The Audit Findings for Halton Borough Council

Year ended 31 March 2023

20 March 2024

Contents

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Governance Board.

Michael Green

Name: Michael Green
For Grant Thornton UK LLP
Date: 20 March 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Halton Borough Council (‘the Council’) and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely between October 2023 and March 2024. Our findings are summarised on pages 4 to 22. We have identified adjustments to the financial statements as shown at Appendix D but these had no impact on the General Fund or draft outturn. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year’s audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- final audit file quality control review;
- responses to and consideration of a small number of outstanding audit queries;
- receipt of management representation letter (see appendix G}; and
- receipt and review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work and are in the process of agreeing the detailed commentary withing the separate Auditor's Annual Report with management. The Auditor's Annual Report will be presented alongside this report. We identified three significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to enable the audit to be completed to the schedule agreed with management.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Governance Board.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our Audit Plan, as communicated to you on 5 July 2023.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Board on 20 March 2024. These outstanding items include are set out on page 3 of this report.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our Audit Plan.

We set out in this table our determination of materiality for Halton Borough Council.

	(£)	Qualitative factors considered
Materiality for the financial statements	9,267,000	Calculated based upon 2% of gross expenditure in the prior year audited financial statements
Performance materiality	6,950,000	75% of materiality for the financial statements
Trivial matters	463,000	5% of materiality for the financial statements
Materiality for senior officer remuneration	35,000	Reduced materiality due to the sensitive nature of tis disclosure and heightened public interest

