

The Audit Findings for Halton Council

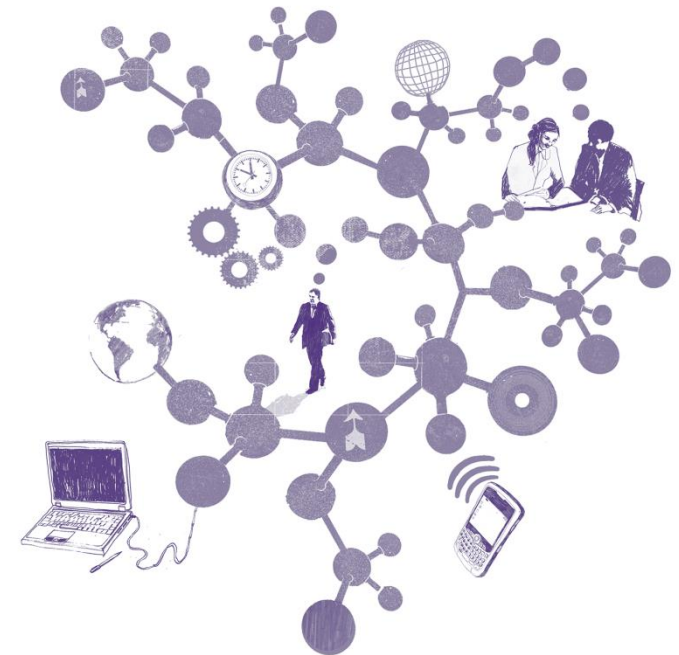
Year ended 31 March 2014

11 September 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Halton Council's (the Council) financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated June 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- final testing on property, plant and equipment, employee remuneration, operating expenses, journals and housing benefit;
- review of the final version of the financial statements;
- obtaining and reviewing the final management letter of representation;
- review of final version of the Annual Governance Statement;
- updating our post balance sheet events review, to the date of signing the opinion;
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The pre-audit and post-audit financial statements recorded net cost of services of £122m. Officers have declined to amend the 2013/14 statements for two proposed adjustments that would have a £0.734m impact on net expenditure. We have also identified a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- no significant issues were identified;
- the pre-audit financial statements were provided at the start of our audit work and good quality working papers were made available;
- officers were available throughout our audit fieldwork to provide additional supporting information in a timely manner and resolved our queries promptly.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

However, we did raise concerns about a planning decision by members that was criticised at a Public Enquiry and has put the Council at risk of a claim that could have a significant financial impact.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable (deadline 3 October 2014).

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Operational Director, Finance, the Strategic Director Policy & Resources and the Chief Executive.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Operational Director, Finance and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
11 September 2014

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan dated June 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in June 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out at Appendix A.

Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work so far has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested operating expenses including accruals and apportionment of expenses; tested for unrecorded liabilities. • Review and testing of year end accruals and creditor balances. 	Our audit work so far has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • Sample test of payroll expenditure to payroll records • Testing of year end accrual including reconciliation between payroll and the general ledger 	Our audit work so far has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • agreed to accounts and supporting notes. • Housing Benefit Subsidy Claim testing using Audit Commission HBCOUNT approach. • reconciliation between Benefits system and the general ledger 	Our audit work so far has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	PPE activity not valid	<ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested of PPE movements during the year. • agreed to accounts and supporting notes. • Tested a sample of PPE additions (disposals were not significant), including compliance with capitalisation requirements. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> • tested the revaluation cycle, including instructions to the valuer and the valuer's report • reviewed the analysis which demonstrates that the value of assets in the Council's balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. • tested depreciation and impairments, including evidence of review of Useful Economic Lives and mathematical accuracy. 	<p>Our audit work so far has not identified any significant issues in relation to the risk identified. We are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014.</p> <p>See also section below on Accounting policies, estimates & judgements for our consideration of IAS 16.</p>
Debt including PFI	Debt obligations not reflected properly	<ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • reviewed valuation and disclosure • reviewed the model for the new scheme 	<p>Our audit work so far has not identified any significant issues in relation to the risk identified.</p> <p>The Council did not employ consultants to develop a financial model (from the operator's model) in order to provide figures for the financial statements – but rather followed the provisions of the Code and developed these figures based on information taken directly from the operators model. We used the information from the operators model in our own bespoke model and concluded that both Halton's approach and the resulting figures are reasonable.</p> <p>The long term element of the balance sheet PFI liability has been understated by £2,815k, and the short term element overstated by the equivalent amount, due to the attribution of the entire value of unitary charge payable in 2014/15 (£3,280k) to repayment of capital. Officers have agreed to adjust – see section on adjusted errors below.</p>

