The Audit Findings for Halton Borough Council

Year ended 31 March 2022

23 November 2022

Contents

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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 have been discussed with management and the Audit and Governance Board.

Michael Green

Name : Michael Green
For Grant Thornton UK LLP
Date : 23 November 2022

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 2022 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 Annual 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 both on site and remotely during July to October. Our findings are summarised at Section 2 of this report. We did not identify any adjustments to the draft outturn in the Council's Comprehensive Income and Expenditure Statement. Audit adjustments were primarily presentational impacting the notes to the financial statements and are detailed in Appendix C. We have also 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 or material changes to the financial statements, subject to the following outstanding matters;

- review of infrastructure asset presentation and valuation, which is subject to CIPFA determination;
- completion of value for money audit work;
- responses to a small number of audit queries;
- Completion and review of work on PPE valuations;
- Clearance of review points on journal sample testing;
- Final review of employee remuneration procedures;
- Completion of work on infrastructure assets following the anticipated issue of the statutory instrument and updates to the CIFPA Code
- final quality control and review processes;
- receipt of management representation letter – see Appendix E; 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 be unqualified. Issuance of the opinion will be delayed until the statutory instrument relating to Infrastructure assets has been issued later this year and completion of related procedures.

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. A letter explaining the reasons for the delay was sent on 26 September 2022 and is attached in the Appendix F to this report. We expect to issue our Auditor's Annual Report by 31 December 2022. 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 identified a risk in respect of future financial stability. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report. The financial pressures and budget gaps in the medium term financial plan, and dependency upon the Council's Transformation Programme represent a risk of significant weakness requiring a Key Recommendation in accordance with NAO Code of Practice requirements.

Further detail is set out at Section 3 of this report.

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 had cause to exercise any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit upon completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in December 2022, and completion of NAO Whole of Government Accounts consolidation procedures. The NAO has not yet issued instructions to auditors for NAO consolidation audit.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our 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 the Audit and Governance Board.

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 controls environment, including its IT systems and controls; 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, as communicated to you on 6 July 2022.

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 November 2022.

Issuance of the opinion will be delayed until the statutory instrument relating to Infrastructure assets has been issued later this year.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

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 to the Audit and Governance Board on 6 July 2022.

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

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	8,795,000	The threshold above which could reasonably be expected to influence the economic decisions of the reader of the financial statements.
Performance materiality	6,596,000	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	440,000	Considered to be the threshold below which an error would be trivial to the overall financial statements.
Materiality for Senior Officers Remuneration	34,000	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 override of controls is present in all entities. The Council 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 for the Council.	In response to this risk we have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work has not identified any issues in respect of management override of controls. From our review of all journals posted during the year, we identified specific routines to consider and test in detail. These included consideration of material post year-end journals, journals posted by senior officers and journals posted to unusual account combinations. This identified a sample of 76 journals to test for potential management override. In addition, we performed testing of a further three journals identified through supplementary procedures focusing on a combination of risk based characteristics. From testing carried out, there has been no evidence of inappropriate management override of controls through journals. This area of work is subject to follow up of queries based on initial review. Our commentary on key accounting estimates is set out on pages 13 to 16. We found accounting policies to be appropriate.
Improper revenue and expenditure recognition risk (ISA240)	This risk- risk rebutted as explained in the Audit Plan. 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. Our audit procedures have not identified any reason to reverse this rebuttal and substantive income and expenditure testing has not identified any errors that we are required to bring to your attention.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Land & Buildings & Investment Property The Council revalues its land and buildings on a rolling basis. Investment Property is valued annually. Revaluations are shared between the Council's Internal Valuer and an external valuation expert, Sanderson Weatherall. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally for land and buildings, management will need to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.	For assurance over the balance sheet valuation of land & Buildings (including valuations undertaken by both the internal and external valuation experts) we have: • evaluated management's processes and assumptions for the calculation of the valuation estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the Council's valuation expert • written to the Council's valuation expert and discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end The value of investment property is £1.344m and was not therefore considered a risk of material misstatement on the Council's Balance Sheet. As part of our overall audit work we tested 34 asset valuations, including individually large assets or those with unusual movements, as well as a sample across the remainder of the total population of 104 assets. In completing our work we examined the accounting entries, data and assumptions used, relevant asset indices and considered those assets not revalued. Our audit work has not identified any significant issues in respect of the valuation of land and buildings reported on the Council's Balance Sheet. However the following matters have been raised with management but management has not adjusted the financial statements as the values are not material. • Note 17 Property Plant and Equipment table showing assets by year of valuation omits an asset revalued as £0.65m during 2021/22 and incorrectly reports it as valued in 2019/20 • Note 21 Assets Held for Sale is overstated by £0.54m due to an asset held for sale being incorrectly reported at its carrying value rather than the realisable value. Both of these matters are reported as unadjusted errors at Appendix C. There remain some minor outstanding queries in this area and responses to review points raised on review of the work completed to date.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the 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. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.	In response to this risk we have: • updated our understanding of the processes and controls put in place by management to ensure that the Council'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 Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council 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 Scheme 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 Our audit work has not identified any significant issues in respect of the valuation of the pension fund net liability reported on the Council's Balance Sheet. However the following matter has been raised with management but management has not adjusted the financial statements as the value is not material: • The auditor of Cheshire Pension Fund has reported an unadjusted error of £9.379m understatement in the value of the Fund's investments. Halton Council's share of this error is £1.032m (11%) which is not considered to be material by management and therefore not adjusted. This matter is reported in the schedule of unadjusted errors at Appendix C.