2. Financial Statements: Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of controls, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council.	In response to the risk we have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included: • post year-end journals • material journals across the year • large year-end journals • year-end income and expenditure accrual journals • Off ledger adjustment journals • journals posted by senior management Application of these routines and supplementary procedures identified a total sample of 95 journals to test. Our testing did not identify any evidence of management override of controls or fraud. There have been no changes to accounting policies and estimation techniques and we are satisfied with the design effectiveness of management controls over journals. We have noted that there is no formal review or authorisation process for journals. The mitigating control is that each cost centre is monitored by the relevant budget holder. The budget holder reviews transactions against cost centre codes periodically to ensure no unusual or incorrect postings have been made. A preventative control in addition to the existing detective control in place at present would be a stronger control and ensure that journals are authorised prior to them being posted. An action has been raised at Appendix B.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue recognition risk Rebutted ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition. This presumption can be rebutted if the auditor concludes there is no risk of material misstatement due to fraud relating to revenue recognition.	As reported in our Audit Plan, having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Council, mean that all forms of fraud are seen as unacceptable Whilst revenue recognition was not identified as a significant risk, we have carried out procedures and detailed testing of material revenue streams to gain assurance over this area. We tested, on a sample basis, material revenue transactions, ensuring that it remained appropriate to rebut the presumed risk of revenue and expenditure recognition. We did not identify instances of fraudulent revenue recognition or any reason to change our assessment of the risk in this area.
ISA240 expenditure recognition risk Rebutted In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure.	Our Audit Plan confirmed that we consider that we are able to rebut the significant risk in relation to expenditure as we concluded that there is no risk of material misstatement due to fraud relating to expenditure recognition. As with revenue transactions, we have performed procedures to understand and test material expenditure streams. Our work in this area has not identified any matters to report to you or that would lead to a change in our risk assessment.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Land and Buildings The Council revalues its property assets on a rolling basis. Revaluations are performed by the Council's external valuation expert, Sanderson Weatherall. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally for land and buildings, management need to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used. We therefore identified the valuation of land and buildings including infrastructure assets as a significant risk for the Council.	For assurance over the balance sheet valuation of land and, and infrastructure assets we have: • evaluated management's processes and assumptions for the calculation of the valuation estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuation expert and discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable • tested a selection of asset revaluations made during the year to ensure they have been input accurately into the Council's asset register, revaluation and Comprehensive Income and Expenditure Statement • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • agreed the basis of revaluations relating to Assets Held For Sale. We have undertaken the processes outlined above and engaged with the finance team, internal valuer and external valuer to challenge the valuation assumptions including indices used, obsolescence factors, build costs and floor areas for DRC assets. As part of our procedures, we identified that management had not carried out a review of assets not revalued as part of the triennial cycle as at 31 March 2023 to ensure there was no material change in the carrying value of these assets at the Balance Sheet date. Our own high-level calculations suggested that there was a risk that the potential movement could be material. Following discussion with management, further work was commissioned from the Council's external valuer to consider the movement in value of relevant assets. This work demonstrated that the potential was not material. We have reviewed this work and are satisfied with the conclusions drawn. We have raised a recommendation at Appendix B that management conduct this exercise annually unless a full valuation takes place. Sample testing of assets valued in the year identified one asset where a valuation had been allocated to the incorrect asset in the asset register. This resulted in an overstatement in value of £3.525m. Management have adjusted the financial statements to correct for this error - see appendix D. Our audit work has not identified any further issues in respect of valuation of land and buildings and following adjustments made to the draft financial statements, we are satisfied that the carrying value of land and buildings at 31 March 2023 is materially correct.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the Pension Fund Net Liability The Council's pension fund net surplus (as reported in the draft financial statements), represents a significant estimate in the financial statements. The pension fund net liability/surplus is considered a significant estimate due to the size of the numbers involved (erroneously reported as £96.6m surplus in the Council's draft balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the pension fund net asset/liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management experts (an actuary) for this estimate and the scope of the actuaries' work • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • sought assurances from the auditor of Cheshire Pension Fund (CPF) as to the controls surrounding the validity and accuracy of membership data; contributions data sent to the actuary by CPF, and the fund assets valuation in the CPF financial statements. Page 16 provides a detailed assessment of the estimation process for the valuation of the pension fund net surplus/liability. From discussions with the actuarial firms, we understand that the application of IFRIC 14 is not within their normal scope. As such, unless they are instructed otherwise by the employer, they will produce IAS 19 disclosures assuming there are no IFRIC 14 adjustments to any surplus or deficit. This means there is a risk that material adjustments are not factored into the IAS19 disclosures. Review of the net defined pension liability relating to the Local Government Pension Scheme identified that IAS 19 valuation for the year moved from £91.2m deficit at 31 March 2022 to £96.6m surplus at 31 March 2023 in the draft balance sheet. The move to an IAS19 asset position is consistent with many local government schemes nationally and is the first time this has occurred since IFRS based financial statements have been produced. The reporting of a net asset position has required auditors to consider the requirements of IFRIC 14 and we discuss this in more detail on page 13. Other assumptions used in calculating the net pension liability/surplus of both schemes are considered to be in line with expectations and we have not identified any further issues with the estimation process. Based on the procedures we have carried out we have gained assurance that the net pension liability in the Balance Sheet is materially correct.

