The Audit Findings for Halton Borough Council

Year ended 31 March 2021

23 March 2022

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Your key Grant Thornton team members are:

Michael Green
Engagement Lead
T: 0161 953 6382
E: michael.green@uk.gt.com

Stephen Nixon
Senior Manager
T: 0161 234 6362
E: stephen.r.nixon@uk.gt.com

Andrew McNeil
Assistant Manager
T: 0161 234 6366
E: andrew.mcneil@uk.gt.com

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.

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, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Governance Board.

Michael Green

Name : Michael Green
For Grant Thornton UK LLP
Date :

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Halton Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

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 Governance Statement (AGS), and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely between November 2021 to February 2022. Our findings are summarised on pages 5 to 20. Management provided a good set of draft financial statements for audit on 30 July 2021 by the statutory deadline. Our audit has not identified any material errors or adjustments to the draft outturn. Non-material unadjusted errors are reported at Appendix C. Audit adjustments are detailed in Appendix C and are primarily to amend for misclassification and disclosure matters. We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

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

- completion of additional procedures relating to infrastructure assets following a sector wide issue relating to component accounting in this area;
- receipt of management representation letter (Appendix F); and
- review of the final set of financial statements.

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

Our anticipated audit report opinion will therefore be unqualified.

1. Headlines

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 now 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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our draft Auditor's Annual Report setting out the results of our VFM work by the end of April 2022. This is in line with the National Audit Office's deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. Our Auditor's Annal Report will be finalised within the deadline set by the NAO.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness in the Council's arrangements but explained in the Audit Plan that we will be reviewing the collection rate of the Mersey Gateway bridge toll and the associated level of debt impairment, together with the contract management arrangements as an area of focus. In addition, we have also carried out a piece of work looking at governance arrangements related to waste management services across Merseyside Authorities, including Halton. Our VFM work is underway and an update is set out in the value for money arrangements section of this report (Section 3).

To date, we have not identified any risks of significant weakness and there are no matters of which we are aware that would impact our opinion on the financial statements.

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 have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements and NAO whole of government accounts (WGA) audit responsibilities. The timing of the WGA audit work remains uncertain due to the timetable and requirements of this work not yet being confirmed by the National Audit Office.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters during our audit. The audit opinion is to be later than the deadline set of 30 November 2021 due to the audit starting later than would normally be the case. This is brought about by audit resource pressures and a late conclusion to the 2019/20 audit.

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 to the Audit and Governance Board on 23 March 2022.

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 control environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the Council's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. We concurred with the Council's view that the group components were not material and therefore not requiring the preparation of group accounts; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our Audit Plan, previously communicated to the Audit and Governance Board.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Board meeting on 23 March 2022, as detailed in Appendix E. These outstanding items include:

- completion of additional procedures relating to infrastructure assets following a sector wide issue relating to component accounting in this area;
- receipt of management representation letter (Appendix F); and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff at the Council in responding to audit queries.

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.

Materiality levels remain the same as reported in our audit plan on 7 September 2021.

We detail in the table below our determination of materiality for Halton Borough Council

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£7.42 m	The threshold above which could reasonably be expected to influence the economic decisions of the reader of the financial statements.
Performance materiality	£5.19 m	The amount set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality.
Trivial matters	£0.37 m	Based upon 5% of materiality for the financial statements.
Materiality for senior officer remuneration	£32,000	Considered to be of heightened public interest