2. Financial Statements – Other risks identified in the audit plan

Risks identified in our Audit Plan	Commentary
Accounting for Mersey Gateway Bridge Private Finance Initiative (PFI) liability The Mersey Gateway Bridge PFI scheme is large and high profile to the residents of the borough. PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information. We therefore identified the accuracy and presentation of the Mersey Gateway Bridge PFI scheme as a risk for the audit.	In response to this risk we have: • reviewed the PFI model and assumptions contained within • obtained an understanding of any changes to PFI contracts made since the prior year • compared the PFI model to the prior year model to identify any changes • reviewed and tested the output produced by the PFI model to generate financial balances within the financial statements • reviewed the disclosures relating to the PFI scheme for compliance with the Code and the International Accounting Standard IFRIC12 Our audit work has not identified any issues in respect of the Council's accounting for Mersey Gateway PFI liability.
Accounting for grant revenues and expenditure correctly The Council (as with all other Local Authorities) has been the recipient of significant increased grant revenues during the 2021/22 financial year relating to Covid-19. In common with all grant revenues, the Council will need to consider fore ach type of grant whether it is acting as agent or principal, and depending on the decision how the grant income and amounts paid out should be accounted for.	In response to this risk we have: • held discussions with management to understand the different types of material grants received during 2021/22 and any conditions applicable • understood the conditions for payment out to other entities, businesses and individuals • understood whether the Council should be acting as agent or principal for accounting purposes; and • tested material grant revenues to ensure the Council has accounted for these correctly. Subject to completion of audit testing where there are two outstanding sample items, our audit work has not identified any issues in respect of accounting for grant revenues and associated expenditure.