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Halton Borough Transport	No	Analytical	N/A	Desktop review	Our audit work has not identified any issues in respect of Halton Borough Transport.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> The Council has adopted the standard revenue recognition policies for Local Government as set out in the Code of Practice on Local Authority Accounting 2013/14 (The Code) and International Financial Reporting Standards (IFRS). The policies for revenue recognition are set out in section 3(a) of the Council's Statement of Accounting Policies. 	Our audit work has not identified any significant issues in relation to revenue recognition.	●
Judgements and estimates - PPE	<ul style="list-style-type: none"> Page 36 of the accounts sets out the authority's rolling programme of revaluations. 	<p>We are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014.</p> <p>In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. This paragraph of the Code, which is based on IAS16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> - the revaluation of the class of assets is completed within a 'short period' - the revaluations are kept up to date. <p>We would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p>	●

Assessment



● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient



● Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements and estimates - other</p>	<ul style="list-style-type: none"> Other key estimates and judgements are set out at Note 35 to the Statement of Accounting Policies and include: <ul style="list-style-type: none"> pension fund valuations and settlements provisions impairments 	<ul style="list-style-type: none"> The policies appear appropriate and are supported by reasonable methodologies. The recommendations in respect of the methodologies for council tax bad debt provision and the debtor impairment have been actioned appropriately. The potential financial statement impact of different assumptions appear reasonable. Hymans Robertson LLP is engaged on behalf of the Council by Cheshire West and Chester Council (Pension fund administrator) to provide expert advice about the assumptions to be applied. The methods and assumptions used are in accordance with the Code and therefore reasonable and relevant for a LG body. 	
<p>Other accounting policies</p>	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any significant issues which we wish to bring to your attention. 	

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
<p>1 The long term element of the balance sheet PFI liability has been understated by £2,815k, and the short term element overstated by the equivalent amount, due to the attribution of the entire value of unitary charge payable in 2014/15 (£3,280k) to repayment of capital.</p> <p>Agreed by officers. Only £465k should have been moved to short term, giving the effect of understating the PFI Liability and overstating the short term creditor.</p>	Overall nil	Overall nil	Nil
Overall impact	Nil	Nil	Nil

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. There were a number of other small changes that were agreed with management.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification		PFI Liability & Financial Instruments	Whilst the detailed review of the financial instruments disclosure is not yet complete, overview suggests that the current and long term elements of the PFI liability may be the 'wrong way around' (note current finance lease liability shown as £19.2m)
2 Disclosure	n/a	Contingent Liabilities	The contingent liabilities note in the draft accounts makes no reference to potential liabilities arising from the outcome of the Ineos/Viridor planning appeal. The wording for the contingent liability has been agreed and added to the 30th September version of the statement.