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
Management override of controls 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. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk. This was one of the most significant assessed risks of material misstatement.	We have: - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence - evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Audit work to address the risk is now complete. A sample of 43 journals was selected using the risk scoring method against 25 risk routines for testing. We have not identified any journals for focused testing as part of the review. Our testing has not identified any evidence of inappropriate management override of controls. Further assurance was gained from direct enquiry to a sample of staff in the finance team who post journals. Our review of accounting policies, management estimations and critical judgements in preparing the financial statements did not identify and evidence of inappropriate override of controls. Presentational matters were raised and agreed with management. Accounting policy note 30 (a) major sources of estimation uncertainty regarding Property, Plant and Equipment valuation was updated to remove the reference to material valuation uncertainty as management determined this was not applicable under current RICS guidance.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue and expenditure recognition risk **Revenue** ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that 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, means 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. **Expenditure** 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 are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heighted inherent risk of 'other service expenditure' in our audit scoping and testing assessment.	The revenue and expenditure recognition risks have been rebutted. Despite revenue and expenditure recognition not being a significant risk we still undertook the following procedures to ensure that revenue and expenditure included within the accounts is materially correct. To gain this assurance we: • evaluated the Council's accounting policies for income and expenditure recognition for appropriateness and compliance with the Code • updated our understanding of the Council's system for accounting for income and expenditure and evaluated the design of relevant controls • undertook detailed substantive testing on the income and expenditure streams in 2020/21 • documented our understanding of the full nature of additional Covid-19 related income and expenditure • reviewed 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 and expenditure testing has not identified any errors that would suggest improper revenue or expenditure recognition due to fraud. Income completeness testing identified s106 income of £570k relating to a 2020/21 scheme which was received in April 2021 but not recorded as a Debtor at year-end. Management have declined to update the draft accounts for this error as it is not material. We carried out further review of s106 income and gained assurance that there is no risk of material misstatement related to this area as the amounts involved are trivial in nature. See Appendix C for unadjusted errors and specific representation in the Letter of Representation.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings Revaluation of land and buildings should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Additionally, valuations are significant estimates made by management in the accounts. Our 2019/20 opinion included an emphasis of matter paragraph drawing attention to disclosures included in the financial statements of a material uncertainty attached to property valuations as at 31 March 2020 due to the ongoing nature of the Covid-19 pandemic. This paragraph did not represent a modification of our audit opinion. We have identified the valuation of land and buildings as a significant risk.	In response to this risk we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of management's internal and external valuation expert • written to the internal and external valuer to confirm the basis on which the valuations were carried out • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding • tested a sample of valuations at 31 October 2020, together with the movements to 31 March 2021 to understand the information and assumptions used in arriving at any revised valuations • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • reviewed whether the Council's expert valuer has reported any material uncertainty in relation to property valuations as at 31 March 2021 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion. Our audit work has not identified any material issues in respect of valuation of land and buildings and we are satisfied that the valuation is fairly stated. Management undertake a rolling programme of revaluations to ensure that all assets are revalued at least every five years on an agreed schedule. The revaluation by the professional valuer is dated 31 October 2020. Given the valuation date was in advance of the year end, we have considered the impact of potential movements to 31 March 2021. In doing this, we gained assurance that the valuation movement was not significant and that Council land and building assets at 31 March 21 are not materially misstated. We did identify that there is scope for management to improve their own assessment of the movement from valuation date to the year-end and to evidence this clearly for audit review. We have made a recommendation at Appendix A that the Council provide a clear assessment of their consideration of the valuation movements in future years. Our testing identified that the valuation in the Balance Sheet for Beechwood CP School was overstated by £616k due to an input error. Audit testing confirmed this to be an isolated input error and there were no further such errors in the schools valuation schedule. Management declined to amend the financial statements for this error as it is not material. See schedule of unadjusted errors at Appendix C. Accounting Policy – Note 30(a) Property Plant and Equipment: The draft accounts included a material valuation uncertainty disclosure regarding investment property valuations. Following audit review and challenge, management concluded that there was no longer a material uncertainty in this area given that investment property valuations in total being valued at £806k and therefore unlikely to be materially misstated. In addition, RICS guidance no longer mandates such an uncertainty.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of 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 due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. Our 2019/20 opinion included an emphasis of matter paragraph drawing attention to disclosures included in the financial statements which reported that, due to the impact of Covid-19 on the global financial markets, the valuation of the Pension Funds' property portfolio was reported on the basis of material valuation uncertainty. This paragraph did not represent a modification of our audit opinion. 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). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. 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 Authority's pension fund net liability as a significant risk.	In response to this risk we have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated 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 Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority 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 • obtained assurances from the auditor of 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. We have not identified any material issues in respect of valuation of the pension fund liability. We noted that the auditor of Cheshire Pension Fund reported that testing of level 3 investments indicated that the balance was understated by £31.55m in the Pension Fund Accounts and this was unadjusted due to not being material to the Pension Fund. Halton's share of the investment asset (and consequently of the error) is 10.64%, therefore there is a potential understatement in the Council's plan assets and overstatement in the net pension liability of £3.36m. Management have declined to amend the financial statements as the value is not material, and the matter is included on the schedule of unadjusted errors at Appendix C. It should also be noted that under local authority accounting, movements in the pension liability are reversed via the movement in reserves statement so this error does not impact the General Fund. Our detailed review of the estimation processes used in arriving at the net pension liability are included at page 13 and did not highlight any concerns.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Assets held for sale - £11,910k Audit review of this balance sheet line identified that assets included here were not carried on the valuation basis specified by the Code.	The CIPFA Code required that assets held for sale are measured at the lower of carrying amount or fair value less costs to sell. The principle of this is in line with IFRS 5 that potential gains on asset sales are not recognised until realised. Our audit work identified that assets in this category as at 31 March 2021 had been revalued during the year with an increase in value of £5.85m being recognised. On the basis of the Code guidance relating to valuation of assets in this category, we challenged the carrying value with management.	Management confirmed that the relevant asset was transferred to surplus assets during the year when a previous anticipated sale fell through. On reclassification to assets held for sale, an updated valuation was obtained showing an increase in fair value £5.85m above the previous carrying value. Based on the Code and IFRS 5 guidance the asset would be expected to be transferred to assets held for sale at the lower value. Management have agreed with this treatment and have amended the financial statements to reflect this as can be seen in Appendix C. There is no impact on useable reserves.
Investments - £81,871k Review of balances making up this amount identified a £2m balance relating to a loan to a third party.	The audit team challenged management on the classification of the £2m loan as an investment rather than being included as a debtor.	Following the challenge on treatment, management have amended the financial statements to show the £2m loan within debtors on the balance sheet. We concur with this treatment and the adjustment is set out in the summary of adjustments in Appendix C.
Long term debtors - £16,179k Incorrect inclusion of a £4.5m debtor.	Review of balances making up this amount identified a £4.5m amount relating to grant that had been paid to a company within the Sci-Tech Daresbury Enterprise Zone. The amount is to be recouped from future business rate growth.	The grant expenditure was made for capital development purposes and as such meets the criteria to be recognised as revenue expenditure funded by capital under statute. As the amount involved is to be recouped through future business rate income, there is no identifiable counterparty to recognise a debtor. Following discussion, management have agreed to amend the accounts to reflect the expenditure being REFCUS and to remove the debtor. See Appendix C.

