

# The Audit Findings (ISA260) Report for Halton Borough Council

**Year ended 31 March 2024**

6 November 2024





Halton Borough Council  
Heath Road  
Runcorn  
Cheshire  
WA7 5TN

6 November 2024

Dear Members of the Audit and Governance Board,

## Audit Findings for Halton Borough Council for the year ending 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the November Audit and Governance Board.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

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

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#).

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

*Michael Green*

Director  
For Grant Thornton UK LLP

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**Chartered Accountants**

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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.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Halton Borough Council Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

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## Financial Statements

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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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely during July – September as planned. Our findings are summarised on pages 7 to 25. We have identified three adjustments to the financial statements that have resulted in a £62.5m adjustment to the Council's Comprehensive Income and Expenditure Statement in respect of a prior period adjustment to reflect the Mersey Gateway Provision in earlier periods, a £14.1m adjustment in respect of assets not revalued in the year and a £5.5m adjustment to reclassify assets held for sale to surplus assets. These have no overall impact on the level of the Council's useable reserves.

Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

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

- Pensions - we are awaiting the final IAS19 assurances from the auditor of Cheshire pension fund.;
- finalisation of our work on school bank accounts;
- receipt of the signed management representation letter (see appendix F); and
- receipt of the signed financial statements.

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

Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts following the Audit & Governance Board on 20 November 2024.

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# 1. Headlines

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## 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

Our work on the Council's value for money (VFM) arrangements is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR).

We have completed our VFM work and our detailed commentary is set out in the separate Interim Auditor's Annual Report, which is presented alongside this report. We identified significant weaknesses 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 findings are set out in the value for money arrangements section of this report (Section 3).

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## 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 issued two statutory recommendations in respect of Financial Sustainability due to the financial pressures currently being faced.

We have completed the majority of work under the Code and intend to certify the completion of the audit following the Audit & Governance Board on 20 November 2024.

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## Significant matters

During the audit, we became aware of the worsening financial position of the Council during 2024/25. We wrote to the Chief Executive in August 2024 to express our concerns in this area.

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# 1. Headlines

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## National context – audit backlog

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### Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#) This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024.

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

The Council's 2022/23 accounts were signed on 27 March 2024 and as noted previously we are intending to sign the 2023/24 accounts in November, well in advance of the 2023/24 backstop deadline of 28 February 2025. We will continue to work with officers to deliver the audit within the timetables set by government.

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## National context – level of borrowing

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All Councils continue to operate in an increasingly challenging financial 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 in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

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. Although we have not noted issues with this at Halton, section 3 describes the significant weaknesses we have identified in the Council's arrangements in respect of Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness.

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# 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 will be presented at the Audit and Governance Board on 25 September 2024.

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

## Conclusion

We have substantially completed our audit of your financial statements and, subject to outstanding items being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Board meeting on 20 November 2024. These outstanding items are on page 4.

## Acknowledgements

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

As highlighted on page 6 during the course of the audit we faced audit challenges in respect of the Council's financial position and the sudden decline in performance during 2024/25. This resulted in us having to carry out additional procedures in our Value for Money work, as summarised on in section 3 and issuing statutory recommendations.

# 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.

We have revised the performance materiality percentage to reflect the increased risk due to the Council's draft accounts having gross expenditure over £500m. This means it is classed as a major audit under the Local Audit Regulations, which means our materiality percentage is capped at 1.5% rather than 2%.

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

## Council Amount (£'000) Qualitative factors considered

Materiality for the financial statements	8,653	Financial performance of the Council, focussing on the expenditure.
Performance materiality	6,489	Quality of working papers in prior year with few misstatements identified in previous years and Authority response to audit processes and adjusted for our assessment of the control environment
Trivial matters	432	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for Senior Officer remuneration	37	Materiality is reduced for remuneration disclosures due to the sensitive nature and public interest. Related parties adjustments are considered on a case-by-case basis as to whether it is material to either party





# 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
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• made enquiries of finance staff regarding their knowledge of potential instances of management override of controls</li> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determine the criteria for selecting high risk unusual journals and those falling into certain criteria determined by the audit team</li> <li>• tested a sample of journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness regarding corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>• Post year-end journals</li> <li>• Material journals across the year</li> <li>• Year-end journals</li> <li>• Journals posted by senior management</li> <li>• Off ledger adjustments</li> </ul> <p>Application of these routines and supplementary procedures identified a total sample of 38 journals to test.</p> <p>Our audit work is complete and has not identified any issues in respect of management override of controls, however we have repeated a prior year recommendation in respect of journal authorisation – see Action plan at Appendix B.</p>

# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

### ISA 240 Revenue recognition risk

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.

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

Although the risk of fraud is rebutted, we recognise the risk of error in revenue recognition, and this is addressed through the responses to risk detailed across.

### ISA 240 Expenditure recognition risk

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 can rebut the significant risk in relation to expenditure.

