

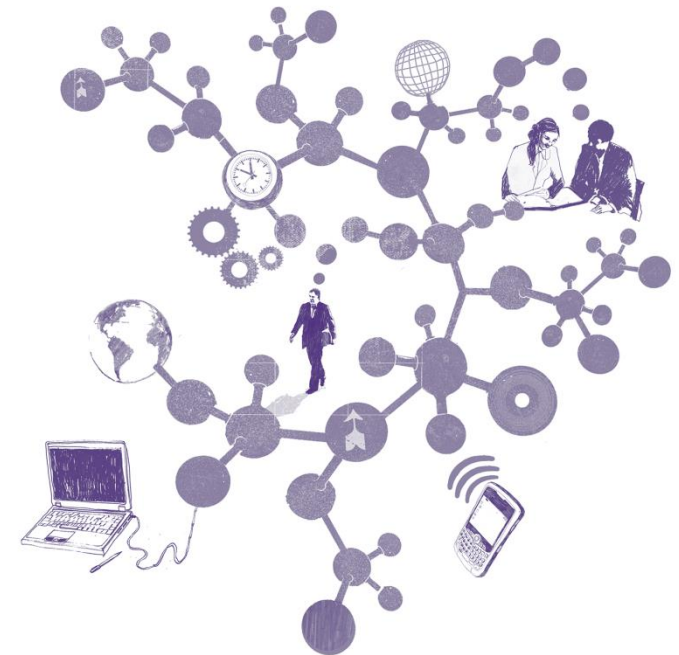
The Annual Audit Letter for Halton Borough Council

Year ended 31 March 2014

22 October 2014

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Halton Borough Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in June 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 24 September 2014 to the Business Efficiency Board and circulated an update on 29 September 2014. The key messages reported were:

- We identified two significant issues:
 - a material adjustment of £9.5m affecting the Council's reported financial position in respect of impairment transactions that had not been actioned; and
 - the cash flow statement was not in line with the Code of Practice on Local Authority Accounting 2013/14.
- The Council declined to amend the 2013/14 statements for two proposed adjustments that would have a £0.734m impact on net expenditure. Note (41) in respect of the detail of non-cash items in the Cash Flow Statement was not amended to provide further analysis.
- The material adjustment arose from transactions relating to 2013/14 that were not actioned. A recommendation has been made to improve internal control processes which has been accepted by Council Officers.
- The pre-audit financial statements were provided at the start of our audit work and good quality working papers were made available; and officers were available throughout our audit fieldwork to provide additional supporting information in a timely manner and resolved our queries promptly.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 30 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Key messages

<p>Value for Money (VfM) conclusion</p>	<p>We issued an unqualified VfM conclusion for 2013/14 on 30 September 2014. On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p> <p>However, during the year members did not take officers' recommendations to approve a planning variation in respect of the INEOS/Viridor waste site. This resulted in an appeal to the Secretary of State and a Public Enquiry where members' decision was overruled and full costs awarded to INEOS/Viridor. The Planning Inspector was critical of members' decision and although there has been no claim made yet, the decision by members has put the Council at risk of a claim that could have a significant financial impact.</p>
<p>Whole of Government Accounts</p>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p> <p>In our Auditor's Report dated 30 September 2014, we explained that we could not formally conclude the audit until we had completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We issued the WGA opinion and the certificate of completion of the audit on 3 October 2014, meeting the deadline set by the Department for Communities and Local Government.</p>
<p>Certification of grant claims and returns</p>	<p>We plan to certify three grant claims and returns by the due deadlines: Housing Benefit by 28 November 2014; two Local transport plan claims by 31 December 2014.</p>
<p>Audit fee</p>	<p>Our fee for 2013/14 was £140,392, excluding VAT which was £1,070 higher than our planned fee for the year. The additional fee of £1,070 was in respect of work on material business rates balances. Further detail is included within appendix B.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	Officers declined to amend the 2013/14 statements for two proposed adjustments that would have a £0.734m impact on net expenditure. Recommendation: Ensure the appropriate transaction are put through the ledger for 2014/15.	Medium	The transactions will be correctly recorded in the ledger for 2014/15. Responsible officer: Divisional Manager – Financial Management Due date: 31 st March 2015
2.	Note (41) in respect of the detail of non-cash items in the Cash Flow Statement was not amended to provide further analysis. Recommendation: Ensure that the detail of non-cash items is appropriately disclosed in the notes to the financial statements going forward.	High	The supporting note to the Cash Flow Statement and in particular for non-cash items will be reviewed and included in the Financial Statements for 2014/15. Responsible officer: Divisional Manager – Financial Management Due date: 31 st March 2015
3.	The material adjustment of £9.5m arose from transaction relating to 2013/14 that were not actioned. The asset register system (RAM4000) associates each asset with a service specific cost centre and, in creating a proposed set of impairment journal entries, distributes the impairment according to this pre-set mapping. The automated nature of this process reduces the risk of error. However, the resulting journal entries were not actioned. Recommendation: improve controls within the closedown procedures to ensure that expected transactions are included in the accounts.	High	Internal controls will be reviewed and reconciliation processes improved to reduce the risk of any such errors in future. A suitable process will be built into the closedown procedure checklist. Responsible officer: Divisional Manager – Financial Management Due date: 31 st March 2015
4.	During the year members did not take officers' recommendations to approve a planning variation in respect of the INEOS/Viridor waste site. This resulted in an appeal to the Secretary of State and a Public Enquiry where members' decision was overruled and full costs awarded to INEOS/Viridor. The Planning Inspector was critical of members' decision and although there has been no claim made yet, the decision by members has put the Council at risk of a claim that could have a significant financial impact. Recommendation: ensure members are clear about their governance responsibilities and the impact of any claim when/if it is received.	High	Whilst it is for Members of the Council to ultimately decide upon such matters, further training will be provided for Members of the Development Control Committee regarding their governance responsibilities. Responsible officer: Strategic Director Policy & Resources Due date: 31 st December 2014

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and provision of non-audit services.

Fees

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

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

Fees for other services

Service	Fees £
- Vat advisory services £43,500 across a wide range of different projects	46,615
- Regional Growth Fund Claim Audit Report £3,115	
(See note below regarding the Teachers' Pension and s256/257 claims)	

Reports issued

Report	Date issued
Audit Plan	June 2014
Audit Findings Report	September 2014
Certification report	Planned January 2015
VfM Report	September 2014
Annual Audit Letter	October 2014



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