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary
Accounting for Mersey Gateway Bridge Private Finance Initiative (PFI) liability The Mersey Gateway Bridge and associated PFI scheme is large and high profile to the residents of the borough. PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information. We therefore identified the accuracy and presentation of the Mersey Gateway Bridge PFI scheme as a risk for the audit.	We have: • reviewed the PFI model and assumptions contained within • obtained an understanding of any changes to PFI contracts made since the prior year • compared the PFI model to the prior year model to identify any changes • reviewed and tested the output produced by the PFI model to generate financial balances within the financial statements • reviewed the disclosures relating to the PFI scheme for compliance with the Code and the International Accounting Standard IFRIC12. Our audit work has not identified any issues in respect of the Council's accounting for Mersey Gateway PFI liability.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Valuation of LGPS pension surplus The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk as the group's draft accounts included a £96.65million pension asset for the LGPS.	IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. We have: • challenged management on the presentation of any pension asset • received calculations from the actuary's assessing any asset ceiling in place potentially reducing the amount of any asset recognised and reperformed those calculations • challenged the actuary on the assumptions used within that calculation; and • assessed the sufficiency of the financial statement disclosures provided in respect of the pension surplus.	The Authority had not fully considered the potential impact of IFRIC14 before any audit challenge. Following discussion with management, the actuary has updated the IAS 19 valuation including consideration of the requirements of IFRIC 14. The revised calculations have identified that the previously calculated asset should be limited to a credit ceiling calculated to be nil. The financial statements have been adjusted to remove the £96.65m asset to reflect a nil balance. The adjustment does not impact the overall useable reserves of the Council. The adjusted financial statements do show a net liability of £4.744m reflecting the unfunded element of the pension liability. A management action has been raised B regarding IFRIC14 for future years. Please see Appendix B for action plan and D for adjustments.
Minimum revenue provision Review of the provision has identified that a particular capital scheme has not been included in the calculation.	As part of our review of the basis of calculation of the Minimum Revenue Provision, we noted that no provision has been made in respect of the delinking project. Based on the value of the scheme, the annual charge would not be material at approximately £300k per annum but cumulatively, over the life of the asset, this would result in under provision of £8.4m. We report this as an unadjusted error on this basis subject to increase year-on year without amendment being made – See Appendix D. We also include a recommendation in this area at Appendix B.	The minimum revenue provision is an important entry within the financial statements that has an impact on council useable reserves and reflects the statutory charge for financing of capital spend. It is important that the Council is prudent in calculating the charge ensuring equity on current and future local tax-payers as well as ensuring the appropriate level of provision in line with guidance.

2. Financial Statements: new issues and risks

Issue	Commentary	Auditor view
Property, Plant and Equipment carried at nil net book value The Fixed asset register contained a large number of assets carried at a nil net book value	During our testing of PPE closing balances, we noted a significant balance of assets with a nil Net Book Value (NBV) included in the closing balance at cost. We raised this matter with management as there is a risk that the gross cost of assets held is overstated if these assets are no longer in use or no longer held by the Council. Following investigation, management identified that there were assets that should have been disposed of. As a result of the review, management have disposed of assets with a gross cost of £12,424k. The net impact is nil as this is matched by accumulated depreciation of the same value. Within the updated accounts there are vehicles, plant and equipment with total gross cost of £7.018m that have a nil carrying value. We have raised a recommendation at Appendix B for management to further review these assets during 2023/24.	Having significant numbers of assets at a nil carrying value gives rise to a risk that the assets no longer exist, may have been lost or disposed of. It also indicates that depreciation policies may not be reflective of the effective life of some assets.
Bank reconciliations Deficiencies were identified in the bank reconciliation process.	1. An unreconciled difference of £27k was identified on the General Receipts bank reconciliation for March 2023. 2. One school bank reconciliation (Halton Lodge) for March 2023 could not be provided by management. Management confirmed that the reconciliation had not been prepared. We requested it to be prepared and raised a number of unreconciled items.	Management should review and improve the process for bank reconciliations including schools.
Capital accruals A capital accrual for £1.015m for the new leisure centre relating to March 2023 was omitted in error. Capital accruals are therefore understated by £1.015m.	Capital accruals are therefore understated by £1.015m.	Management should review the process for identifying capital accruals to ensure they are complete.
EFA amendment The EFA was adjusted to transfer £5.161m to General Fund from earmarked reserves which was overlooked due to a compilation error.	Matter arising due to compilation error.	This is viewed as an isolated compilation error as part of year end reporting.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations £204.8m (PY £202m)	Other land and buildings comprises land of £32.3m, specialised assets such as schools and libraries of £146.7m, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings £20.4m are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Sanderson Townsend to complete the valuation of properties as at 31 March 2023 on a three yearly cyclical basis. 25% of total assets (£50.3m) were revalued during 2022/23. Statement of Accounting Policy 15 Non-Current Assets, Property, Plant and Equipment details the Council's policy which is consistent with the previous year and with our expectations. The detailed valuation movements are shown in Note 17. Management undertake a rolling programme of revaluations to ensure that all assets are revalued at least every three years on an agreed schedule. The revaluation by the professional valuer is dated 31 March 2022. Management considered the year end value of non-valued properties, and the potential valuation change in the assets revalued during 2022/23 (at 31 March valuation date) to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the value of these properties. However it was noted that Kingsway Leisure Centre value would have reduced by £2.4m due to increased obsolescence factors arising from its planned closure in 2024/25. This should have been posted to the general ledger – see Unadjusted errors schedule at Appendix C. The total year end valuation of land and buildings was £204.8m, a net increase of £1.2m from 2021/22 (£202m).	• We have assessed the Council's external valuer, Sanderson Wetherall LLP and the Council's internal valuer, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas • Valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Council's carrying values to movements reported by Montagu Evans indices (valuation specialists), and concluded there were no material valuation differences. We also challenged the Council's valuation specialists on valuation differences identified through our sensitivity analysis work using other indices. There are no significant matters to report • Overall we are satisfied the Council's land and buildings valuation is not materially misstated. The accounting policy is adequately disclosed and estimation techniques are properly supported.	Light Purple

