prudent approach to managing the Council's finances.

### Balance Sheet Creditors

The 2011/12 closing balance includes a land deposits creditor of £0.099m. This creditor balance has not decreased in value for a number of years. It is unlikely that the Council will be liable to pay this amount in the future.

The deposit is being held as a liability in case of a repayment condition whilst the Council's Legal Services obtain further information with regard to the potential liability. This amount is not material to total spending and therefore the Council will determine whether these monies can be released to capital receipts during 2012/13.

### Mersey Gateway Development Costs

Mersey Gateway development costs totalling £0.513m have been incorrectly categorised as capital rather than revenue expenditure. Additional testing is being carried out of the extrapolated error of £2.288m.

Whilst significant this amount is not material to total spending.

# Appendix 5 – Glossary

**Annual Audit Letter**

Letter issued by the auditor to the Council after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

**Annual Governance Report**

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion and conclusion.

**Annual Governance Statement**

The annual report on the Council's systems of internal control that supports the achievement of the Council's policies aims and objectives.

**Audit of the accounts**

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

**Audited body**

A body to which the Audit Commission is responsible for appointing the external auditor.

**Auditing Practices Board (APB)**

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

**Auditing standards**

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

**Auditor(s)**

Auditors appointed by the Audit Commission.

**Code (the)**

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

**Commission (the)**

The Audit Commission for Local Authorities and the National Health Service in England.

**Ethical Standards**

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

**Financial statements**

The annual statement of accounts that the Council is required to prepare, which report the financial performance and financial position of the Council in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

**Group accounts**

Consolidated financial statements of a Council and its subsidiaries, associates and jointly controlled entities.

**Internal control**

The whole system of controls, financial and otherwise, that the Council establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

**Materiality**

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects'.

The term 'materiality' applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

**Significance**

The concept of 'significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

**Those charged with governance**

Those entrusted with the supervision, control and direction of the Council. This term includes the members of the Council and its Audit Committee.

**Whole of Government Accounts**

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Council must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

# Appendix 6 – Action plan

| Recommendations | |
|---|---|
| **Recommendation 1** | |
| Undertake a full review of the presentation and content of the financial statements in advance of completion of the 2012/13 financial statements. | |
| **Responsibility** | |
| **Priority** | |
| **Date** | |
| **Comments** | |
| **Recommendation 2** | |
| Base the calculation of the council tax bad debt provision on actual recovery rates and levels of arrears. | |
| **Responsibility** | |
| **Priority** | |
| **Date** | |
| **Comments** | |
| **Recommendation 3** | |
| Ensure appropriate and timely input from qualified finance staff in the accounting arrangements for costs associated with the Mersey Gateway project. | |
| **Responsibility** | |
| **Priority** | |

| | |
|---|---|
| **Date** | |
| **Comments** | |

| **Recommendation 4** |
|---|
| Amend the related party declaration form to clearly specify that all directorships and employments (other than those with the Council) should be included within the related party form. |

| | |
|---|---|
| **Responsibility** | |
| **Priority** | |
| **Date** | |
| **Comments** | |

| **Recommendation 5** |
|---|
| Ensure that Mersey Gateway development costs are only capitalised when they satisfy the relevant accounting capitalisation criteria (Code/IAS 16) and make this assessment based on a review of individual costs/invoices. |

| | |
|---|---|
| **Responsibility** | |
| **Priority** | |
| **Date** | |
| **Comments** | |

| **Recommendation 6** |
|---|
| Where costs of Halton BC staff and consultants working on the Mersey Gateway project are capitalised, this should be supported by detailed evidence which demonstrates that the time relates to eligible capital expenditure. |

| | |
|---|---|
| **Responsibility** | |
| **Priority** | |
| **Date** | |
| **Comments** | |

| Recommendation 7 | |
|---|---|
| For any future such borrowings the Council should explicitly consider how it has paid regard to CIPFA's treasury management guidance under Regulation 24 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) (as amended). | |
| **Responsibility** | |
| **Priority** | |
| **Date** | |
| **Comments** | |

| Recommendation 8 | |
|---|---|
| Ensure all waivers of standing orders are reported to the Executive Board Sub Committee. | |
| **Responsibility** | |
| **Priority** | |
| **Date** | |
| **Comments** | |

If you require a copy of this document in an alternative format or in a language other than English, please call:
**0844 798 7070**



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.

audit commission

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