## Commentary

The revenue and expenditure recognition risks have been rebutted.

Despite revenue recognition not being a significant risk, we will still undertake the following procedures to ensure that revenue included within the accounts is materially correct:

- evaluate the Council's accounting policy for income and expenditure recognition for appropriateness and compliance with the Code
- update our understanding of the Council's system for accounting for income and expenditure and evaluating the design of relevant controls
- undertake detailed substantive testing on the income and expenditure streams in 2023/24, including sample testing of material revenue and expenditure transactions
- review the accounting treatment of all new income and expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards.

Our substantive income testing is complete and has not identified any errors that we are required to bring to your attention.

We have rebutted the risk of fraud in expenditure recognition

Despite expenditure recognition not being a significant risk, we will still undertake the following procedures to ensure that expenditure included within the accounts is materially correct:

- evaluate the Council's accounting policy for expenditure recognition for appropriateness and compliance with the Code
- update our understanding of the Council's system for accounting for expenditure and evaluating the design of relevant controls
- undertake detailed substantive testing on the expenditure streams in 2023-24, including sample testing of material expenditure transactions
- review the accounting treatment of all new expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards

Our substantive expenditure testing is complete and has not identified any errors that we are required to bring to your attention.

# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

## Commentary

### Closing Valuation of land and buildings

The Council revalues its property assets on a rolling basis. Revaluations are shared between the Council's Internal Valuer and an 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 (£200 million of land and buildings at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions.

Additionally for land and buildings, management will 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 as a significant risk for the Council.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written out to them and discuss 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
- engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation
- 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 re reasonable
- tested a selection of other asset revaluations made during the year to ensure they had been input accurately into the Council's asset register, revaluation reserve and Statement of Comprehensive Income and Expenditure
- 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
- for all assets not formally revalued, evaluate the judgement made by management or others in the determination of current value of these assets.

### Results

Our work on valuations of land and buildings is complete and has identified some issues as noted below:

The valuer's desktop valuation of assets not formally revalued identified an understatement of the Council's assets of £13.9m. This has been adjusted by the Council, as shown in Appendix D along with some other adjustments giving an overall adjustment of £14.2m. We have also noted in Appendix C how we raised a recommendation about the process for assets not revalued in the year causing an issue during the 2022/23 audit and receiving the information about this adjustment in mid-September indicates further improvements needs to be made.

We have also identified three unadjusted errors as noted in Appendix D:

- A £553k adjustment for a revaluation that was entered in error
- The Council processed a c£670k downward revaluation of Dundalk Road Changing Rooms/Bowls Pavilion. This was a result of the valuer not valuing part of the asset. Hence, it is not possible to quantify the exact value of the error as the asset has not been fully revalued at 31/03/2024, but we have assumed in Appendix D the understatement is £670k
- A £930k decrease in valuation where the floor plans used by the valuer had not been updated to reflect the disposal of some of the building.

# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

### Valuation of the Pension Fund Net Liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£579 million liabilities at 31 March 2024 and £711 million of assets) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.

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. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the 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.

## Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report 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
- obtained assurances from the auditor of the Cheshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

### Results

Our review of the processes and controls in respect of pensions and the instructions issued by management identified no issues, nor did our assessment of the competence, capability and objectivity of the actuary. We also confirmed the accuracy and completeness of the information provided by the Council to estimate the liability.

We challenged the actuary's assumptions and used our auditor's expert (PWC) to provide expert input on the assumptions that had been used. Page 14 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability

Our audit work is complete but has not identified any issues in respect of valuation of the pension fund liability for the Council.

As noted on page 4. we are still awaiting the final IAS19 assurances from the auditor of Cheshire pension fund auditor before we can formally conclude, though we are satisfied there is unlikely to be any material matters arising from work performed by the pension fund auditor.


## 2. Financial Statements - Observations in respect of other risks (continued)

This section provides commentary on other issues and risks we communicated in the Audit Plan.

Issue	Commentary	
<b>Accounting for Mersey Gateway Bridge as well as the associated Private Finance Initiative (PFI) liability</b>	<p>The Mersey Gateway Bridge PFI scheme is large and high profile to the residents of the borough.</p> <p>During the year a performance review of the Mersey Gateway project was undertaken by Mersey Gateway Crossing Board (MGCB) and the Department for Transport (DfT). As part of the review an exercise was undertaken regarding the excess revenue share procedure, which identified the amounts being repayable to DfT.</p> <p>In addition, PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information.</p> <p>We therefore identified the accounting for the Mersey Gateway bridge and the accuracy and presentation of the Mersey Gateway Bridge PFI scheme as a risk for the audit.</p>	<p><b>Auditor view</b></p> <p>We agree with the principles of how the Council has accounted for the amounts payable to DfT, however as the review point was for the 5 years up to 31 March 2023 rather than relating to the 2023/24 year, we believe this should have been accounted for in previous periods and given the material nature of the amounts should therefore be shown as a Prior Period Adjustment. The Council has updated the accounts to reflect this and we are reviewing the updated disclosure. This led to a £62.5m reduction in the Council's Comprehensive Income and Expenditure Statement and is noted in Appendix D. This has no overall impact on the level of the Council's useable reserves.</p> <p>No issues identified from our review of the PFI liability.</p> <p><b>Management response</b></p> <p>The accounts have been updated to reflect the prior period adjustment.</p>

