

Audit Progress Report 2018/19 Final Accounts

Halton Borough Council
Year ending 31 March 2019

November 2019



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Introduction

Mark Heap

Engagement Lead

T 0161 234 6375

M 07880 456 204

E mark.r.heap@uk.gt.com

This paper provides the Business Efficiency Board with a report on progress in delivering our responsibilities as Halton Borough Council's 2018/19 external auditors.

Members of the Business Efficiency Board can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

Helen Stevenson

Engagement Manager

T 0161 234 6354

M 07880 456 209

E helen.l.stevenson@uk.gt.com

Progress at November 2019

Financial Statements Audit

At the July meeting of the Business Efficiency Board we reported our progress with respect to the audit of the Council's 2018/19 accounts. In particular, we referred to the fact that we had some outstanding queries on the audit, and that officers were helping us to address these. Since then we have been progressing the audit but there remain some issues which we are continuing to work with officers to resolve. These are as follows:

Mersey Gateway Bridge – accounting arrangements

The Council has engaged independent technical advice on the accounting entries required to reflect an appropriate valuation of the Mersey Gateway Bridge and associated liability. Officers have now provided amended entries for the financial statements and we are currently considering these in conjunction with our own PFI specialists. Material amendments are likely to be required to revise the fair value of the asset and associated liability in line with the underlying costs of construction.

When preparing the 2018/19 accounts the Council continued with the policy adopted in 2017/18 of applying a single 30 year life to the whole of the Mersey Gateway Bridge when calculating its depreciation charge. Officers are now considering whether it is more appropriate to give different lives to different components within the Mersey Gateway Bridge, therefore depreciating different components at different rates to reflect true deterioration of individual construction elements. Officers are working to identify the significant components and relevant componentisation policy with a view to applying a more accurate depreciation charge.

Property, plant and equipment (PPE) – land and building (L&B) valuations

PPE assets are required to be revalued according to a five year programme of revaluations. At the same time, the Council is required to satisfy itself that there are no material differences affecting those assets which have not been valued during the year in line with the programme. Officers have provided us with a detailed analysis of those assets not subject to valuation since 1 April 2015. This analysis identified a significant proportion (over £100m out of the total £165m net book value) of assets not covered by the rolling programme of revaluations in the last four years, as conducted by the valuer. Officers are currently assessing the position and working with Property Services to provide additional assurance that the value of those assets not covered have not altered significantly since 2015 and therefore are not materially misstated.

Grants received in advance

We have been in discussion with the Council on the treatment of both capital and revenue grants received in advance as included in the Balance Sheet. The Code requires that where there are no outstanding conditions attached to a grant then it should be recognised through the income and expenditure account and transferred to an earmarked reserve. There are certain grants in the Council's Balance Sheet where this treatment does not appear to have been applied.

We have worked with the Council to complete additional testing on both revenue grants (£46,167,000) and capital grants (£29,893,000) to identify the conditions outstanding with respect to the main grants. This additional work arose due to matters arising from our initial sample testing in this area. We have identified a number of grants where there appear to be no specific conditions outstanding and are currently in discussion with officers as to any resulting restatements which may be required in the financial statements. The amendments may require prior year restatements and a third balance sheet to reflect the position.

Pensions

We have completed our work to examine the updated Local Government pensions calculations and disclosures within the amended financial statements arising from the McCloud legal ruling. We have raised a query with respect to the "nil unfunded liabilities" (discretionary payments for early retirees within both the LG and teachers' schemes). Officers are currently assessing the position.

Progress at November 2019

Financial Statements Audit

Other disclosures and amendments

We have raised a number of disclosure changes required to ensure the financial statements are presented in line with the Code. We will check the overall revisions made to the financial statements when all significant outstanding issues on the audit have been resolved.

Restated financial statements

It is likely that extensive amendments will be required to ensure that the accounts are not materially misstated; this may include prior period adjustments. We will be reviewing our audit fee in the context of this position to reflect the extent of additional work which has been carried out on this audit. We will update members about this matter upon completion of our audit. No variations will be made to the fee without discussion with officers and all fee variations are required to be submitted to PSAA for prior approval.