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Business Efficiency Board is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 Note 26: Cash and Cash Equivalents. Included in the Bank Current Accounts figure is an amount of £720,003.73 relating to Wade Deacon High School which has become an Academy. There is also £4,408.98 relating to Fairfield High School which merged with Wade Deacon. This is no longer an asset of the Council and should be expensed to revenue and then extinguished by release from the schools' reserve.	724	724	Agreed that this is incorrect. The school balance needs to be reversed through the Schools Reserves. This is not being adjusted in the 2013/14 accounts as it is considered to be immaterial to the results of the Council and its financial position at the year-end. It will be corrected in the 2014/15 accounts.
2 An outstanding item of £9,777.39 has not been cleared from the bank reconciliation since change to Agresso system in 2010.	10	10	Agreed. Will write off in 2014/15. Any future reconciling items will be resolved in the following year to ensure no on-going reconciling items. This is not being adjusted in the 2013/14 accounts as it is considered to be immaterial to the results of the Council and its financial position at the year-end.
Overall impact	£734	£734	

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

As part of our planned programme of work, our information system specialist team undertook a high level review of the general IT control environment at the Council. This was undertaken as part of the review of the internal controls system. We are pleased to report that no significant issues arose from our work. We identified a small number of areas where the Council's existing IT arrangements can be developed and have reported these to management.

Our work on the documentation and walkthrough of significant systems and issues arising during our final accounts audit similarly identified no significant deficiencies to report to you. We reported to management on the areas where controls can be improved or better evidenced, for instance, in respect of sign-off and authorisation of bank reconciliations.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Business Efficiency Board. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council. In particular, representations will be requested from management in respect of the significant assumptions used in making accounting estimates for the INEOS/Viridor potential claim, the prior period adjustments and for not amending the financial statements for the items identified on the summary of unadjusted misstatements above. <ul style="list-style-type: none"> Cash and cash equivalents in respect of Wade Deacon High School that has become an academy The write-off of the reconciling item resulting from the introduction of Agresso in 2010.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements. We made a number of recommendations to improve disclosure.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.
7.	Annual Governance Statement	<p>The original AGS was presented with the pre-audit accounts and is to be signed as appropriate by the Chief Executive and Leader in line with the Accounts & Audit regulations and Code. Our review during the audit identified the following areas for improvement:</p> <ul style="list-style-type: none"> The AGS does not include any reference to the Secretary of State's critical judgements on the actions of members in refusing permission to vary the INEOS/Viridor planning conditions. At a Public Enquiry, the Planning Inspector upheld the appeal and awarded costs against the Council. In doing so, the Inspector said, "Refusal of the application led to the appeal. This would not have been necessary had the application been approved by the Council in the first place, as recommended by the planning officer. Whatever the reason for Council's position at the Inquiry, the absence of any evidence to substantiate the single reason for refusal means that its behaviour was unreasonable.....". There is a potential significant claim of costs against the Council, recorded as a contingent liability in the accounts as a result of this significant governance issue – and this should be included in the AGS. A conclusion should be included in the AGS to reflect the significant governance issue as noted above. <p>Officers have agreed to amend the AGS to reflect the issue.</p>

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (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; and
- review regularly the adequacy and effectiveness of these arrangements.

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

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 considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that 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.

However, during the year members did not take officers' recommendations to approve a planning variation in respect of the INEOS/Viridor waste site. This resulted in an appeal to the Secretary of State and a Public Enquiry where members' decision was overruled and full costs awarded to INEOS/Viridor. The Planning Inspector was critical of members' decision and although there has been no claim made yet, the decision by members has put the Council at risk of a claim that could have a significant financial impact.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our summary findings against the six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We have provided a separate report on VfM that provides more detail. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Key indicators of performance	There were no significant adverse indicators of performance during the year except for sickness absence that has seen a steady increase from 9.02 days per FTE in 2011/12 to 10.06 days in 2012/13, and 11.24 in 2013/14. Halton's 2012/13 rate of 10.06 days per FTE was higher than the averages of 8.8 days for Local Government and 8.7 days for the Public Sector.	Green	Green
Strategic financial planning	The financial planning process is focussed on the achievement of corporate priorities. The Medium Term Financial Strategy (MTFS) shows that local and national issues are adequately taken into account, assumptions are reasonable and resources are focussed on corporate priorities. The MTFS is kept up to date and supports the annual budget setting process, development of business and other plans and strategies. Halton Council has a good track record of setting a balanced budget, achieving both a positive outturn and savings/efficiencies.	Green	Green
Financial governance	Members and officers have a good understanding of the financial environment and the risks facing the Council. There is good executive and member engagement and adequate internal and external consultation on the budget-setting process. Budget reporting is at an appropriate level of detail to allow good monitoring and decision-making. However, during the year members did not take officers' recommendations to approve a planning variation in respect of the INEOS/Viridor waste site. This resulted in an appeal to the Secretary of State and a Public Enquiry where members' decision was overruled and full costs awarded to INEOS/Viridor. The Planning Inspector was critical of members' decision and although there has been no claim made yet, the decision by members has put the Council at risk of a claim that could have a significant financial impact.	Green	Amber

