



The Audit Plan for Halton Council

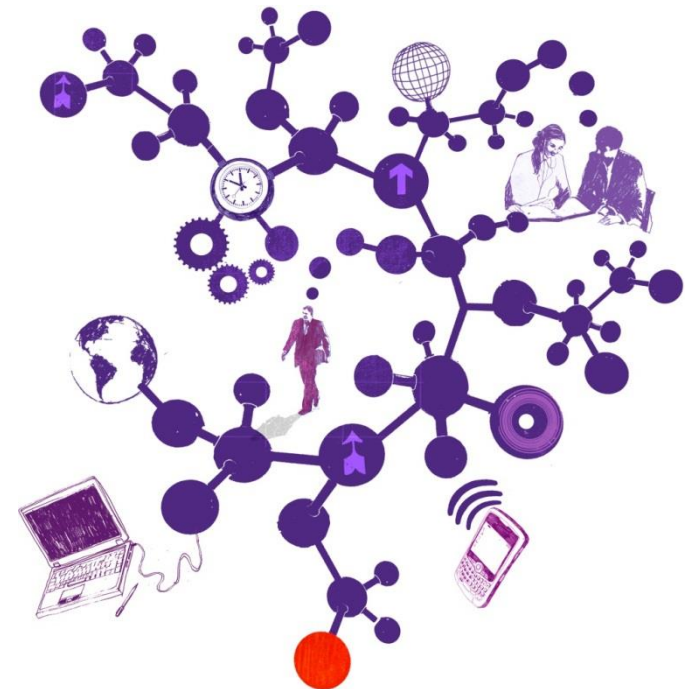
Year ended 31 March 2014

June 2014

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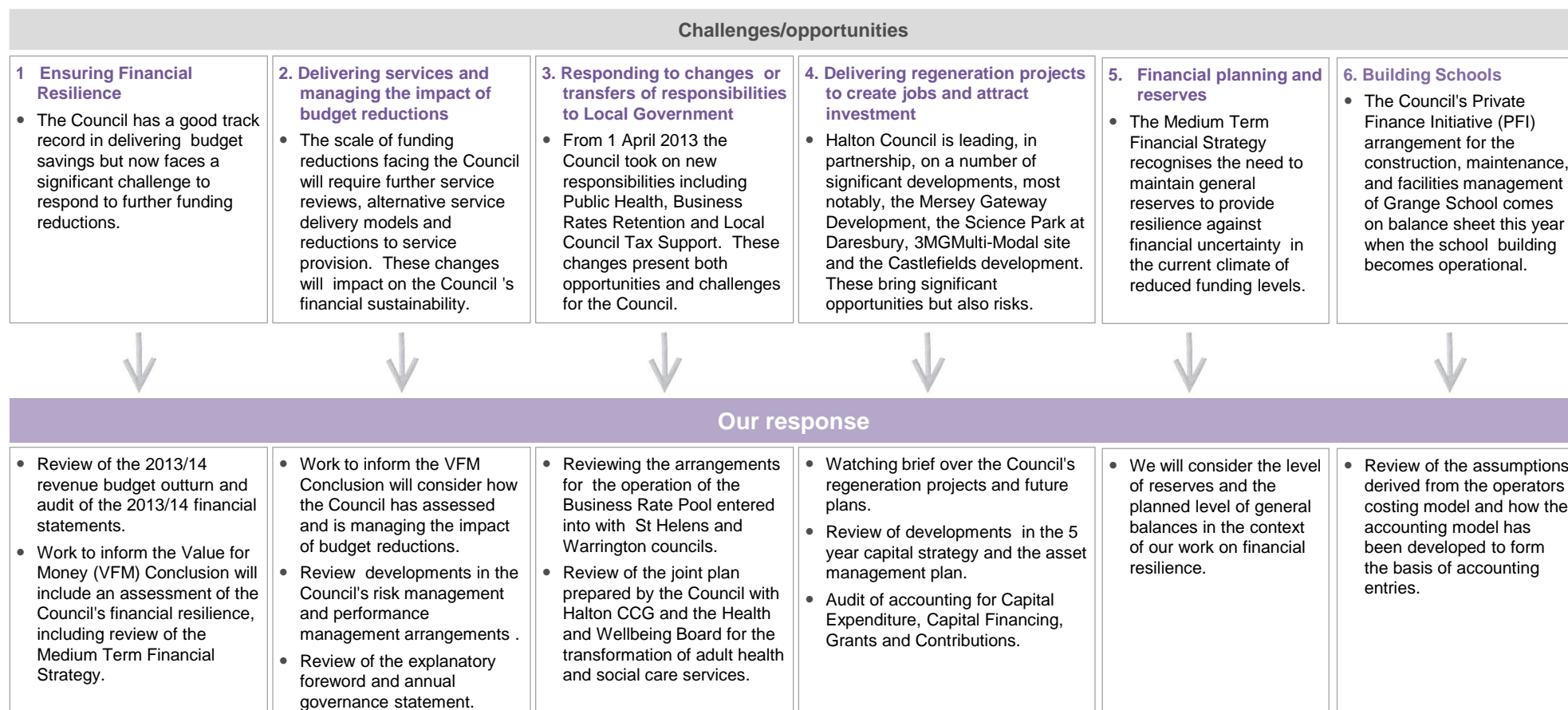
Contents

Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks
6. Value for Money
7. Logistics and our team
8. Fees and independence
9. Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice
- Clarification of Code requirements around asset valuations
- Changes to NDR accounting and provisions for business rate appeals
- Transfer of assets to Academies

2. Legislation

- Local Government Finance settlement
- Welfare reform Act 2012

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

4. Pensions

- The impact of 2013/14 changes to the Local Government pension Scheme (LGPSJ).

5. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our audit testing.
- schools are accounted for correctly and in line with the latest guidance,
- accounting estimates are soundly based.

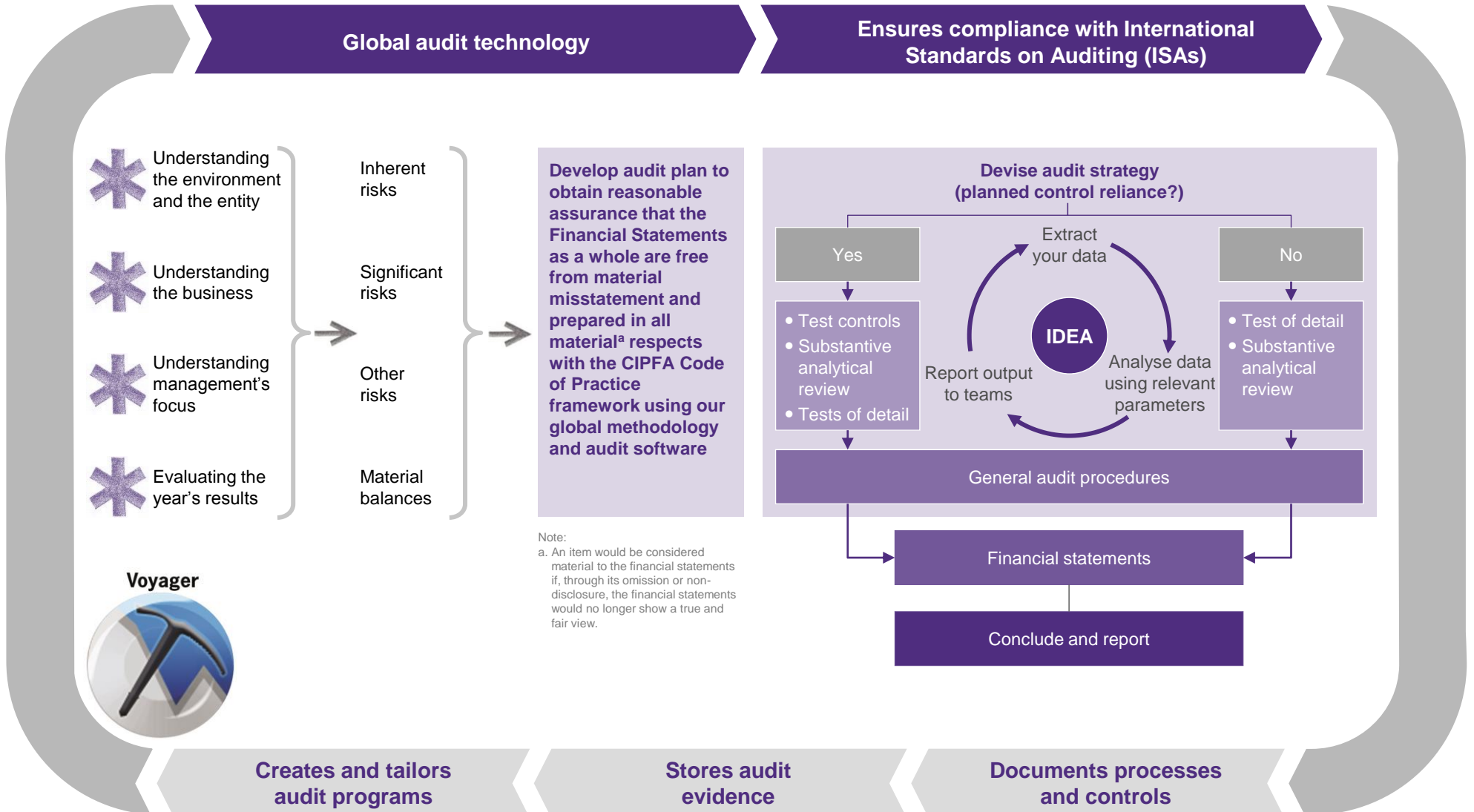
- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge of the Council.