# 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 – £200m	<p>Land and buildings had a net book value of £200 million.</p> <p>The Council revalues its property assets on a rolling basis. Revaluations are shared between the Council's Internal Valuer and an external valuation expert, Sanderson Weatherall.</p> <p>Management complete an annual desktop review of the assets not due to be revalued during the year, considering factors such as changes to building cost indices since the asset's last revaluation, and the impact of market changes evidenced by revaluations in year for similar assets and this is reviewed by management's expert. For 2023/24 the review highlighted that there was a material difference between the carrying value and the desktop valuations of non-revalued assets. Consequently, the values of such assets have been updated to reflect the updated values at the end of 2023/24 to ensure their values are materially correct.</p> <p>Management's assessment is that the potential difference in the value of the remaining assets not formally revalued during 2023/24 is not material.</p> <p>The total year end valuation of land and buildings was £200m, a net decrease of £1 from 2022/23 (£201m).</p>	<p>The Council's accounting policy on valuation of land and buildings is included in the Accounting Policies note of the financial statements.</p> <p>We have:</p> <ul style="list-style-type: none"> <li>assessed the Council's in-house valuer to be competent, capable and objective</li> <li>carried out completeness and accuracy testing of the underlying information provided to the valuers used to determine the estimate including floor areas where appropriate.</li> <li>reviewed management's assessment of assets not valued in the year against the Gerald Eve report and concluded that their assessment is reasonable and that assets not valued in the year are not materially misstated.</li> <li>agreed valuation reports to the Fixed Asset Register and to the Statement of Accounts.</li> <li>engaged our own valuation expert to assess the work of the Council's valuer, compliance with RICS requirements and management's assessment of assets not revalued in year. Our expert was able to confirm that the Council's approach was reasonable and in line with those adopted by other Valuers and that the valuations were reasonable.</li> </ul> <p>As noted on page 11 our work is complete however the assessment of assets not revalued during 2023/24 has led to a £14.2m adjustment to increase the asset carrying values and there are three unadjusted misstatements as detailed in Appendix D.</p>	 <b>Green</b>

## Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} 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
- [Green] 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
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**Net pension liability – £4.5m**

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.

The Council's initial draft net pension liability at 31 March 2024 was £4.5m (PY £4.7m ) comprising the Cheshire Local Government defined benefit pension scheme and unfunded defined benefit pension scheme obligations.

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

Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £18.3.m net actuarial gain during 2023/24.

Our work on the Council's net pension liability is substantially complete. We have:

- assessed management's expert to be competent, capable and objective.
- assessed actuary's approach taken, detail work undertaken to confirm reasonableness of approach
- used PwC as auditors expert to assess actuary and assumptions made by the actuary as outlined in the table below:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.85%	4.80-4.85%	●
Pension increase rate	2.75%	2.75-2.80%	●
Salary growth	3.45%	2.75-3.75%	●
Life expectancy – Males currently aged 65	20.8 years	PwC confirmed that assumptions are acceptable	●
Life expectancy – Females currently aged 65	23.5 years		●





Green

- the completeness and accuracy of the underlying information used to determine the estimate, including liaison with the auditor of the Cheshire Pension fund ( final response currently outstanding)
- undertook a reasonableness test of the Council's share of LPS pension assets and assessed the reasonableness of movement in the estimate, and
- assessed the adequacy of disclosure of estimate in the financial statements.





**Conclusion**

We have not identified any issues to date in respect of this significant estimate, however as noted on page 12, we are still waiting for the final IAS19 response from the pension fund auditor.

