

**REPORT TO:** Business Efficiency Board

**DATE:** 24 March 2021

**REPORTING OFFICER:** Operational Director, Finance

**PORTFOLIO:** Resources

**SUBJECT:** 2019/20 Statement of Accounts, Audit Findings Report and Letter of Representation

**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to seek approval for the Council's Letter of Representation, to consider the Audit Findings Report of the External Auditor (Grant Thornton), and to approve the Council's 2019/20 Statement of Accounts.

## **2.0 RECOMMENDED: That**

- 1. The draft Letter of Representation in Appendix 1 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board;**
- 2. The External Auditor's draft 2019/20 Audit Findings Report in Appendix 2 and Audit Opinion in Appendix 3 be received and any subsequent additions or amendments be approved by Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board; and**
- 3. The Council's draft 2019/20 Statement of Accounts in Appendix 4 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board.**

## **3.0 BACKGROUND**

3.1 The Statement of Accounts sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.

3.2 The format of the Statement of Accounts is heavily prescribed by the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting (The Code), which makes it a very technical document and not particularly easy to understand.

- 3.5 The Statement of Accounts for 2019/20 has been prepared in full compliance with International Financial Reporting Standards (IFRS).
- 3.6 Grant Thornton will attend the meeting to present the report of their findings, the Audit Findings Report, as shown in Appendix 2.
- 3.7 Section 2 of the Audit Findings report presents the findings of the External Auditor in respect of matters and risks identified at the planning stage of the audit and additional and significant matters that arose during the course of their work.
- 3.8 Each year the Council is required to provide the External Auditor with a Letter of Representation relating to the financial statements, as shown in Appendix 1. This provides a number of assurances to the External Auditor in connection with the preparation of the Council's accounts. The letter is required to be signed by the Chair of the Board on behalf of the Council.

#### **4.0 KEY SECTIONS WITHIN THE STATEMENT OF ACCOUNTS**

- 4.1 The Council's 2019/20 Statement of Accounts is presented in Appendix 4. The Narrative Report by the Operational Director, Finance summarises the Council's financial performance for 2019/20, including revenue and capital spending.
- 4.2 The Comprehensive Income and Expenditure Statement (CIES) presents gross expenditure, gross income and net expenditure for 2019/20 along with the previous year's comparison. The Net Cost of Continuing Operations is adjusted by a number of appropriations to give the Total Comprehensive Income and Expenditure. The CIES reports on how the Council performed during the year and whether its operations resulted in a surplus or deficit.
- 4.3 The Council's Balance Sheet sets out the Council's financial position as at 31 March 2020, along with a comparison to the position as at 31 March 2019. The balance sheet is a snapshot of the Council's financial position at a specific point in time, showing what it owns and owes at 31 March.
- 4.4 The Movement in Reserves Statement presents a summary of the changes in the Council's main reserves during the year. Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.
- 4.5 The Cashflow Statement provides an overall analysis of the movements in cash and cash equivalents during the year.
- 4.6 Detailed notes relating to items within the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement

and Cashflow Statement are shown under Notes to the Core Financial Statements.

- 4.7 The Collection Fund and associated notes summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to the Council's own General Fund, to central government (non-domestic rates only) and to the Precepting Authorities (Fire, Police, LCR Combined Authority and Parishes).
- 4.8 The Statement of Responsibilities outlines the basis upon which the Statement of Accounts has been prepared and is followed by a statement of the Council's Accounting Policies.
- 4.9 The External Auditor has used the draft Statement of Accounts as the basis for undertaking the annual audit of accounts, for which their Audit Report and Certificate is included within the final Statement of Accounts.
- 4.10 The final section presented within the Statement of Accounts is a Glossary of Terms.