2. Financial Statements – new issues and risks (continued)

Issue	Commentary	Auditor view
Short term debtors - £33,248, Short term creditors - £53,054 Inclusion of £2.9m debit balance within creditors.	Review of year-end creditor balances identified that the reported balance was netted down through the inclusion of £2.9m of debtor balances. The audit team challenged management on the netting down of the balance.	Year end debtor and creditor amounts should be presented on a gross basis. Management have agreed to amend for this matter which has no overall impact on the reported financial position of the Council. The adjustment is included in Appendix C.
IFRS 16 implementation Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020/21 statements to comply with the requirement of IAS 8 para 31. As a minimum, we expected audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases	Management include a high level reference to IFRS16 in the Statement of Accounting Policies Note 28 Accounting Standards that have been issue but not yet adopted.	The minimum requirement of IAS8 have been met. Management and the audit team will liaise during 2021/22 to ensure the requirement of the new standard are met and adequately reported in the 2021/22 financial statements. There is consultation taking place centrally to delay the implementation of IRFRS16 to 1 April 2023 although a final decision has yet to be reached.
Recognition and Presentation of Grant Income The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income	Management prepared a covid grants working paper and agency grant reconciliation which support the grant income disclosure in the notes to the financial statement.	Audit testing of grant income has not identified any non compliance with the requirements for grant accounting in the Code of Practice. To improve the reader's understanding, management agreed to include an additional disclosure note to report COVID related grant income where the Council acts as Agent. This also shows the year end debtor / creditor balance on the Balance Sheet for each individual grant.

2. Financial Statements – new issues and risks (continued)

Issue	Commentary	Auditor view
Debtor and creditor working papers We have noted a year on year improvement in management's working papers to support the draft financial statements. In the strive for continuous improvement the debtor and creditor year end population working papers could be improved.	The year end schedules of debtors and creditors extracted from the general ledger used to select sample items for testing should be cleansed to remove contra items. During audit sampling we identify large debtor and creditor balances for testing which subsequently turn out to have matching contra items which reduce their value. This results in unnecessary audit and finance team time spent in investigating low value items followed by additional items being selected. This adds extra time to the audit process.	We have made a recommendation at Appendix A to improve the quality of year end working papers by preparing a cleansed schedule of debtor and creditor populations (which does not include matching debit and credits to offset). Note that the matter has been noted in the last two years of audit.

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 – £199.8m (PY £206.4m)	Other land and buildings comprises £181.6m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£18.2m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Sanderson Wetherall LLP to complete the valuation of the majority of property as at 31 March 2021 with the remaining property within the valuation cycle valued by the Council's Internal valuer. 41% of total Land and Buildings were revalued during 2020/21. Statement of Accounting Policies 30(a) Property, Plant and Equipment made reference to a material valuation uncertainty regarding investment property valuation. Management agreed to remove reference to the material valuation uncertainty regarding property valuation as explained at page 10. Management undertake a rolling programme of revaluations to ensure that all assets are revalued at least every five years on an agreed schedule. The revaluation by the professional valuer is dated 31 October 2020. Management considered the year end value of non-valued properties, and the potential valuation change in the assets revalued during 2020/21 (at 31 October valuation date) to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the value of these properties however we consider this could be better documented by management (see across). The total year end valuation of land and buildings was £199.8m, a net decrease of £6.6m from 2019/20 (£206.4m).	• We have assessed the Council's external valuer, Sanderson Wetherall LLP and the Council's internal valuer, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas • Valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Council's carrying values to movements reported by Gerald Eve indices (valuation specialists), and concluded there were no material valuation differences. We also challenged the Council's valuation specialists on valuation differences identified through our sensitivity analysis work using other indices. There are no significant matters to report • Management should document their annual assessment to confirm whether: 1. the assets not revalued as part of the five-year cycle are not materially misstated, 2. the movement between 1 November and 31 March 2021 on revalued assets is not materially misstated. This raised as a recommendation at Appendix A • Overall we are satisfied the Council's land and buildings are not materially misstated. The accounting policy is adequately disclosed and estimation techniques are properly supported.	Light Purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] 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
- [Light Purple] 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
Net pension liability – £169.1m (PY £65.4m)	The Council's net pension liability at 31 March 2021 is £169.1m (PY £65.4m) comprising the Cheshire Pension Fund Local Government Scheme. The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £97.6m net actuarial gain/loss during 2020/21.	• We have assessed the Council's actuary, Hymans Robertson, to be competent, capable and objective • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2020/21 roll forward calculation carried out by the actuary and have no issues to raise. • We have used PwC as our auditor expert to assess the actuary and assumptions made by actuary – see table below for our comparison of assumptions:	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.00%	1.95% - 2.00%	●
Pension increase rate	2.85%	2.80% - 2.85%	●
Salary growth	3.55%	2.90% - 3.90%	●
Life expectancy – Males currently aged 45 / 65	21.4 yrs	20.4 - 22.7 years	●
Life expectancy – Females currently aged 45 / 65	24.0 years	23.2 – 24.9 years	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2020/21 to the valuation method
- We have raised an unadjusted pension investment understatement of £3.36m at page 10 of this report (and as an unadjusted error at Appendix C). Otherwise we are satisfied with the reasonableness of estimate of the net pension liability