2. Financial Statements – Other risks identified in the audit plan

Risks identified in our Audit Plan	Commentary
Value of Infrastructure assets and the presentation of the gross cost and accumulated depreciation in the PPE note Infrastructure assets includes roads, highways, streetlighting and bridge assets. Each year the Council spends a material sum on Infrastructure capital additions. As at 31 March 2021, the net book value of infrastructure assets was £640m, with the majority relating to the Mersey Gateway Bridge. In accordance with the Code, Infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address: The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. The risk that the presentation of the PPE note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of Infrastructure when they are replaced.	Our review of the Council's arrangements for accounting for infrastructure assets noted that, as with many other local authorities, they do not fully comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting and International Accounting Standard (IAS) 16. The Council, in common with most other local authorities capitalises additional expenditure on infrastructure assets, for example on resurfacing roads. However, the Council does not write out the gross cost and depreciation values relating to the original spend on the same asset where capital improvements occur. As a result, there is a risk that the gross cost and depreciation balances are materially misstated. The Council has deemed that the treatment applied does not however, materially impact the Net Book Value of Infrastructure assets. The valuation of Infrastructure assets in local government continues to be an on-going national issue. Given the value of infrastructure assets at the Council totals over £626m, a resolution for the sector is necessary before we are able to conclude on the 2021-22 audit. The Department for Levelling Up, Housing and Communities are continuing to work on a Statutory Instrument (SI), with a plan to this being laid in Parliament on 30 November 2022 and coming into force on 25 December 2022. We expect that the SI, along with updates to the CIPFA Code, will resolve the majority of the ongoing audit challenges related to Infrastructure asset balances. We will conclude our work in this area after publication of the SI and consider any further reporting impact.

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
IFRS 16 implementation Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2022 (early adoption) then in 2021/22 accounts as a minimum, we would expect 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, along with the estimated impact of IFRS 16 on the accounts	Halton Council is not intending to exercise early adoption of IFRS16 for 2022/23 and therefore no additional disclosure is required in 2021/22.	We have no further comments, although management will need to include additional IFRS 16 disclosures in the 2022/23 financial statements as that will be the year prior to adoption.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £202m (PY £199.8m) Land £33.7m Buildings £168.2m	All land is revalued at 31 March 2022 totalling £33.7m Buildings comprise £168.2m with the majority being 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 remaining assets 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 2022 with the remaining property within the valuation cycle valued by the Council's Internal valuer. 50% of total Land and Buildings were revalued during 2021/22. Statement of Accounting Policy 15 Non-Current Assets, Property, Plant and Equipment details the Council's policy which is consistent with the previous year and with our expectations. Management undertake a rolling programme of revaluations to ensure that all assets are revalued at least every three years on an agreed schedule. The revaluation by the professional valuer is dated 31 March 2022. Management considered the year end value of non-valued properties, and the potential valuation change in the assets revalued during 2021/22 (at 31 March 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. The total year end valuation of land and buildings was £202m, a net increase of £2.2m from 2020/21 (£199.8m).	• 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, however in response to 2020/21 audit recommendation Council has moved from a five yearly to a three yearly valuation cycle from 2021/22 to gather better assurance on the overall valuations. The valuation date has also moved from 31 October to 31 March to give further assurance • 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 • Overall we are satisfied the Council's land and buildings valuation is not materially misstated. Non-material valuation items are reported at page 8. 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

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £91.2m (PY £169.1m)</td>
<td>The Council's net pension liability at 31 March 2022 is £91.2m (PY £169.1m) falling within the Cheshire Pension Fund Local Government Scheme. The liability has reduced due to an improvement in actuarial forecasts. 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 and was reflected in the 2019/20 financial statements. 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 £77.9m net actuarial gain during 2021/22.</td>
<td>

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 2021/22 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 the key assumptions which confirms they lie within expectations:

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>2.7%</td><td>2.70%-2.75%</td><td></td></tr>
<tr><td>Pension increase rate</td><td>3.2%</td><td>3.15%-3.3%</td><td></td></tr>
<tr><td>Salary growth</td><td>3.9%</td><td>3.7%-5.7%</td><td></td></tr>
<tr><td>Life expectancy – Males current pensioners aged 65</td><td>21.2 years</td><td>20.1-22.7 years</td><td></td></tr>
<tr><td>Life expectancy – Females current pensioners aged 65</td><td>23.8 years</td><td>22.9-24.9 years</td><td></td></tr>
</table>

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 2021/22 to the valuation method

Subject to the non-material valuation matters reported at page 9 of this report, we are satisfied with the reasonableness of estimate of the net pension liability.
</td>
<td>Light Purple</td>
</tr>
</table>