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Net pension liability – £4.741m

(Comprising: LGPS – asset nil, Unfunded element £4.741m)

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Summary of management's approach

The Council's net pension liability at 31 March 2023 is £4.741m (PY £91.204) comprising the Hyman Robertson Local Government (nil) and unfunded defined benefit pension scheme obligations (£4.741m).

The Council uses Hyman Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation of the Local Government Pension Scheme was completed in March 2022. Given the significant value of the net pension fund surplus, small changes in assumptions can result in significant valuation movements. There has been a £106.3m net actuarial gain during 2022/23.

Audit Comments

Our audit work has included:

- assessment of management's expert
- assessment of actuary's approach taken, detail work undertaken to confirm reasonableness of approach
- use of PwC as auditors expert to assess actuary and assumptions made by actuary – see table below to compare with Actuary assumptions

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.75%	4.75%	●
Pension increase rate	2.95%	2.95% - 3%	●
Salary growth	3.65%	3% - 5.45%	●
Life expectancy years – Males currently aged 45/65	22.3 & 21.3	22.3 & 21.3	●
Life expectancy – Females currently aged 45/65	25.5 & 23.7	25.5 & 23.7	●

- completeness and accuracy of the underlying information used to determine the estimate
- impact of any changes to valuation method (IFRIC14)
- reasonableness of the Council's share of LPS pension assets
- reasonableness of decrease in estimated liability
- adequacy of disclosure of estimate in the financial statements

Assessment

Light Purple

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (MRP) - £9.904m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £9.904m, a net increase of £0.501m from 2021/22.	We have reviewed the Council's calculation of MRP and confirm that; • the MRP has been calculated in line with the statutory guidance; and • the Council's policy on MRP complies with statutory guidance. Government consulted in February 2022 on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation. As part of our work we noted that the MRP treatment relating to the delinking project (approximately £300k) at 31 March 2023 was not charged. Although the amount is trivial it will increase annually so will need recognising by the Council in future years – See action at Appendix B.	Blue

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Unit 4 ERP (Agresso)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Management override of controls

Assessment

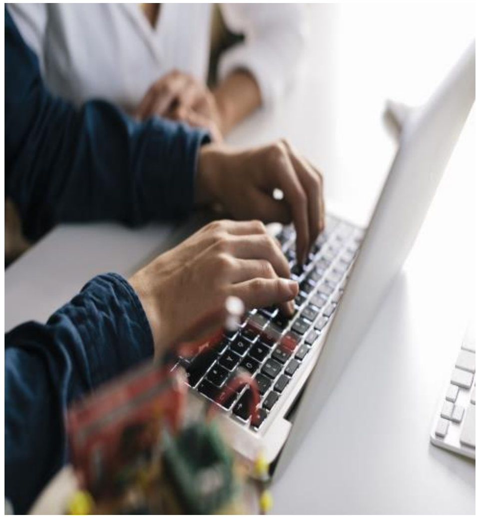
- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Governance 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 procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council which is set out at Appendix G.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to counterparties for banking, investment and borrowings. This permission was granted and the requests were sent and returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. The Council's accounting practices are considered appropriate.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