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue 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
- Light Purple 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 for NNDR appeals - £8.4m (PY £6.7m)	The Council are responsible for repaying a proportion of successful rateable value appeals. Management has calculated a provision based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision for non domestic rate appeals is £8.4m (£6.7m in 2019/20)	We examined the estimate, considering the: • appropriateness of the underlying information used to determine the estimate • impact of any changes to valuation method • consistency of estimate against peers/industry practice • reasonableness of increase in estimate • adequacy of disclosure of estimate in the financial statements. We were satisfied with the methodology for the calculation of the provision.	Light Purple
Minimum Revenue Provision - £9.221m (PY £8.670m)	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. The year end MRP charge was £9.2m, a net increase of £0.551m from 2019/20.	We have reviewed the Council's calculation of MRP and concluded that: • the Council's MRP has been calculated in line with the statutory guidance • the Council's policy on MRP complies with statutory guidance.	Light Purple
Mersey Gateway toll income and penalty charge notice (PCN) and associated bad debt provision	A significant proportion of the Authority's bad debt provision relates to the collectability of Mersey Gateway Bridge PCNs. At 31 March 2021 the PCN and Toll debt was £17.6m (PY £25.6m) against which the Council has provided £12.6m or 72% (PY £22.8m 89%). Indications show that the level of PCN debt is falling which may in part be due to reduced crossings caused by national lockdown.	We have performed the following work in response to the identified risk: • reviewed the level of PCN and Toll debt at 31 March 2021 and management's assumptions regarding collectability in arriving at the bad debt provision • reviewed management's process for identifying and writing out uncollectable Toll and PCN debt The largest item is PCN debt at £16.2m at 31 March 2021 of which £11.7m is provided. On enquiry with the Mersey Gateway Crossings Board Ltd who issue the PCNs we have received assurance that the majority of toll income (97%) is paid without recourse to PCN, and MGCB has a reasoned approach to unpaid PCNs based upon ability to pay. We are satisfied that management has prudently calculated the expected recovery of PCN and toll debt in the 2020/21 financial statements.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue 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
- Light Purple 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
Grants Income Recognition and Presentation - £225.0m (PY £209.5m) Due to the Covid-19 pandemic there has been a significant increase in the level of Covid related grant funding with associated complexity and management judgement required. This has comprised a mix of discretionary and non discretionary schemes. The majority has been grants to business including £19.3m Small Business Grant Fund including Retail, Hospitality and Leisure.	Management take into account three main considerations in accounting for grants: • whether the authority is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes.	We completed sample testing on grant income, considering; • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. • the adequacy of disclosure of judgement in the financial statements. The Council assessed the major business support grant programmes administered during the financial year to determine whether the Council was acting as principal (where the Council had discretion over the amount of funding to award or the criteria for who could be awarded funding) or agent (passing money to businesses on behalf of government). In acting as principal, the Council carried forward any unspent balances on these grants to 2021-2022 as receipts in advance. Where the Council acts as an agent, any unspent balances are carried forward as a creditor. We are satisfied that the Council's judgement is reasonable based on the terms of the grant and how they have applied it.	Light Purple

Assessment

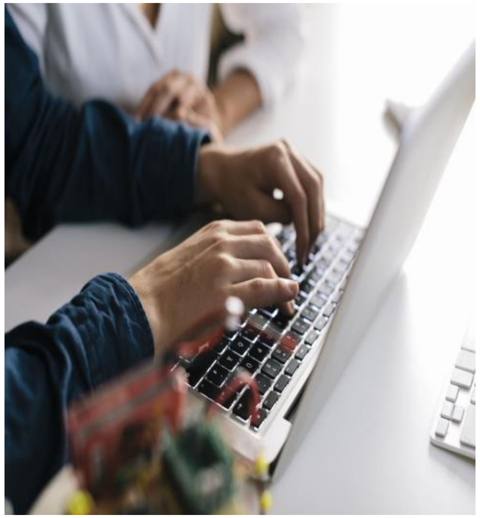
- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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 Committee. We have not been made aware of any other incidents in the period and no other 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. We have recommended that management review their processes to disclose related party transactions so as to report only those related parties where the Council exercises control.
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 shown at Appendix F.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested permission from management to send confirmation requests to the Council's banks and investment counterparties. This permission was granted and the requests were sent and responded to with positive confirmation.
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. We consider that the presentation of the financial statements would be improved for the reader if the 2019/20 Comprehensive Income and Expenditure Statement (CIES) comparator values were included in tabular format on the same page as the current year CIES. Similarly the prior year comparator notes would be better placed chronologically after the current year note. See Appendix A for recommendation.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. As set on page 13 of this report, we have raised a recommendation at Appendix A that management prepare their 2021/22 working papers to remove contra items from year end debtor and creditor balances. This will give a more meaningful population from which to extract sample items for the 2021/22 audit and consequently reduce time spent on audit.

2. Financial Statements - other communication requirements

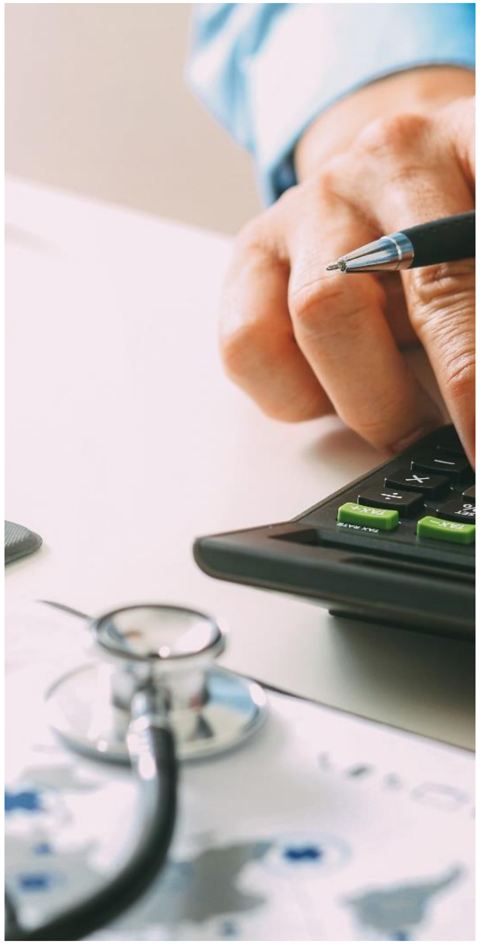
Our responsibility

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
Going concern	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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 • 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. 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: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	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. Minor presentational improvements have been identified and have been adequately responded to by management. We plan to issue an unmodified opinion in this respect (Appendix E).
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • 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, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	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. There is a delay with the NAO issuing WGA data collection instructions meaning that our specified procedures will not be completed until after the audit opinion is issued, resulting in a delay in the issue of the audit closure certificate as set out below. We are satisfied that the delayed WGA procedures should not result in a material matter for our opinion on the accounts or VFM duties.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of **Halton Borough Council** in the audit report, as detailed in Appendix E, in order to complete our WGA procedures set out above and Value for Money work.