# 2. Financial Statements: key judgements and estimates



Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation	<p>Asset values and assessed remaining lives are input into Halton's asset management system (RAM) at acquisition where they are maintained until write off or disposal. The system then calculates the depreciation charge to be included in the draft accounts. Depreciation is calculated on a straight-line basis over the Useful Economic Life (UEL) of the assets. The usual UEL of assets is as follows:</p> <p>Buildings and Other Operational Properties - 10-60 years</p> <p>Community Assets - 15 years</p> <p>Infrastructure Assets - 15-120 years</p> <p>Vehicles, Plant and Equipment - 3-10 years</p> <p>Intangible Assets - 5 years</p> <p>Qualified valuers advise on the UEL of Buildings and suitably qualified officers advise on Vehicles, Plant and Equipment.</p>	Our review of the depreciation charge for the year identified no issues with the estimate made by management.	 Green
Bad debt allowances/credit loss provision	<p>The Bad Debt Provision and impairment provision recorded in the accounts is made up of a number of provisions, most notably the Mersey Gateway Public Charge Notices provision and Local Taxation provision.</p> <p>Calculation of Bad Debt Provisions is based on a reconciliation of aged debt balances. Outstanding balances are agreed and then historical collection rates are applied to the balances to calculate an estimate for the required provision.</p>	The method for calculating the Bad Debt Provisions for Short Term Debtors has remained consistent for a number of years. The general method is to obtain listings of all debtors and their amounts and calculate the bad debt provision required based on the general percentage rate of collection. These percentages are based on historic data and have been used for several years. We are content with these percentages, and their underlying assumptions, being used to calculate the provision and have not identified any circumstances that suggest they ought to have changed.	 Green

## Assessment





-  [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  {Amber} 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
-  [Green] 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
Provisions	Estimation of the provisions are based on the best estimate of expenditure required to settle the obligation at the time of preparation. Any subsequent increase or decrease in these amounts would lead to a corresponding decrease or increase in the General Fund, or the Collection Fund in respect of NNDR Appeals. Provisions are reviewed and authorised by senior management. There is a significant provision for the amounts potentially owed to the Department for Transport in respect of the Mersey Gateway, however this is calculated on a known basis rather than an estimate.	No management bias has been identified. The recognition, measurement, presentation and disclosure of Provisions estimate in the financial statements are deemed to be in accordance with the applicable financial reporting framework. Based on the results of the procedures performed in Provisions and contingent liabilities section, assurance gained over the reasonableness of the Provisions estimate.	 Green
Financial instruments - fair value of level 2 and level 3 investments	The Council has its treasury management advisors, to calculate the fair values of its financial instruments. Management understands and discloses that the fair value of liabilities can differ significantly from the carrying values, and can vary significantly year on year, dependant on market conditions.	No management bias has been identified. The Fair Value of loans and PFI liabilities is calculated by an external expert using loans and pfi data for each loan and pfi scheme supplied by Council. The expert uses PWLB and comparable interest rates from the underlying market in force on the 31st March 2024 to calculate the fair values. No changes noted from previous year.	 Green





## Assessment

-  [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  {Amber} 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
-  [Green] 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
PFI Liability	<p>Estimate is based on the requirements of IFRIC 12 and the financial information in the operator's model. They have been considered to have an implied finance lease within the arrangement. The authority has estimated the implied interest rate within the leases. IRR has been estimated as remaining constant throughout the remaining period of the contract.</p> <p>Model based on latest available information and information relevant to PFI type schemes.</p> <p>Underlying assumptions involved surrounding asset valuation and figures within the operators model. The main assumption underlying the estimate is that the conditions hold true for the life of asset</p>	<p>No management bias has been identified. The estimate is based on the requirements of IFRIC 12 and the financial information in the operators model. They have been considered to have an implied finance lease within the arrangement. The authority has estimated the implied interest rate within the leases. IRR has been estimated as remaining constant throughout the remaining period of the contract. The Model is based on latest available information and information relevant to the PFI type Schemes.</p> <p>The Code specifies the approach, i.e. the apportionment of expected payments under the financial model into separate elements and the application of the actuarial model for lease accounting to the elements relating to acquisition of the asset. No changes identified for 2023/24.</p>	 Green
Accruals	<p>Accruals for costs incurred or income earned at year-end are recorded based on the actual amount per invoice subsequently received post-year end, or estimated based on the previous invoices received or raised.</p>	<p>No significant accruals during the year and no significant judgements nor assumptions used with respect to this estimate based on the results of our samples testing on income, expenditure, debtors and creditors. No indicators of management bias noted.</p>	 Green





## Assessment

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-  {Amber} 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
-  [Green] 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 - £11.410m	<p>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.</p> <p>The year end MRP charge was £11.410m, a net increase of £1.506m from 2022/23. This represents a 1.88% charge against the CFR of £605.940m.</p>	<p>We have reviewed the Council's calculation of MRP and considered</p> <ul style="list-style-type: none"> <li>whether the MRP has been calculated in line with the statutory guidance</li> <li>whether the Council's policy on MRP complies with statutory guidance.</li> <li>Assess whether there has been any changes to the Council's policy on MRP</li> <li>Reasonableness of the increase in MRP charge</li> </ul> <p>Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following.</p> <p>This guidance clarifies 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 from the calculation unless exempted by statute.</p>	 Green

## Assessment





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-  [Amber] 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
-  [Green] 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.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Unit 4 ERP	ITGC assessment (design and implementation effectiveness only)					Our Value for Money work has identified a significant weakness due to the Council's business continuity and disaster recovery plans being out-of-date – see Auditor's Annual Report presented alongside this for more detail.