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £6.654m (PY £8.382m)	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 £6.654m (£8.382m in 2020/21)	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 - £9.403m (PY £9.356m)	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 £9.4m, a net increase of £47k from 2020/21.	We have reviewed the Council's calculation of MRP and concluded that: • the Council's policy on MRP complies with statutory guidance • the Council's MRP has been calculated in line with the 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 2022 the PCN and Toll debt was £16.264m (PY £17.62m) against which the Council has provided £13.5m or 83% (PY £12.652m 71%). Indications show that the level of PCN debt is falling which may in part be due to reduced crossings caused due to increased familiarity with the Toll and changed working patterns brought about by the COVID-19 pandemic.	We have performed the following work in response to the identified risk: • reviewed the level of PCN and Toll debt at 31 March 2022 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 Upon enquiry with the Mersey Gateway Crossings Board Ltd (MGCB) who issue the PCNs we have received assurance that the majority of toll income 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 2021/22 financial statements.	Light Purple

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation – Note 7 Revenue Grants Credited to services £184.7m (PY £179.4m). This excludes non specific grant income shown in note 5 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.	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 2022/23 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 E.
Confirmation requests from third parties	We requested permission from management to send confirmation requests to the Council’s bankers and a sample of investment counterparties. This permission was granted and the requests were sent and responded to with positive confirmations.
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.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

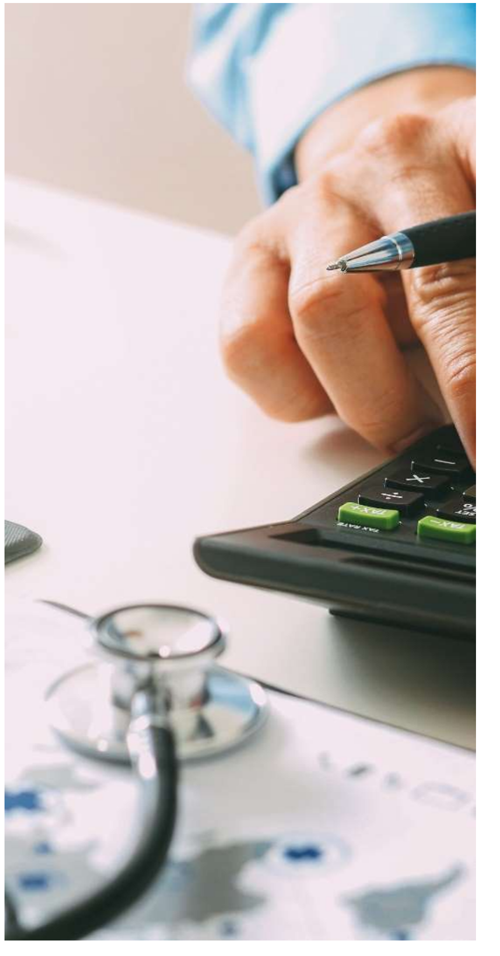
Our responsibility

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.
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 2021/22 audit of Halton Borough Council in the audit report in order to complete our WGA procedures set out above and Value for Money work.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. 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 in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix F to this report. We expect to issue our Auditor's Annual Report by 31 December 2022. 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 identified the risk set out in the table below. Our work on this risk is underway and an update is set out below.