3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require 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 not yet completed all of our VFM work and so are not yet in a position to issue our Auditor's Annual Report. We expect to issue our final Auditor's Annual Report soon after the accounts audit opinion. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness during our VFM planning and none have been identified to date. There are no matters of which we are aware that would impact our opinion on the financial statements.

NAO key criteria	Work performed to date
Improving Economy, Efficiency and Effectiveness	In response to the identified area of focus in our audit plan, we have held meetings with key officers at Halton Borough Council and Mersey Gateway Crossings Board to discuss the Mersey Gateway Bridge in particular the penalty charge notice (PCN), toll collection rates, the key partners and the tolling system. We have also undertaken work to review relevant documentation and committee minutes. Our work in this area is ongoing but we have not identified any significant areas of weakness to date and have no recommendations to make at this stage.
Financial Sustainability	We have held initial meetings with key officers to assess the financial pressures facing the Council. We have undertaken an initial review of the 2020/21 and 2021/22 budget and Medium Term Financial Strategy, Capital Programme and Treasury Management Strategy. We have noted performance reported at quarter 3 of 2021/22 which in overall terms forecasts a net spend above the approved budget of £2.998m. We have also undertaken an initial review of the same budget papers produced for the 2022/23 financial year as presented to Executive Board in February 2022. Our work in this area is ongoing but we have not identified any significant areas of weakness to date and have no recommendations to make at this stage.
Governance	We have obtained an assessment from management against the key governance themes covered by the NAO guidance. Our work in this area is ongoing but we have not identified any significant areas of weakness to date and have no recommendations to make at this stage. We have completed a waste governance review as a piece of cross cutting work for Merseyside authorities including Halton. This work has been completed by colleagues from our advisory term and has not identified any significant areas of weakness for the council.

4. Independence and ethics

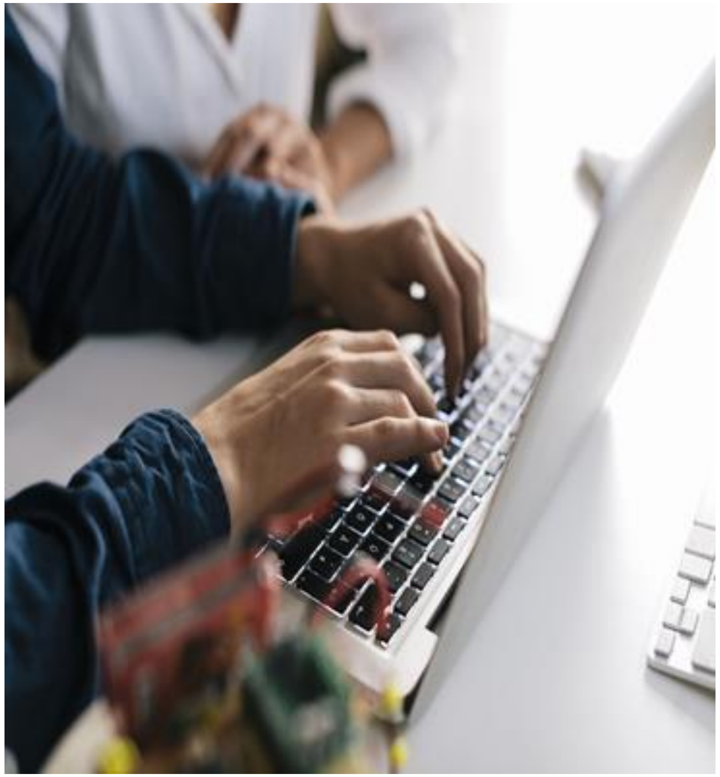
We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent 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 D

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 Transparency report 2020 (grantthornton.co.uk)



4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. Below are the audit related services provided during the year, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Housing Benefits Subsidy Certification	16,000	Self-Interest (because this is a recurring fee)	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 £16,000 in comparison to the total fee for the audit of £128,076 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. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Teachers' Pension Agency Certification	5,300	Self-Interest (because this is a recurring fee)	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 £5,300 in comparison to the total fee for the audit of £128,076 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. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to March 2022 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Non-Audit related			
CFO Insight License Fee Subscription (1 April to 24 May 2020)*	1,683	Self-Interest (because this is a recurring fee)	This is an on-line software service that enable users to rapidly analyse data sets. CFO Insights is a Grant Thornton and CIPFA collaboration giving instant access to financial performance, service outcomes and socio-economic indicators for local authorities. It is the responsibility of management to interpret the information. The scope of our service does not include making decisions on behalf of management or recommending or suggesting a particular course of action. 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 £1,683 in comparison to the total fee for the audit of £128,076 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. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. None of the services provided are subject to contingent fees.

* Note this was incorrectly stated as expiring 25 May 2021 in the Audit Plan.

Appendices

A. Action plan – Audit of Financial Statements

We have identified seven recommendations for the Council as a result of matters identified during the audit. We have agreed our recommendations with management and will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those matters that we have identified and concluded are of sufficient importance to report to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	1. Management undertake a rolling programme of revaluations to ensure that all assets are revalued at least every five years on an agreed schedule. The revaluation by the professional valuer is dated 31 October 2020. This presents the risk that assets not revalued and/or revalued assets at 31 October contain material movements at the year end.	Management should undertake an annual assessment to quantify and clearly evidence whether: 1. the assets not revalued as part of the five-year cycle are not materially misstated, 2. the movement between the valuation date and 31 March 2021 on revalued assets is not materially misstated. **Management response** As indicated in the management response to the 2019/20 Audit Findings Report, the Council is to move from a five yearly to a three yearly valuation cycle from 2021/22 to gain more assurance on the overall valuations. The valuation date will move to 31 January to give further assurance.
Medium	2. The Council's bank reconciliations contain a high volume of historic reconciling items. This presents the risk that the Council's bank account may be incorrectly recorded in the general ledger.	Review the reconciling items on bank reconciliations with a view to writing off any items that will not be cleared with particular reference to historic items. **Management response** Included within the bank reconciliation are 69 historic items totalling £93k. The Council will review this balance with a view to clearing.
Medium	3. Certain organisations were disclosed as related parties in the 2020/21 disclosure note but did not meet the definition of related parties in accordance with section 3.9 of the Code.	Ensure that related party disclosures are consistent with the guidance set out in the Code. **Management response** There have been significant improvements to the related party transaction note between the 2019/20 and 2020/21 statement of accounts. Work is already underway to ensure the note is improved further and consistent with guidance.