## 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: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
Significant events or transactions that occurred during the year.	The decline in financial performance during Q1 of 2024/25 was discussed.	<p>We have considered this in more detail in our Auditor's Annual Report, presented alongside this report, where we have identified significant weaknesses in the Council's arrangements for securing Value for Money and raised two statutory recommendations.</p> <p><b>Management response</b> Responses to each of the recommendations are included in the Interim Auditor's Annual Report.</p>
Prior year adjustments identified	As noted on page 13 we had discussions with management on the accounting for the Mersey Gateway, in particular how to account for the annual surpluses due back to the Department for Transport. We agreed with management's accounting however believed that the historic amounts due should be accounted consistently and as a prior period adjustment.	<p><b>Auditor view</b></p> <ul style="list-style-type: none"><li>Covered on page 13</li></ul> <p><b>Management response</b></p> <ul style="list-style-type: none"><li>Covered on page 13</li></ul>

## 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 and Governance Board. We have not been made aware of any incidents in the period and no 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, although we have noted a recommendation in Appendix B in respect of missed member declarations.
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 F.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to other Local Authorities, banks and financial institutions in respect of cash and investment balances and borrowings. This permission was granted and the requests were sent and positive responses received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
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
<p><b>Going concern</b></p>	<p>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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council’s financial reporting framework</li> <li>the Council’s system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> <li>The challenging financial position in 2024/25, which we know the Council is working to address and whilst this leads to some concerns over reserves we note the Council is hoping to obtain Exceptional Financial Support and provision of services would continue.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>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), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No significant inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"><li>• 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,</li><li>• if we have applied any of our statutory powers or duties.</li><li>• where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weaknesses.</li></ul> <p>We have nothing to report on the first matter based on the Annual Governance Statement and we currently have not exercised any of our statutory powers or duties. We have not yet exercised any of our additional statutory powers or duties and are considering the Council's responses to the financial pressures currently being faced. We will continue to monitor progress in this area and our statutory responsibilities.</p> <p>Our Interim Auditor's Annual Report is presented alongside this report and identifies significant weaknesses in respect of the Council's arrangements, see pages 26 and 27 for more detail.</p>





## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>We have completed our work on the Whole of Government Accounts and intend to submit our assurance statement to NAO following the Audit &amp; Governance Board on 20 November 2024..</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2023/24 audit of Halton Borough Council in the audit report due to National Audit Office's request not to certify any audits until they are ready to issue their opinion on the WGA.</p>

# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code requires 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 Interim Auditor’s Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified is/are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor’s report will make reference to these significant weaknesses in arrangements, as required by the Code.

Value for Money Criteria	Auditor Judgement	Outcome
Financial sustainability	R	Three significant weaknesses in arrangements identified and two statutory recommendations and one key recommendation made in relation to short and medium-term financial planning, the Council’s transformation programme, and the Dedicated Schools Grant (DSG) deficit. We raised a key recommendation on the Council’s savings and transformation plans in our 2022/23 report, issued in March 2024 and limited progress has been made to address the weaknesses identified.
Governance		Two significant weaknesses in arrangements have been identified in relation to risk management and business continuity and disaster recovery. The transformation programme governance and budget setting weaknesses identified in the financial sustainability section also have governance implications.  We also raise five improvement recommendations. These relate to internal audit, whistleblowing, scrutiny, Audit and Governance Board and declarations of interest.
Improving economy, efficiency and effectiveness		Two significant weaknesses in arrangements identified and two key recommendations raised in relation to performance management and children's services.  We also raise one improvement recommendation relating to contract management.

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

# 4. Other statutory powers and duties

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

Issue	Commentary
Statutory recommendations	We have issued two statutory recommendations in respect of the Council's financial sustainability.

# 5. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers).

In this context, we disclose the following to you:

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 E.

## 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](#).

# 5. Independence and ethics

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

<b>Matter</b>	<b>Conclusion</b>
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
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals
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 board, senior management or staff.

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.

# 5. Independence considerations

## Audit and non-audit services

The table below sets out the total fees for non-audit services charged from the beginning of the financial year to the date of signing the financial statements, as well as the threats to our independence and the safeguards that have been applied to mitigate these threats.

The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

- None of the services provided are subject to contingent fees.
- For the purposes of our audit, we have made enquiries of Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Halton Borough Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Service	Fees £	Threats identified	Safeguards
Certification of Housing Benefits grant – Audit related 23/24 fee	26,780	Self-interest, Self review and management	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 £26,780 in comparison to the total fee for the audit of £324,902, 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. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Certification of Teachers Pension Return – Audit related 23/24 fee	12,500	Self-interest, Self review and management	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 £12,500 in comparison to the total fee for the audit of £324,902, 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. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
CFO Insights – requested in 24/25 financial year – Other service	15,000	Self-interest	The level of this non-recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total fee for the audit of £324,902, 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.