Risk of significant weakness	Work performed to date
Financial Sustainability – addressing budget gaps in the medium-term financial plan The Council has identified budget gaps (deficits) within its medium-term financial plan (MTFP) which will need to addressed to secure financial sustainability. A balanced budget of £113.9m has been set for 2022/23 although with a planned transfer of £7.8m from reserves, however there are budget gaps of £11.7m in 2023/24 and £4.8m in 2024/25 and £6.6m in 2025/26. The use of reserves can only be a temporary measure to achieving long term financial sustainability. In response to this risk we will: • meet with management to review the steps taken by management to address the budget gaps in the MTFP • test the robustness of assumptions within the MTFP where budget gaps are addressed • ensure that the financial position is clearly explained to Members in budget monitoring reports and financial plans	Review of budget documentation and discussions with senior officers confirm there is a significant budget gap in the Council's medium-term financial plan, together with slippage against the 2022/23 quarter 2 position and forecast outturn. The 2021/22 financial statements reported an outturn position over the approved budget by £1.195m, excluding unfunded covid costs of £1.118m which was met directly from earmarked reserves. The £1.195m overspend reduced the Council's General Fund Balance to £5.149m. At 30 September 2022 the Council reports an overspend of £3.378m over the 2022/23 budget, forecast to increase to £7.586m by 31 March 2023. The latest medium- term financial plan identifies the following funding gaps based upon council tax increases at 2.99%: 2023/24: £21.073m 2024/25: £1.909m 2025/26: £2.010m Management recognise that there remains much uncertainty regarding future funding levels and cost inflation which would impact these values. Management have developed a seven tier Transformation Plan to help address the underlying cost pressures and restore financial sustainability, but as with any transformation plan at this scale we anticipate reporting a risk of significant weakness and a key recommendation in our Auditor's Annual Report.

4. Independence and ethics

Independence

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we 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. No non-audit services were identified which were charged from the beginning of the financial year to the date of issue of this report (October 2022). 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	19,344	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 £19,344 in comparison to the total fee for the audit of £134,951 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	7,500	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 £7,500 in comparison to the total fee for the audit of £134,951 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.

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

Appendices

A. Action plan – Audit of Financial Statements

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

Assessment	Issue and risk	Recommendations
Medium	Note 21 Assets held for sale An asset held for sale is incorrectly reported at its carrying value rather than the realisable value, resulting in an overstatement of £0.54m. As set out in note 15(d) to the financial statements "When it becomes probable that the carrying amount of an asset will be recovered through the sale of a transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value at highest and best use, less costs to sell". The Council has not applied the correct accounting treatment in re-classifying the asset to 'held for sale' and there is a risk that similar matters could be identified in future.	In reclassifying assets to 'held for sale', the Council should ensure that Code guidance regarding AHFS valuation is followed and applied Management response Code guidance around Assets Held for Sale will be followed in future years.
Medium	Note 33 Financial instruments The financial instruments note should include a reconciliation between the fair values in the note and the Balance Sheet values. This will require the non financial instruments to be identified and included as reconciling items and allow a reader of the accounts to link back to the amounts disclosed in the Balance Sheet.	For the 2022/23 financial statements onwards the financial instruments disclosure note should include a reconciliation the values reported in the balance sheet to aid the understanding of the reader. Management response Reconciliation between the values in the note and the Balance Sheet will be considered if appropriate and beneficial to the reader of the accounts.

Controls

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

Appendix B: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Council's financial statements, which resulted in 7 recommendations being reported in our 2020/21 Audit Findings Report. **As part of our risk assessment we have also considered the impact of unadjusted prior period errors.**

The 2020/21 recommendations and our assessment of progress in implementation are shown below.

Assessment	Priority	Issue and risk	Recommendation	Update on action taken
✓	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.	Management have implemented this recommendation.
✓	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.	Management have implemented this recommendation.
✓	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.	Management have implemented this recommendation.

Assessment

✓ Action completed

X Not yet addressed

Appendix B: Progress against prior year audit recommendations (cont.)

Assessment	Priority	Issue and risk	Recommendation	Update on action taken
✓	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.	We have noticed an ongoing improvement in the supporting 2021/22 working papers, although will continue to work with management to reduce the scale of contra entries within debtor and creditor balances.
✓	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	Prepare 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.	Management have implemented this recommendation.
X	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.	Not implemented.
✓	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.	Management have implemented this recommendation via the Internal Audit function.

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

There have been no adjusted misstatements identified during the 2021/22 audit which would impact the key statements and the reported net expenditure for the year ending 31 March 2022.