VfM assessment (continued)

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Financial control	The process in place for budget setting and monitoring has a history of ensuring reliable and achievable budgets and savings plans. Internal Audit reviewed critical financial systems during the year and all achieved 'substantial assurance'; Internal Audit itself was assessed as effective and fit for purpose. There is a positive history of external audit unqualified opinions and value for money conclusions and the external auditor assessed the Council's arrangements for financial resilience as 'green' across all areas in 2012/13. The assurance framework and risk management processes are sound.	Green	Green
Prioritising resources	The Council has a good strategic approach to reducing costs and improving VfM through its strategic financial planning and budget-setting processes and its efficiency programme. Decision-making is based on appropriate and adequate information and although savings plans include some short -term fixes, they are mainly based on recurrent and long-term measures. The Council has developed joint plans to ensure transformation in integrated health and social care through a single pooled budget of over £30m as part of the 'Better Care Fund'.	Green	Green
Improving efficiency & productivity	Benchmarking information has been used well to review services and the Council has a good understanding of its costs. Our review of VfM profiles has not identified any areas of high costs or poor performance that is not known to or adequately explained by the Council. There is evidence that the Council is addressing areas of high spend through the efficiency review programme and improving productivity through, for example, providing management capacity to other councils for children's, adults and legal services; and joint procurement of highways works.	Green	Green

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services

Fees

	Per Audit plan £	Actual fees £
Council audit	139,322	(Note 1) 140,392
Grant certification	12,000	(Note 2) 10,173
Total audit fees	151,332	150,565

Notes

- (1) There is additional fee of £1,070 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for a unitary council and is subject to agreement by the Audit Commission.
- (2) At the time of setting the grant certification fee it was anticipated that we would be required to certify the following claims:
 - Housing and Council Tax Benefit: The revised fee for grant certification covers a revised fee for this claim now that it no longer covers council tax benefit.
 - Transport grant claim: the fee for this is included above. However, there may be more than one claim requiring certification so a fee variation may be required.
 - Teachers' Pension Claim: This will no longer come under the Audit Commission regime and will be subject to a separate review with the fee being classed as 'Fees for other services'.
- (3) The grant certification fee above and fees for other services are estimates at this stage. We may be required to certify payments made by NHS England to local authorities under s256/257 of the NHS Act 2006 in 2013/14.

Fees for other services

Service	Fees £
- Vat advisory services £43,500 across a wide range of different projects	46,615
- Regional Growth Fund Claim Audit Report £3,115	
(See note below regarding the Teachers' Pension Claim)	

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report 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).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON BOROUGH COUNCIL

Opinion on the financial statements

We have audited the financial statements of Halton Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement and Collection Fund and the related notes and policies.

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 2013/14.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Operational Director - Finance and auditor

As explained more fully in the Statement of Responsibilities of the Statement of Accounts Responsibilities, 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. Our 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 us 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 Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Operational Director - Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the Group foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Halton Borough Council as at 31 March 2014 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 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our 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 2013, as to whether the Authority 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 us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are 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 2014.

Certificate

We certify that we have completed the audit of the financial statements 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.

[Signature]

Michael Thomas
 Director
 for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Royal Liver Building, Liverpool, L3 1PS

[Date] September 2014



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