# 5. Independence considerations (continued)

Service	Fees £	Threats identified	Safeguards
Certification of Housing Benefits grant – Audit related 22/23 fee*	26,000	Self-interest, Self review and management	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 £26,000 in comparison to the total fee for the audit of £324,902, 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. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Certification of Teachers Pension Return – Audit related 22/23 fee*	10,000	Self-interest, Self review and management	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 £324,902, 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. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
*Reflected in 22/23 Financial Statements			



# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Management Letter of Representation

# 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 6 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 2024/25 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
Medium	Our work on cash noted that bank reconciliations are not always carried out at the month-end date and also that some school bank accounts were still included within cash when they shouldn't have been. The amounts concerned are below our triviality level so no adjustment has been noted in Appendix D. We also noted the same issue as in 2022/23 where reconciling items were posted to debtors automatically rather than considered as reconciling items as part of the cash balance. The amounts are below trivial.	<p>We recommend that reconciliations are performed fully at period-ends and that the amounts which should no longer be in schools cash are transferred to the appropriate place in the Council's accounts.</p> <p><b>Management response</b></p> <p>A change in staffing resulted in slippage to monthly reconciliations. Training now provided and reconciliations will be undertaken monthly. Amounts incorrectly held as schools cash will be correctly transferred.</p>
Medium	From our work and discussions with management we understand that there is no internal formal impairment process performed. Whilst we understand that the valuer will review impairment as part of their review, management need to demonstrate how they have considered their own estate for potential impairment via the estates team and how issues have been discussed with the valuer such as plans to stop using certain assets, condition surveys etc.	<p>We recommend that management introduce a formal impairment process on at least an annual basis.</p> <p><b>Management response</b></p> <p>Discussions will take place with Council's valuers and impairment process will be built into annual closedown checklist.</p>
Medium	Our work on REFCUS (Revenue Expenditure Funded from Capital Under Statute) identified several items that should not have been classified as REFCUS and this led to the misstatement included in Appendix D.	<p>We recommend that the Council review any expenditure it is classifying as REFCUS as part of its annual closedown to ensure it meets the definition and is therefore accounted for correctly</p> <p><b>Management response</b></p> <p>Agreed, action to be built into annual closedown checklist.</p>

## Controls

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

# B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Low	We noted during our audit testing that some members had not disclosed all their interests on their declarations.	<p>We recommend that all declarations are completed fully by both officers and members.</p> <p><b>Management response</b></p> <p>The Council recognises the importance of having an up to date declaration of interests and will take steps to ensure its arrangements are robust.</p>
Low	Our testing identified an item which had been disposed of but was still held on the asset register. We note however it had no carrying value as it was fully depreciated.	<p>We recommend that at year-end disposals are reviewed to ensure that they are no longer on the asset register.</p> <p><b>Management response</b></p> <p>Action to be built into annual closedown checklist.</p>
Low	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.	<p>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.</p> <p><b>Management response</b></p> <p>Management consider that this is not required as controls are in place through review of expenditure by Finance Officers and Budget Holder to ensure all transactions are correctly coded.</p>

## Controls

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

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Halton Council's 2022/23 financial statements, which resulted in 6 recommendations being reported in our 2022/23 Audit Findings report. We are pleased to report that management have implemented most of our recommendations or have provided details of appropriate mitigating controls

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<b>In Part</b>	<p><b>R1. Land and buildings assets not revalued</b></p> <p>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.</p> <p>Management should conduct an exercise to assess the valuation change in assets not revalued annually unless a full valuation takes place.</p>	<p>Sandersons Weatherall have been asked to review all class of assets, not revalued in 2023/24 which have not changed significantly. Desktop valuation on all assets with a value over £3m, and a third of assets valued over £1m.</p> <p>Update from audit – This review was not received until mid-September and indicated a material difference which requires adjusting therefore we would recommend management consider requesting the desktop review is performed before the accounts are published.</p>
✓	<p><b>R2. Pension actuarial valuation</b></p> <p>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.</p> <p>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.</p>	<p>Actuary has been asked to provide a report to calculate potential asset ceiling under IFRIC14.</p> <p>No issues noted during the 2023-24 audit.</p>
✓	<p><b>R3. Property assets no longer owned by the council</b></p> <p>A review of fully depreciated vehicles, plant and equipment assets revealed that they had been disposed of by the Council.</p> <p>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.</p>	<p>This review has been carried out.</p> <p>No issues noted during the 2023-24 audit.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>R4. Minimum Revenue Provision</b></p> <p>Management have not calculated an MRP charge for the £10m 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.</p> <p>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.</p>	<p>DFT have sent e-mail confirming the £10m can be financed through revenue from road charges. MRP will be calculated and funded in full for the period to 31 March 2024.</p>
Re-raised	<p><b>R5. Journal Authorisation</b></p> <p>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.</p> <p>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.</p>	<p>Management consider that this is not required as controls are in place through review of expenditure by Finance Officers and Budget Holder to ensure all transactions are correctly coded.</p>
In part – point 1 re-raised in current year	<p><b>R6. Bank reconciliations</b></p> <ol style="list-style-type: none"> <li>1. An unreconciled difference of £27k was identified on the General Receipts bank reconciliation for March 2023.</li> <li>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.</li> </ol> <p>We recommend that management review and improve the bank reconciliation process ensuring unreconciled amounts are investigated and cleared.</p> <p>Management should ensure that school’s bank accounts are routinely prepared and retained.</p>	<p>The receipts account is reconciled daily to the bank statement as part of the Income Manager system. The difference relates to where allocations are made in different financial years, which is difficult to analyse retrospectively due to it being a live system. The Council will continue to try and find a better way of showing the reconciliation without showing an unreconciled balance between years.</p> <p>School bank accounts have been routinely prepared and retained.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