- We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management.
- We will consider the proposals and accounting treatment in accordance with the Pension Fund Regulations.

- We will carry out work on the WGA pack in accordance with requirements
- We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



Significant risks identified

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

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<ul style="list-style-type: none">• Review and testing of revenue recognition policies• Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Documentation and review of journals during the interim visit• Testing of journal entries at the year end• Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date during interim visit	Further work planned at post statements visit
Operating expenses	Operating expenses understated or not recorded in the correct period	<ul style="list-style-type: none"> • Documentation of processes and controls • Evaluation and walkthrough of controls • Testing of key controls and /or attributes • Selection of a sample of expenditure items to month 9 for early substantive testing 	<ul style="list-style-type: none"> • Substantive testing of operating expenses from month 9 onwards. • Detailed review and testing of year end accruals and creditor balances. • Top up testing of controls
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> • Documentation of the processes and controls • Evaluation and walkthrough of controls • Testing of key controls and/or attributes 	<ul style="list-style-type: none"> • Sample test of payroll expenditure at the year end to payroll records. • Test year end accrual including reconciliation between payroll and the SAP general ledger. • Testing of a sample of payroll records • Top up testing of controls
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> • Documentation of processes and controls • Evaluation and walkthrough of controls 	<ul style="list-style-type: none"> • Agreement to accounts and supporting notes. • Housing Benefit and Council Tax Subsidy Claim testing using Audit Commission HBCOUNT approach. • Reconciliation between Benefits system and the SAP general ledger

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date during interim visit	Further work planned at post statements visit
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> • Test to confirm the operation of the system and controls • Evaluation and walkthrough of controls. 	<ul style="list-style-type: none"> • Substantive testing of PPE movements during the year. • Agreement to accounts and supporting notes. • Sample test of PPE additions and disposals, including compliance with capitalisation requirements.
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> • Documentation of processes and controls. 	<ul style="list-style-type: none"> • Test of the revaluation cycle, including instructions to the valuer and the valuer's report. • Review of the analysis which demonstrates that the value of assets in the Council's balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. • Test of depreciation and impairments, including evidence of review of Useful Economic Lives and mathematical accuracy. • Test of surplus or deficit on disposal.
Debt including PFI	Debt obligations not reflected properly	<ul style="list-style-type: none"> • Documentation of processes and controls. 	<ul style="list-style-type: none"> • Review valuation and disclosure • Review of model for new scheme

Group audit scope and risk assessment

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

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Halton Borough Transport	No	Analytical	N/A	Desktop review

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified. The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

Does the Council have robust systems to manage effectively financial risks and opportunities and secure a stable financial position that enables it to operate for the foreseeable future?