Assessment

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

A. Action plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Medium	4. We note that there is a year on year improvement in supporting working papers. They could be improved further if debtor and creditor populations are cleansed to remove contra items, which will make audit sample selection more focused on true year end balances and thus increase efficiency during the audit.	Improve the quality of year end working papers by preparing a cleansed schedule of debtor and creditor populations (which does not include matching debit and credits to offset) **Management response** The Council will work with the External Auditor to agree a format of these working papers for future years.
Medium	5. We note that there is a year on year improvement in supporting working papers. They could be improved further if a year on year analytical review was prepared to explain significant variances. This will also assist management in assuring that values are in accordance with expectations	Preparing a year-on-year analytical review of significant movements at 31 March 2022 and thereafter. **Management response** Analytical review will be built into the closedown timetable.
Low	6. The presentation of the financial statements would be improved for the reader if the 2019/20 Comprehensive Income and Expenditure Statement (CIES) comparator values were included in tabular format on the same page as the current year CIES. Similarly the prior year comparator notes would be better placed chronologically after the current year notes.	Change the presentation of prior year comparators in the 2021/22 financial statements. **Management response** The presentation of comparator information has not been raised as an issue by any reader of the accounts. Regardless if there is available resource time the Council will review this.
Low	7. Finance Team do not undertake any routine checking of the existence of assets held on the fixed asset register, and rely on notification by the staff responsible for the asset regarding any potential disposals or obsolescence.	Control recommendation that the Finance Team undertake regular testing of assets held on the asset register for existence and making subsequent amendments where necessary. **Management response** The Council's Internal Audit team carry out checks as part of their programme of work on control of assets.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Halton Borough Council's 2019/20 financial statements, which resulted in five recommendations being reported in our 2019/20 Audit Findings report. We have followed up on the implementation of our recommendations and note that three are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Related party disclosures** The related party disclosure is quite extensive and should only reflect related parties where there is control, significant influence and the party is a member of the key management personnel of the reporting entity (Code 3.9.1).	This matter has not been fully addressed in the 2020/21 Related Parties note and amendments were required to the 2020/21 disclosure note (See Appendix C). Management to revisit as part of 2021/22 closedown.
X	**Compilation of the cashflow statement** On checking the cashflow statement we identified a number of material amendments.	This matter has not been fully addressed in the 2020/21 Cashflow Statement as a recategorization was required between net cash flows from investing activities and from financing activities, although not material. Management to revisit as part of 2021/22 closedown.
✓	**Land and buildings valuation** The Council approach to valuing schools was not compliant with Code guidance to value all assets within a class of assets. This resulted in a material adjustment to the valuation of land and buildings in note 17.	Matter addressed for the 2020/21 financial statements.
✓	**PFI future commitments** The PFI future payment tables for services schedule in note 31 have not been updated for RPI inflation which is inconsistent with the PFI operator model. Management chose not to update 2019/20 note 31 because it is a disclosure note only and based upon an estimate of future RPI. The 2019/20 unitary charge is correctly reported.	Matter addressed for the 2020/21 financial statements.
X	**Financial statements supporting working papers** We have noted improvements to the 2019/20 financial statement working papers although are keen to work with management to identify areas for further improvement.	2020/21 working papers continue the improvement trend, although there remains some scope to cleanse working papers of year end debtors and creditors to remove contra items and make audit sampling more appropriate.

Assessment

✓ Action completed

X Not yet addressed

C. 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.

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 2021. These impacted the balance sheet only with no overall impact on the draft outturn.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000
Note 21 Assets held for sale			
An asset held for sale was carried in the balance sheet at its fair value rather than its carrying value			0
Dr Revaluation Reserve		5,850	
Cr Assets held for sale		(5,850)	
Dr Surplus on revaluation of non-current assets	5,850		
With the exception of cash flow this has an impact upon all core statements plus where appropriate supporting notes. Note that there is no overall impact to the General Fund as the item is written out to the unusable reserves.			
Note 22 Investments			
Incorrect classification of Langtree loan as an investment. Transferred to debtor balance. (Balance Sheet)		2,000	0
Dr Long Term Debtors		(2,000)	
Cr Long Term Investments			
This error has a corresponding impact upon the cashflow statement (year on year debtor movements) and the financial assets within Note 33 Financial Instruments.			
Note 23 Long Term Debtors			
The Council recognised a debtor arising from a grant paid to Daresbury SIC for £4.5m within the Sci-Tech Daresbury Enterprise Zone to be funded by future business rates growth. Management agreed that the grant was not a debtor but instead should have been treated as REFCUS (Revenue Expenditure Funded as Revenue Under Statute)			
Dr Revenue Expenditure financed as capital under statute (REFCUS) - CI&E	4,529		
Cr Long and short term debtors		(4,529)	0
Dr Capital Adjustment Account		4,529	
Cr Revenue Expenditure financed as capital under statute (REFCUS) - MIRS	(4,529)		
This has an impact upon all core statements plus where appropriate supporting notes. Note that there is no overall impact to the General Fund as the item is written out to the unusable reserves under statute.			