## 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 2024.

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

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	*Impact on brought forward reserves as PPA	Impact on general fund £000
Prior Period Adjustment in respect of Mersey Gateway Creditor*	(62,495)	0	0	62,495	0
Adjustment to reflect the desktop revaluation of certain assets not fully revalued in the year.	(14,062)	14,062	0	0	(14,062)
Three assets held for sale that were not being actively marketed at 31st March 2024, so these will be moved to Surplus Assets.	0	5,450 (5,450)	0	0	0
<b>Overall impact</b>	<b>£(76,557)</b>	<b>£14,062</b>	<b>£0</b>	<b>£62,495</b>	<b>£(14,062)</b>

# 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?
Amendments to Narrative report	Various elements to be reworded to improve clarity	✓
Accounting policies	Update critical judgements to be in accordance with IAS1, small amendments to other policies to improve relevancy.	✓
Note 42	Unitary charge figure (and corresponding 'other costs') incorrect in draft accounts. Wording to be updated in respect of Excess Share Repayment	✓
Various	Management agreed to amend for a number of other minor presentational issues and disclosure matters to ensure compliance with guidance.	✓
Pensions note	Management agreed to amend for a number of other minor presentational issues and disclosure matters to ensure compliance with guidance.	✓
Note 27	Updated disclosure in respect of MG repayment provision	✓
Note 43	New note added in respect of Prior Period Adjustment	✓
Note 2	Correction between grant income and fees and charges	✓
Note 7	Correction of Grants included in net cost	✓
Note 31	Update for disclosure misstatement	✓



# D. Audit Adjustments (continued)

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit and Governance Board is required to approve management's proposed treatment of all items recorded within the table below



Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
A downwards revaluation to the Municipal Building that was entered in error – only CIES side entered incorrectly as the I&E report was ran before the final adjustments were made	553 (553)	0	0	0	Materiality
Incorrect downwards revaluation of whole asset when only part was revalued	(670)	670	(670)	0	Materiality
Items incorrectly classified as REFCUS	1,317 (1,317)	0	0	0	Materiality
Error in floorplan calculation	930	(930)	930	0	Materiality
<b>Overall impact</b>	<b>£260</b>	<b>£(260)</b>	<b>£260</b>	<b>£0</b>	

## Impact of prior year unadjusted misstatements

We have reviewed the 5 prior year unadjusted misstatements identified during our 2022/23 audit. The only one which potentially could have an ongoing impact into the 2023/24 position is detailed below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Understated REFCUS creditor	931	(931)	0	0	Materiality
<b>Overall impact</b>	<b>£931</b>	<b>£(931)</b>	<b>£0</b>	<b>£0</b>	

# E. Fees and non-audit services

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

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Halton Council Audit	£307,352	£307,352
ISA 315	£12,550	£12,550
Cost for External Valuation expert (may vary depending on work required)	£0	£5,000
Additional work required to support the Value for Money conclusion	£0	£4,500
Total audit fees (excluding VAT)	£319,902	£329,402

All variations to the scale fee will need to be approved by PSAA

# E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Housing Benefit Certification 2023/24	26,780	26,780
Audit Related Services – Teachers Pension Return Certification 2023/24	12,500	12,500
Other Services – CFO Insight – commissioned in 2024/25 financial years	15,000	15,000
Audit Related Services – Housing Benefit Certification 2022/23	26,000	26,000
Audit Related Services – Teachers Pension Return Certification 2022/23	10,000	10,000
<b>Total non-audit fees (excluding VAT)</b>	<b>£90,280</b>	<b>£90,280</b>

## Total audit and non-audit fee

(Audit Fee) £ 329,402

(Non Audit Fee) £90,280

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

The audit fees reconcile to the financial statements as follows:

Audit fees per financial statements:	£324k
Additional work required during the audit (not accrued for)	£5k
Audit fees as per above	£329k

The non-audit fees for 2023/24 differ slightly as the accounts show £30k which reflects an adjustment to the amount recorded in the 2022/23 Financial Statements (£38k in the accounts versus £36k charged) and because the 2023/24 fees of £39k were confirmed after production of the financial statements. The 2022/23 services were recorded in the previous financial statements and the 2024/25 service will be recorded in the following set of financial statement for 2024/25.