Is it prioritising its resources with tighter budgets?

Risk-based work focusing on

- arrangements relating to financial governance, strategic financial planning and financial control.
- arrangements for prioritising resources, improving efficiency and productivity.
- proper arrangements to secure economy efficiency and effectiveness, stewardship and governance and reviewing the adequacy of those arrangements

Specifically we will:

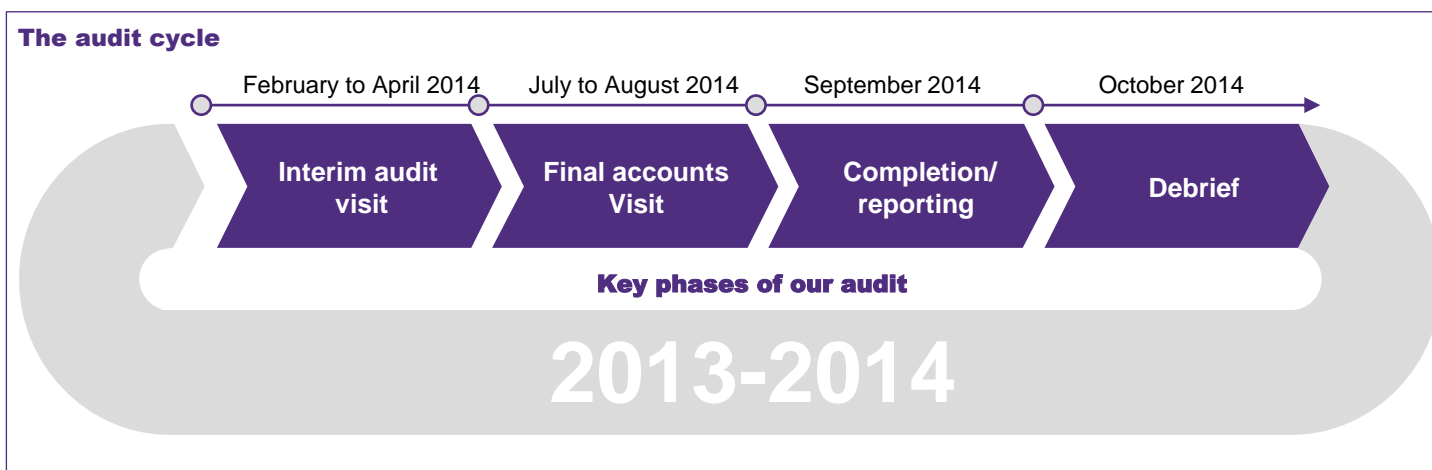
- carry out an initial and then a more detailed risk assessment
- follow-up any issues raised or recommendations made in reports issued by the external auditor.
- review your Annual Governance Statement
- review the results of other relevant regulatory bodies or inspectorates
- carry out a review of Financial Resilience.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p>	<p>Our work so far has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>Our work so far has not identified any significant issues.</p> <p>We will perform detailed testing on journal transactions recorded in the general ledger throughout the year using computer assisted audit techniques (CAATs).</p>

Key dates



Date	Activity
January	Planning
1 February to 30 April	Interim site visit
June 2014	Presentation of audit plan to those charged with governance
1 July to 31 August	Year end fieldwork
September	Audit findings clearance meeting with Finance
24 September 2014	Report audit findings to those charged with governance (Business Efficiency Board)
30 September 2014	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	139,322
Grant certification	12,000
Total fees (excluding VAT)	151,332

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Non-audit service - Provided directly to Halton Council	Fees £
- Vat advisory services £43,500 across a wide range of different projects	46,615
- RGF Claim Audit Report £3,115	

Independence and ethics

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

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

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

Communication of audit matters with those charged with governance

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

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

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

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

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

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

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



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