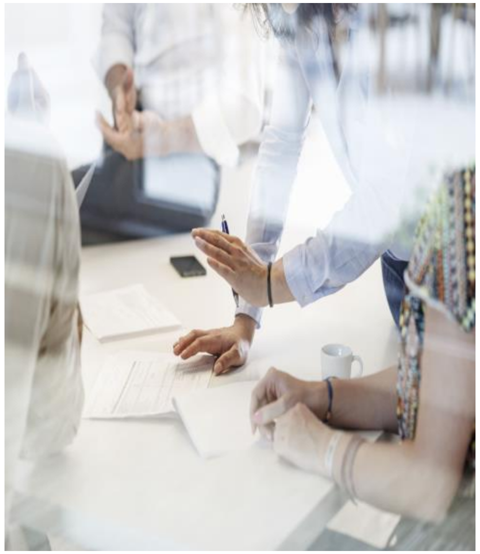
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have referenced the three significant weaknesses identified in the Council's arrangements to secure value for money as noted in the Auditor's Annual Report..
Specified procedures for Whole of Government Accounts	Where the bodies exceed the group reporting threshold of £2bn we are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Halton Borough Council in the audit report.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix I.

Risk of significant weakness	Auditor commentary	Outcome
The Council does not have a robust programme identified yet that will enable it to address its financial gap in the medium-term and is making planned and unplanned use of reserves.	The Council's planned and unplanned use of reserves is not financially sustainable and is a significant weakness in the Council's arrangements. The lack of progress to achieve planned savings from the transformation programme and limited MTFS savings in 2022-23 and in 2023-24 are significant risks to the Council's financial sustainability.	Key Recommendation 1: The Council should ensure its transformation programme is sufficiently developed to meet the medium-term financial gap and help the Council to replenish its reserves. It needs to: • reduce spending by looking at different ways of delivering services. • use the developing corporate strategy to identify its budget priorities and review service budgets. • develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear Council priorities and identify reductions to non-essential spending. • identify any discretionary activity that could be reduced or curtailed where it does not contribute to corporate business plan priorities. • consult on service changes and future spending plans with the public and include public engagement annually as part of business planning. • ensure the requisite skills are in place to manage the programme, lead change and explore new ways of working. • significantly reduce the Council's reliance on agency staff. • ensure it has a programme of savings and transformation projects that exceed its forecast gap to enable it to replenish reserves and minimise the risk of programme slippage.