## 5.0 **VALUE FOR MONEY**

- 5.1 Section 3 of the Audit Findings Report presents the External Auditor findings on the Value for Money (VFM) conclusion. It considers if the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 5.2 The External Auditor evaluates the VFM conclusion against one single criterion, being "in all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."
- 5.3 The overall conclusion from the External Auditor is the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## 6.0 **PRIOR YEAR RECOMMENDATIONS**

- 6.1 The 2018/19 Audit Findings Report identified a number of recommendations to improve the process and presentation of the Council's Statement of Accounts. These recommendations were approved by the Business Efficiency Board on 18 November 2020 after the draft 2019/20 accounts had been published. Of the 13 recommendations made all but 2 have been fully addressed within the 2019/20 accounts whilst those outstanding will be addressed in drafting the 2020/21 Statement of Accounts.
- 6.2 The Council has developed a stronger working relationship with Grant Thornton over the last 6 months and improvements have been made to the

audit process. Weekly meetings between Council Officers and External Audit have taken place, there has been a system implemented for the sharing of working papers and a weekly action log is maintained of all completed and outstanding actions.

## **6.0 NEXT STEPS**

6.1 Following the meeting and subject to any additional amendments or additions being approved, the Letter of Representation will be signed and the External Auditor will provide their audit opinion. The Statement of Accounts will then be published and made available to the public via the Council's website.

## **7.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **7.1 Children and Young People in Halton**

There are no specific implications for any of the Council's priorities.

### **7.2 Employment, Learning and Skills in Halton**

See 7.1

### **7.3 A Healthy Halton**

See 7.1

### **7.4 A Safer Halton**

See 7.1

### **7.5 Halton's Urban Renewal**

See 7.1

## **8.0 RISK ANALYSIS**

The Accounts and Audit Regulations require that the Statement of Accounts is certified by the External Auditor and published by 30 November 2020. As a result of the delay the council had published a Public Notice giving reasons for the delay.

## **9.0 EQUALITY AND DIVERSITY ISSUES**

There are no equality and diversity issues arising from this report.

## **10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Accounts and Audit Regulations 2015	Halton Stadium	Steve Baker Divisional Manager, Revenues and Financial Management

Code of Practice on  
Local Authority  
Accounting in the UK  
2019/20

Halton Stadium

Steve Baker  
Divisional Manager,  
Revenues and Financial  
Management

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

Date: TO BE DATED SAME DATE AS DATE OF AUDIT OPINION

Dear Sirs

Halton Borough Council

**Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 2019/20 ("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 and we acknowledge the material valuation uncertainty the valuer has noted in the valuation report. This is on the basis of uncertainties in markets caused by Covid-19 and we are satisfied that there have been no material impairment of asset values as assessed by the valuers. 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.

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

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

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

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

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code, subject to the matter raised in the Audit Findings Report.

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 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 and attached below. We have not adjusted the financial statements for these misstatements brought to our attention as explained alongside each item at the extract of unadjusted items below. 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. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. 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 current and future sources of funding or support will be more than adequate for the Council's needs. 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

#### **Information Provided**

xv. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the 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, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

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

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

xviii. 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.

xix. 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.

xx. 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.

xxi. 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.

xxii. 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.



xxiii. 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**

xxiv. 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. The final version of the AGS will be provided to you when available and before publication.

**Narrative Report**

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements. The final version of the Narrative Report will be provided to you when available and before publication.

**Approval**

The approval of this letter of representation was minuted by the Council's Business Efficiency Board at its meeting on 24 March 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**

Schedule of unadjusted errors:

**Impact of unadjusted misstatements**

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Business Efficiency Board is required to approve management's proposal not to adjust for these items.

<b>Detail</b>	<b>Comprehensive Income and Expenditure Statement £'000</b>	<b>Statement of Financial Position £' 000</b>	<b>Impact on total net expenditure £'000</b>	<b>Reason for not adjusting</b>
<b>CIES incorrect classification of S31 grant income received</b>		0	0	Not material and no impact on total Comprehensive Income and Expenditure.
Dr Corporate and Democracy income (CIES)	694			
Cr Taxation and non specific income (CIES grant and note 5)	(694)			
<b>Note 17 Property Plant and Equipment – to reverse a revaluation of surplus land asset previously disposed</b>		307	n/a	Not material and no impact on total Comprehensive Income and Expenditure.
Dr Revaluation reserve		(307)		
Cr Surplus assets				
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	