C. Audit Adjustments

Impact of adjusted misstatements (continued)

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 2021. These impacted the balance sheet only with no overall impact on the draft outturn.

Detail	CIES £'000	Balance Sheet £'000	Impact on total net expenditure £'000
Note 25 Creditors			
Incorrect classification of a debtor as a debit to creditors (Balance Sheet)			
Dr Creditors		2,931	
Cr Debtors		(2,931)	
This error has a corresponding impact upon the cashflow statement (year on year debtor movements) and the financial assets within Note 33 Financial Instruments.			
Note 37 Unusable Reserves			
Correction of mis-postings over a number of years in relation to excess depreciation			
Dr Revaluation Reserve		2,960	
Cr Capital Adjustment Account		(2,960)	
Overall impact	£5,850	£0	£0

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 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	Reason for not adjusting
Note 17 Property Plant and Equipment				
School valuation overstated by £615,700		616		Not material
Dr Revaluation Reserve		(616)		
Cr Buildings valuation				
Note 29 Other Long Term Liabilities (Pension Liability)				Not material and based upon an estimated value at a point in time
The auditor of the Pension Fund reported an unadjusted investment understatement of £31.55m. Halton's share of the fund's investment asset is 10.64%, equating to a potential understatement in the Council's plan assets and overstatement in the net pension liability of £3.36m.				
Dr Pension Fund investment asset		3,357		
Cr Remeasurement of net defined benefit liability	(3,357)			
Note that pension fund gains and losses are reversed through the Movement in Reserves Statement so do not impact the general fund.				
Other Income				
Income completeness testing identified s106 income of £570k received in April 2021 that was not accrued as a Debtor at year-end.				Not material
Dr Debtors		570		
Cr Income	(570)		(570)	
Overall impact	£(3,927)	£3,927	£(570)	

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure errors identified during the audit and whether they have been adjusted in the final set of financial statements.

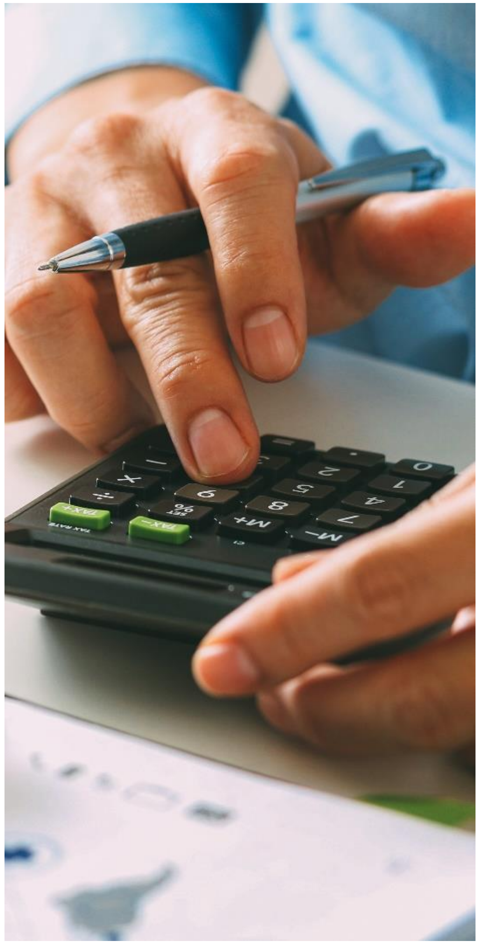
Disclosure omission	Auditor recommendations	Adjusted?
Note 7 Grant Income. Management agreed to add in a further disclosure note setting out Covid related grant income where authority acting as agent and to include the year end debtor / creditor balance to improve the reader's understanding.	Note 7 to be updated	TBC
Note 13 Related Party Transactions Certain organisations were disclosed as related parties in the note but did not meet the definition of related parties in accordance with section 3.9 of the Code.	Note 13 to be updated. The council agreed that the following organisations should be removed from the note: Halton and St Helens CVS, Halton Citizens Advice Bureau, Halton Community Transport, Mersey Gateway Environmental Trust, Nightstop Communities Northwest CIC, Norton Priory Museums Trust, HTP Grange Ltd, HTP LEP Ltd and Halton Chamber Of Commerce.	Y
Note 14 External Audit Fees The figures disclosed in the draft note were not consistent with the agreed audit fees payable to Grant Thornton.	Note 14 to be updated	Y
Note 30 Leases - Operating Leases - Authority as a Lessor There was an error in the computation of the minimum lease payments which resulted in an understatement in the total minimum lease payments by £848k.	Note 30 to be updated	Y
Note 30 Leases - Operating Leases - Authority as a Lessee Based on our operating leases testing, we have noted an error in the prior year lease schedule for a certain lease. This results to an understatement in the 19/20 minimum lease payments by £637k.	Note 30 to be updated. Management declined to amend as it relates to the prior year comparator and is not material.	N
Note 32 Pension Schemes Trivial variances due to inconsistencies in the amounts disclosed for Current service cost, Actuarial gains / losses arising from changes in demographic assumptions and Actuarial gains / losses arising from changes in financial assumptions within the note.	Note 32 to be updated	Y

C. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure omission	Auditor recommendations	Adjusted?
Note 33 Financial Instruments 1) Maximum exposure to credit risk in relation to investments held in banks and building societies reported as £94.445m. This should be £39.445m as amount disclosed includes local authorities in error. 2) Maximum deposits per institution does not agree with TM Strategy 2020/21. UK Gov't should be amended from £30m to £40m and Local Authorities from £20m to £40m.	Note 33 to be updated	Y
Note 33 Financial Instruments The note should include non-financial instrument items to enable reconciliation back to the values on the balance sheet (eg for debtors and creditors)	Note 33 to be updated Management have declined to adjust the note as consider it provides sufficient detail.	N
Note 34b Adjustments between accounting basis and funding basis under regulations and Movement in Reserves Statement Note 34b and the Movement in Reserves Statement did not disclose the £990k relating to the Dedicated Schools Grant reserves transfer. The other movements of £990k shown in MIRS relates to dedicated schools grant. This should have been included in the Adjustments between Accounting Basis and Funding Basis under Regulation row and shown separately in Note 34(b).	Note 34b and MIRS to be updated	Y
Accounting Policy – Note 30(a) Property Plant and Equipment The draft accounts included a material valuation uncertainty disclosure regarding investment property valuations. Upon audit enquiry management agreed to remove the disclosure due to the investment properties in total being valued at £806k and therefore unlikely to be materially misstated.	Note 30(a) to be amended	Y
Other information – Annual Governance Statement and Narrative Report. Some presentational amendments were agreed to improve the reader's understanding of the other information.	Other information – Annual Governance Statement and Narrative Report to be updated.	Y

C. Audit Adjustments



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
CIES incorrect classification of S31 grant income received		0	0	Not material and no impact on total Comprehensive Income and Expenditure for 2020/21
Dr Corporate and Democracy income (CIES)	694			
Cr Taxation and non specific income (CIES grant and note 5)	(694)			
Note 17 Property Plant and Equipment – to reverse a revaluation of surplus land asset previously disposed	0		0	Not material and no impact on total Comprehensive Income and Expenditure for 2020/21
Dr Revaluation reserve		307		
Cr Surplus assets		(307)		
Overall impact	£0	£0	£0	

D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£128,076	£TBC
Total audit fees (excluding VAT)	£128,076	£TBC*

Audit and non-audit fees for other services	Proposed fee	Final fee
Audit Related Services (see page 23)	£21,300	£21,300
Non-Audit Related Services (see page 24)	1,683	1,683
Total non-audit fees (excluding VAT)	**£22,983**	**£22,983**

* Given the ongoing work to finalise the value for money assessment, we are currently not in a position to propose the final fee for the year.

The audit fees in note 14 to the financial statements reconcile to the schedule above.

E. Audit opinion

Our audit opinion is included below. We anticipate we will provide the Council with an unmodified audit 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 2021, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Core Statements and Notes to the Collection Fund Statement. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; 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 (2020) (“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 Operational Director Finance’s 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 Operational Director – Finance’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 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 2020) 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.

E. Audit opinion (continued)

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.

In auditing the financial statements, we have concluded that the Operational Director – Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Operational Director – Finance with respect to going concern are described in the 'Responsibilities of the Authority, Operational Director – Finance's and Those Charged with Governance for the financial statements' section of this report.

Other information

The Operational Director – Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 April 2020 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 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE 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 and our knowledge of the Authority, 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.

E. Audit opinion (continued)

Responsibilities of the Authority, the Operational Director – Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts [set out on page 108], 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 Operational Director – Finance. The Operational Director – Finance 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Operational Director – Finance 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 Operational Director – Finance 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Board is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

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.

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. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992), the Local Government Finance Act 2012 and the Local Government Act 2003).
- We enquired of senior officers 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 senior officers, 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.

E. Audit opinion (continued)

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of This included the evaluation of the risk of management override of controls identified for the audit. We determined that the principal risks were in relation to:
  - Material year end journals posted by senior and other central finance staff to potentially manipulate the surplus/deficit position; and
  - Potential management bias in accounting estimates

Our audit procedures involved:

  - evaluation of the design effectiveness of controls that the Operational Director – Finance has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material entries posted by senior and other central finance staff around and after the year end;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land & buildings and defined benefit pension scheme liability valuations**;**
  - 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.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land & buildings and defined benefit pensions liability valuations.
- 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:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- 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 .

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 2021.

E. Audit opinion (continued)

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

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, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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.

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 April 2021. 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 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

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 43 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.

Signature:

Michael Green, Key Audit Partner

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

Manchester

Date:

F. Management Letter of Representation

Grant Thornton UK LLP (FAO Michael Green)

11th Floor Landmark Building

St Peter's Square

1 Oxford St

Manchester

M1 4PB

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

Dear Sirs

Halton Borough Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council 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 2020/21 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 2020/21 ("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. 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. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable 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.

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.

xii. 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 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. There are no prior period errors to bring to your attention.

xv. 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:

a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or 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

Information Provided

xvi. 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, 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.

F. Management Letter of Representation

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

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

xix. 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.

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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

xxv. 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

xxvi. 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 23 March 2022.

Yours faithfully

Name…………………………..

Position………………………..

Date……………………………

Name…………………………..

Position………………………..

Date……………………………

Signed on behalf of the Council

See unadjusted errors on page overleaf.

F. Management Letter of Representation

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Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 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	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Note 17 Property Plant and Equipment				
School valuation overstated by £615,700		616		Not material
Dr Revaluation Reserve		(616)		
Cr Buildings valuation				
Note 29 Other Long Term Liabilities (Pension Liability)				Not material and based upon an estimated value at a point in time
The auditor of the Pension Fund reported an unadjusted investment understatement of £31.55m. Halton's share of the fund's investment asset is 10.64%, equating to a potential understatement in the Council's plan assets and overstatement in the net pension liability of £3.36m.				
Dr Pension Fund investment asset		3,357		
Cr Remeasurement of net defined benefit liability	(3,357)			
Note that pension fund gains and losses are reversed through the Movement in Reserves Statement so do not impact the outturn.				
Other Income				
Income completeness testing identified S106 income of £570k received in April 2021 that was not accrued as a Debtor at year-end.				Not material
Dr Debtors		570		
Cr Income	(570)		(570)	
Overall impact	£(3,927)	£3,927	£(570)	

Grant Thornton