3. VFM: our procedures and conclusions

Risk of significant weakness	Auditor commentary	Outcome
The Council's risk management arrangements are deficient on key areas set out in key recommendation 2. Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.	The Council's arrangements for risk management needs significant improvement.	Key recommendation 2: The Council needs to improve risk management by: • updating the Risk Management Strategy to add an escalation process between the corporate and departmental risk registers, including risk data transfer and ownership and adding in risk treatment and proximity. • ensuring there is a senior manager with responsibility for risk management. • formatting the CRR so there is a single table with strategic risks, issues and causes established with risk owners, split by risks, causes and impact and include assurances, direction of travel, planned completion date, linked risks, risk type, risk proximity, target risk date, date last updated, link to corporate objectives. • reviewing the three risks relating to capacity. • adding a risk on net zero which is a key priority but the risk of not achieving it is not identified in the CRR. • ensuring services and projects and programmes have their own effective risk management arrangements that mirror changes to the CRR. • integrating corporate risks, their references and their scores into all report writing for committee papers giving members risk assurance and helping them to understand the impact of their decision-making on risk and include risk considerations in committee paper sign-off. • ensuring the management team review corporate risks at least quarterly • integrating risk, performance and financial reporting in quarterly reports to the Executive Board. • ensuring risks identified in the annual budget report are sufficiently detailed and consistent with the CRR revised format. • adopting the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks as part of risk management improvement.
The Council needs to significantly improve its arrangements for performance management and ensure it has a golden thread in place and performance is consistently reported alongside nearest neighbours. In both 2022-23 or in 2023-24 the Council did not have a corporate plan in place. The Council needs to have a suite of corporate performance information reported to the Executive Board aligned with risk and finance reporting.	The Council's arrangements for performance management are not adequate.	Key recommendation 3: The Council needs to improve its performance management arrangements by: • establishing a golden thread for the Council, by improving the performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and reporting these to the public. • agreeing performance outcomes, that can be measured, at least annually as part of the enhanced performance management framework. • improving performance reporting to include benchmarking with 'nearest neighbours' data where possible; integrating performance, risk and finance reporting to drive improvement and sharing these reports quarterly with the Executive Board. • ensuring consistency across directorates regarding the reporting of corporate performance data to enable outcomes to be tracked. • ensuring the Executive Board receives quarterly performance, finance and risk reports to enable it to hold officers to account.

4. 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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teacher's Pension Return	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £135,326 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	28,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £28,000 in comparison to the total fee for the audit of £135,326 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Board. None of the services provided are subject to contingent fees.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's Executive, senior management or staff [that would exceed the threshold set in the Ethical Standard]

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
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	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified six recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. 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.

Assessment	Issue and risk	Recommendations
High	R1. Land and buildings assets not revalued Management had not carried out a review of assets not revalued as part of the triennial cycle as at 31 March 2023 to ensure there was no material change in value. At our request, management carried out a review which involved liaison with the external valuer.	Management should conduct an exercise to assess the valuation change in assets not revalued annually unless a full valuation takes place. Management response
High	R2. Pension actuarial valuation From discussions with the actuarial firms, we understand that the application of IFRIC 14 is not within their normal scope. As such, unless they are instructed otherwise by the employer, they will produce IAS 19 disclosures assuming there are no IFRIC 14 adjustments to any surplus or deficit. This means there is a risk that material adjustments are not factored into the IAS19 disclosures.	Management should instruct their actuary to calculate any potential asset ceiling under IFRIC14 when the pension scheme is in surplus to ensure this is reflected in their IAS19 calculations. Management response
Medium	R3. Property assets no longer owned by the council A review of fully depreciated vehicles, plant and equipment assets revealed that they had been disposed of by the Council.	Management should put in place arrangements to ensure that the fixed asset register is updated when assets are disposed of. A review of the fixed asset register should be undertaken to ensure no assets remain which have been disposed of. Management response
Medium	R4. Minimum Revenue Provision Management have not calculated an MRP charge for the £8m borrowing for the delinking project. At 31 March 2023 the MRP is estimated to be c£300k so trivial, but this will increase annually so will need recognising by the Council.	The Council expenditure on the De-linking project does meet the criteria for unfinanced capital expenditure which should prudently be included in the annual MRP charge of the Council. As such, the council should apply an MRP charge for the de-linking project borrowing in future years. Management response

Assessment

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**R5. Journal Authorisation** We noted that there is no formal review or authorisation process for journals. The mitigating control is that each cost centre is monitored by the relevant budget holder. The budget holder reviews transactions against cost centre codes periodically to ensure no unusual or incorrect postings have been made.	Management should consider putting in place a preventative control in addition to the existing detective control so that journals are authorised prior to them being posted. Management response
High	**R6. Bank reconciliations** 1. An unreconciled difference of £27k was identified on the General Receipts bank reconciliation for March 2023. 2. One school bank reconciliation for March 2023 could not be provided by management. Management confirmed that the reconciliation had not been prepared. We requested it to be prepared and raised a number of unreconciled items.	Review and improve the bank reconciliation process ensuring unreconciled amounts are investigated and cleared. Management should ensure that school's bank accounts are routinely prepared and retained. Management response