This covers all services provided by us and our network to the Council, its directors and 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.

# F. Management Letter of Representation

Grant Thornton UK LLP

Landmark

St Peter's Square

1 Oxford Street

Manchester

M1 4PB

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Halton Borough Council

Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2024 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 2023/24 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 2023/24 ("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 valuation of land and buildings and the net defined pension liability. 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.
- 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.

# F. Management Letter of Representation

- 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.
- ix. 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.
- x. 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.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. 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.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 43 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. 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
- xvi. 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
- xvii. 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.

# F. Management Letter of Representation

- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. 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.
  
- xxi. 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.
- xxii. 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.
- xxiii. 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.
- xxiv. 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.
- xxv. 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

xxvi. 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

xxvii. 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 25 September 2024.

Date.....

Signed on behalf of the Council

# G. Auditor's Report

## Independent auditor's report to the members of Halton Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Halton Borough Council (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Financial Services' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Financial Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Financial Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Financial Services with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Financial Services is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# G. Auditor's Report

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 6 November 2024 we issued the following two written recommendations under section 24 of the Local Audit and Accountability Act 2014. These were in relation to:

- the Authority's short and medium-term financial planning. We have not seen any evidence of progress to date or clear plans to progress our 2022-23 key recommendation to implement a more robust budget setting approach. We recommended that the Authority improve its short term and medium-term planning.
- the Authority's transformation programme. We are concerned about the lack of pace in the programme so far and the lack of focus on delivering budgeted savings as this was agreed as the driver for the programme's introduction and is crucial for the Authority given its current financial context. We recommended that the Authority should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit.

Responsibilities of the Authority and the Director of Financial Services

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Financial Services. The Director of Financial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Financial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Financial Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.



# G. Auditor's Report

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).

We enquired of management and the Audit and Governance Board, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Governance Board, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to management override of controls through inappropriate journal entries:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect management override of controls,
- journal entry testing, with a focus on large and unusual items and those falling within identified risk criteria including: journals posted by senior management, period-end journals, journals posted after 31 March 2024, off ledger adjustments and period-end accruals and accrued income.
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the pensions valuation and land and building valuation.
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - o the provisions of the applicable legislation
  - o guidance issued by CIPFA/LASAAC and SOLACE
  - o the applicable statutory provisions.

# G. Auditor's Report

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter, except:

On 6 November 2024 we identified two significant weaknesses in the Authority's arrangements for financial sustainability. We made two written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014. These recommendations are included under Matters on which we are required to report by exception of this report.

In addition, we have identified the following further significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources:

- On 20 March 2024 we identified a significant weakness for the year ended 31 March 2023 in the Authority's for governance arrangements. This was in relation to the Authority's risk management arrangements needing significant improvements. We recommended that the Authority improves its risk management arrangements. We have identified no improvement in risk management in our work for the year ended 31 March 2024. Therefore, the significant weakness remains in place and retained a recommendation that the Authority needs to significantly improve its risk strategy, improve the Corporate Risk Register and ensure officers and members are reviewing strategic and directorate risks at least quarterly and ensuring risk is adequately considered in financial reporting.
- On 6 November 2024 we identified a further significant weakness in the Authority's arrangements for governance. This was in relation weaknesses in the Authority's arrangements for business continuity and disaster recovery. We recommended that the Authority urgently updates its arrangements in these areas.
- On 20 March 2024 we also identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness for the year ended 31 March 2023. This was in relation to the Authority's performance management arrangements as the Authority did not have a corporate plan in place for 2022-23 or 2023-24. We recommended that the Authority improves its performance management arrangements. We have identified no improvement in performance management in our work for the year ended 31 March 2024. Therefore, the significant weakness remains in place and the key recommendation is retained.
- On 6 November 2024 we identified a further significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. This was in relation significant weaknesses in arrangements for children's services. We recommended that the Authority needs to significantly improve its services for children and young people by putting in place arrangements to improve its SEND services working with health partners and by putting in place, and delivering, an improvement plan to address the wider children's services inspection findings.
- On 6 November 2024 we identified a significant weakness in the Authority's financial sustainability arrangements. The Authority's forecast shows its Dedicated School Grant (DSG) deficit is projected to rise significantly over the medium-term. We recommended that the Authority should put sufficient plans in place to address its escalating forecast DSG deficit, while delivering the necessary improvements to its special educational needs and/or disabilities (SEND) services. The Authority's plans should ensure it has appropriate contingency in place if the Government's statutory override is not extended in March 2026.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

# G. Auditor's Report

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Halton Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Green, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date:



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