

The Annual Audit Letter for Halton Borough Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2013

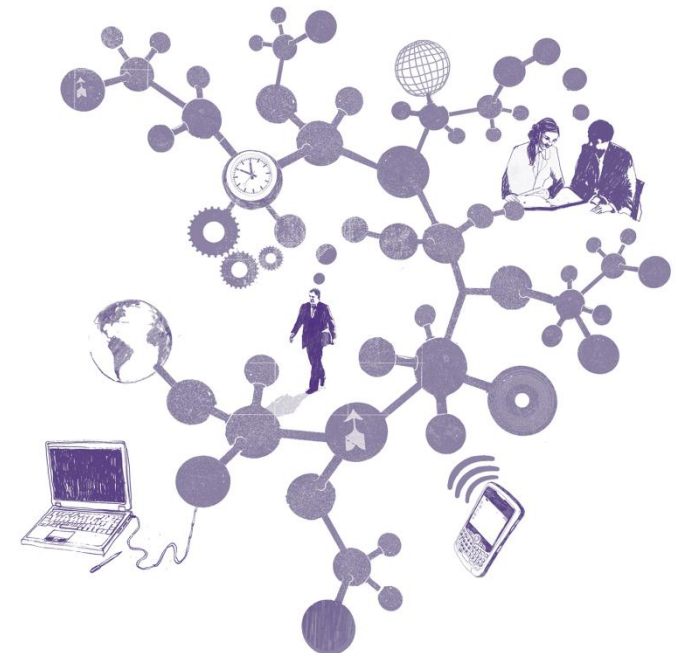
October 2013

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Section 1: Executive summary

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This Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 18 September 2013

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Halton Borough Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 18 September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in April 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission
- our work on the certification of claims and returns is in progress and detailed findings will be reported to those charged with governance once this is complete.

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

Financial statements

We provided an unqualified opinion on the financial statements on 27 September 2013. The accounts were prepared to a high standard, supported by clear and comprehensive working papers. We agreed a small number of adjustments to improve the presentation of the financial statements. Officers were available throughout our audit fieldwork to provide additional supporting information in a timely manner and to resolve our queries promptly.

The draft and audited financial statements record net expenditure of £142m. Our audit did not identify any adjustments affecting the Council's reported financial position.

Value for money conclusion

We issued an unqualified value for money conclusion on 27 September 2013. Overall our work highlighted that the Council has good arrangements in place to secure financial resilience, and proper arrangements in place for challenging how it secures economy, efficiency and effectiveness.

We reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. We also completed a detailed risk assessment and carried out a high level review of your arrangements for managing the risks associated with the Mersey Gateway project.

The Council has addressed general fund budget gaps of over £26m in the past two years. Funding gaps in 11-12 and 12-13 have been successfully addressed through the delivery of significant financial savings, and despite financial pressures arising from service demand and pressures on income generation. Plans are in place to deliver further significant savings in 13-14.

The Council once again delivered a significant capital programme in 2012/13 totalling £57.817m, a large element of which relating to Mersey Gateway land acquisition and development costs. Planned capital programmes in 2013/14 and 2014/15 are £18.828m and £6.900m respectively.

The Council's MTFS covers a 3 year period, 2013/14 to 2015/16, and identifies a funding gap of £37m over the period. The MTFS is linked to the Council's five priorities and is updated annually as part of the budget setting cycle. It reflects the impact of changes to funding as a result of the Government's resource reviews such as the retention of business rates and localisation of council tax support.

Our review of your Mersey Gateway arrangements confirmed that the project continues to present a number of financial risks, challenges and opportunities. The Council recently selected a preferred bidder and anticipates the Mersey Gateway bridge being operational in 2017. Mersey Gateway is a major project for a unitary council, with significant financial risks and challenges associated with it. It therefore remains important for the Council to continue to monitor, manage and mitigate these risks throughout the lifetime of the project.

Future challenges

The financial challenge facing the Council from 2014/15 and beyond is significant, and decisions will become increasingly difficult in the context of the significant savings already delivered. The medium term financial strategy assumes further reductions in government funding of 10-15% over the next three years. The forecast budget gap over the three years from 14/15 to 16/17 is estimated at £37m. Having already delivered significant financial savings, the Council faces a significant challenge to address this budget gap and to meet its mandatory responsibilities.

Despite the financial challenges the Council continues to seek opportunities to progress and grow the local economy and continues to have some major successes. It is leading, in partnership, on a number of significant developments, most notably, the Mersey Gateway Development, the Science Park at Daresbury, 3MGMulti-Modal site and the Castlefields development. The Council is also a key player in the wider regional agenda.

Acknowledgements

This Letter has been agreed with the Strategic Director, Policy and Resources and will be presented to the Executive Board in November 2013 and the Business Efficiency Board on 20 November 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

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The accounts were prepared to a high standard, supported by clear and comprehensive working papers. We did not identify any adjustments affecting the Council's reported financial position, and issued an unqualified audit opinion on 27 September 2013

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

We received draft financial statements and accompanying working papers at the start of our audit, in advance of the national deadline. The accounts were prepared to a high standard, supported by clear and comprehensive working papers, and officers provided prompt and helpful responses to our requests for additional information.

Issues arising from the audit of the accounts

The draft financial statements recorded gross cost of services expenditure of £370 m, total net comprehensive expenditure of £142 m and net assets of £357m. We did not identify any adjustments affecting the Council's reported financial position. Officers made some minor adjustments to improve the presentation of the financial statements as a result of the audit.

Internal controls

Our work did not identify any control weaknesses that we needed to draw to the attention of management or those charged with governance. We made two recommendations to remedy minor IT control weaknesses.

Annual governance statement

Our review of the annual governance statement concluded that the statement is compliant with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Business Efficiency Board). We presented our report to the Business Efficiency Board on 18 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

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Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

- **The Council has proper arrangements in place for securing financial resilience.** The Council 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 proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Overall our work highlighted that the Council has good arrangements in place to secure financial resilience. Details are set out in the Financial Resilience Report presented to the Business Efficiency Board on 18 September 2013.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies. The work included:

- Review of the 2013/14 budget setting process and updates to the MTFS
- Review of the Annual Governance Statement
- On-going review of major projects and developments in particular the Mersey Gateway development

Overall our work has confirmed that the Council has proper arrangements in place for challenging how it secures economy, efficiency and effectiveness.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	£139,322	£139,322
Grant certification	£14,350	*£17,851
Total audit fees	£153,672	£157,173

Note:

Grant certification work is on-going and is estimated to be £17,851. This varies from our original estimate because we have audited two additional claims that were not audited in 2010/11. The final fee will be reported to the Audit Committee later in the year in our annual certification report.

Fees for other services

Service – Provided directly to Halton Borough Council	Fees
Review of Spare Parts Contract	£9, 200
Provision of VAT advice for various schemes	£33,000
	£42,200

Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	September 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



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