C. Follow up of prior year recommendations

We identified the following issues in the audit of Halton Borough Councl's 2021/22 financial statements, which resulted in 2 recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Note 21 Assets held for sale** An asset held for sale is incorrectly reported at its carrying value rather than the realisable value, resulting in an overstatement of £0.54m. As set out in note 15(d) to the financial statements "When it becomes probable that the carrying amount of an asset will be recovered through the sale of a transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value at highest and best use, less costs to sell". The Council has not applied the correct accounting treatment in re-classifying the asset to 'held for sale' and there is a risk that similar matters could be identified in future.	We are satisfied with 2022/23 assets held for sale disclosures.
X	**Note 33 Financial instruments** The financial instruments note should include a reconciliation between the fair values in the note and the Balance Sheet values. This will require the non-financial instruments to be identified and included as reconciling items and allow a reader of the accounts to link back to the amounts disclosed in the Balance Sheet.	Management have provided a total asset level reconciliation but not at a detailed level

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Balance Sheet, Pension Fund Notes and various associated notes Limitation of pension surplus recognised in accordance with IFRIC14. Note this cost is reversed through reserves so no impact upon General Fund	Dr 101,397	Cr (101,397)	nil	nil
Removal of property assets no longer held by the Council A review of fully depreciated equipment and vehicle assets identified that a material GBV amount was no longer held. Both gross cost and depreciation written out.	nil	Dr 12,423 Cr (12,423)	nil	nil
Correction of error in valuation input Incorrect valuation adjustment input into the asset register resulting in overstatement of asset carrying value.	Dr 3,525	Cr (3,525)	nil	nil
Overall impact	**104,922**	**(104,922)**	**nil**	**nil**

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and 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.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Prior Period Restatement Management omitted to include a prior period restatement note to reflect the reclassification in the CIES arising from the Directorate re-structure in 2022/23.	Prior period adjustment (PPA) disclosure note proposed by management which impacts the CIES, EFA and note to the EFA.	✓
Note 1 EFA and supporting note (Note 1) Compilation error on face of EFA. Movement in earmarked reserves for Corporate & Democracy overstated by £5,161k. Compensating error within the Adjustments between the funding and Accounts column for this service.	Council to amend Note 1 for this error.	✓
Mersey Gateway Note providing analysis of Mersey Gateway income and expenditure added to accounts to comply with the Transport Act 2000. Balances and movement on the Mersey Gateway Earmarked Reserve also provided.	Council to add note.	✓
Exit packages Note 11 Error in disclosure of number of voluntary redundancies. This relates to the bandings £20-£40k, £60-£80k and £80-£100k which are all reported in error as zero but should say five, one and one respectively.	Council to amend Note 11 for this error.	✓
External Audit Fees Note 14 Note is not consistent with audit fees set out on page 39 of this report.	Council to amend Note 14.	✓

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Property Plant & Equipment (Note 17) Runcorn Swimming Pool is recorded as an operational building valued £700k but should be classed as surplus as not operational at 31 March 2023.	Management should reclassify the Swimming Pool within Note 17. Management do not wish to make the amendment as not material and disclosure only.	X
Capital Commitments (PPE Note 17) The capital commitments disclosure understated the commitment for Widnes Leisure Centre by £0.92m.	Widnes Leisure Centre capital commitment to be amended to £26.22, and total commitments of £34.97m. This is a disclosure matter only.	✓
Pensions note 32 Number of compilation errors identified in note: Page 73 – Assets table column headings for both years should be "Unquoted prices not in active markets". Currently shown as quoted princes not in active market. Page 74 – Sensitivity table at bottom of page column heading should be "Approximate % increase to Defined Benefits Obligation". Currently shown as Approximate % increase to Employer Liability" Page 74 – The percentage increases for changes in assumptions should be disclosed. See HYMANS report for percentages.	Note should be amended for these errors	✓
Financial Instruments Note 33 The quoted maximum deposits for foreign banks does not agree to the 2022/23 Treasury Management Strategy.	Note should be amended to the approved maximum deposits.	

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Minimum Revenue Provision Management have not calculated an MRP charge for the £8m borrowing for the delinking project	nil	nil	nil	(300)	Not material
Capital accruals A capital accrual for £1.015m for the new leisure centre relating to March 2023 was omitted in error. Capital accruals are therefore understated by £1.015m.	Nil	Dr £1,015 Cr (1,015)	nil	nil	Not material
Overall impact	**nil**	**nil**	**nil**	(300)	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Note 32 Pension Scheme Understatement of pension fund asset valuation Dr Pension Investment Cr Remeasurement of net pension liability Note that this movement is reversed out to the Capital Adjustment Account under Local Authority accounting regulations so as not to impact the Council's overall financial position.	(1,032)	1,032		Not material to Halton's financial statements and based upon an estimated value. Will be corrected in 2022/23 by applying the up to date IAS19 actuarial valuation
Primary statements and various notes Understatement of year end creditor Dr Cost of Services (REFCUS) Cr Creditors	931	(931)		Not material to Halton's financial statements
Dr Capital Adjustment Account Cr Movement in Reserves Statement	(931)	931		
Note 21 Assets Held for Sale An asset held for sale is incorrectly reported at its carrying value rather than the realisable value, resulting in an overstatement of £0.5m Dr Capital Adjustment Account Cr Assets Held for Sale		540 (540)		Not material to Halton's financial statements
Overall impact	**£(1,032)**	**£1,032**	**0**	

E. Fees and non-audit services

We confirm below our final fees charged for the audit

2022/23 Scale fee published by PSAA	**£96,076**
Additional work on Value for Money (VfM) under the new NAO Code	£20,000
Increased audit requirements of revised ISA 540	£6,000
Enhanced audit procedures on journals testing	£3,000
FRC response – additional review requirements	£1,500
Infrastructure assets	£2,500
Payroll change of circumstances	£500
Collection Fund reliefs testing	£750
ISA 315	£5,000
Total audit fees as per audit plan	**£135,326**
Additonal fees for new issues	
IFRIC 14 – Net Pension Fund asset	£4,000
Additional VFM work around identified significant weaknesses	£4,000
Additional work relating to assets not revalued	£1,500
Total audit fees (excluding VAT)	**£144,826**

E. Fees and non-audit services

	Proposed fee	Final fee
Statutory audit fee (see page 39 for detail)	135,326	144,826
Non-audit fees: Audit Related Services:		
Housing Benefits certification	28,000	TBC
Teacher's Pension certification	10,000	TBC
Total non-audit fees (excluding VAT)	**£173,326**	**£TBC**

The fees do not reconcile to the financial statements as additional variations have not been accounted for. The final audit fee for the statutory audit has been discussed with management and is subject to formal approval by Public Sector Audit Appointments Limited.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

Dear Grant Thornton UK LLP

Halton Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and building valuations and pensions asset and liability valuations. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

G. Management Letter of Representation

i. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

iii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached below. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

iv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

v. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

vi. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

   We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

G. Management Letter of Representation

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

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

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council’s financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Audit and Governance Board at its meeting on 20 March 2024.

H. Audit letter in respect of delayed VFM work

Grant Thornton

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Councillor Rob Polhill
Chair of Audit & Governance Board
Halton Borough Council
Municipal Buildings
Kingsway
Widnes
Cheshire
WA8 7QF

27 September 2023

Dear Councillor Polhill

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the timing of the financial statements audit and the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 January 2024.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Michael Green

Michael Green

Director

grantthornton.co.uk