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Statement of cash flows	Adjusted to reflect £1.972m net outflow of agency grants not shown in financing activities.	✓
Note 1 – Expenditure and Funding Analysis	Compilation error of £15.417m in Segmental Income and Expenditure table regarding overstatement of Mersey Gateway income.	✓
Note 7 – Grant Income	£2.9m grant income transferred from service line (Community and Resources) to Non Specific Grant Income on CIES as misclassified.	✓
Note 7 – Grant Income	REFCUS grant £5.061m transferred from service line to REFCUS grants as originally misclassified as fees and charges income.	✓
Note 10 – Officers Remuneration	Banding misclassification for two officers from £135 - £139k band to the band below.	✓
Note 11 Exit Packages	Banding misclassification for one officer from £20 – £40 k to the band below.	✓
Note 17 Property Plant and Equipment	The table showing assets by year of valuation incorrectly shows an asset valued at £065m as valued in 2020/21 which was in fact valued in 2019/20	X
Note 33 – Financial Instruments	Provision for overdue debt £18.476m within debt analysis table amended to £17.646k to be consistent with debtors note 23	✓
Note 33 – Financial Instruments	The financial instruments note should include a reconciliation between the fair values in the note and the Balance Sheet values	X
Accounting policies	Updated to report schools accounting as a critical judgement	✓
Other information	Some presentational improvements were made to the Narrative Report and Annual Governance Statement.	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 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 32 Pension Scheme Understatement of pension fund asset valuation Dr Pension Investment Cr Remeasurement of net pension liability Note that this movement is reversed out to the Capital Adjustment Account under Local Authority accounting regulations so as not to impact the Council's overall financial position.	(1,032)	1,032		Not material to Halton's financial statements and based upon an estimated value
Note 21 Assets Held for Sale An asset held for sale is incorrectly reported at its carrying value rather than the realisable value, resulting in an overstatement of £0.5m Dr Revaluation Reserve Cr Assets Held for Sale	540 (500)	540 (540)		Not material to Halton's financial statements
Overall impact	£(1,032)	£1,032	0	

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 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting	Impact on 2021/22 financial statements
Note 17 Property Plant and Equipment					No impact – revaluations reperformed in 2021/22 to address movements
School valuation overstated by £615,700				Not material	
Dr Revaluation Reserve		616			
Cr Buildings valuation		(616)			
Note 29 Other Long Term Liabilities (Pension Liability)				Not material and based upon an estimated value at a point in time	No impact – the liability at 31 March 2022 is based upon updated 2021/22 Pension Fund financial statements
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 net liability		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					No impact for 2021/22 financial statements as unique to 2020/21
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)		

D. Fees

We confirm below our final fees charged for the audit and provision of audit related services. We confirm there were no non audit related services provided to the Council.

Audit fees	Proposed fee	Final expected fee
Council Audit	£134,951	£134,951*

Audit related fees	Proposed fee	Final expected fee
Housing Benefits Subsidy certification (Certification deadline 31 January 2023)	£19,344	£19,344
Teachers' Pensions Agency certification (Certification deadline 30 November 2022)	£7,500	£7,500
Total audit related fees (excluding VAT)	£26,844	£26,844

The above 2021/22 fees reconcile to the financial statements.

E. 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 2022

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2022 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 2021/22 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 2021/22 ("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.

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.

F. Management Letter of Representation

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.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached below. We have not adjusted the financial statements for these misstatements brought to our attention as 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. We have updated our going concern assessment. 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 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

xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

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 from whom you determined it necessary to obtain audit evidence.

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.

F. Management Letter of Representation

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 November 2022.

Yours faithfully

Appendix – schedule of unadjusted errors:

See appendix c

F. Audit letter in respect of delayed VFM work

Our ref: 117426-106

Grant Thornton UK LLP
11th Floor Landmark Building
St Peter's Square
1 Oxford St
Manchester
M1 4PB
T +44 (0)161 234 6362

Councillor Rob Polhill
Chair of Audit and Governance Board
Halton Council
Municipal Building
Kingsway
Widnes
WA8 7QF

26 September 2022

Dear Councillor Polhill

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Reports, including our commentary on arrangements to secure value for money for 2020/21 or 2021/22. We now expect to publish both of these reports no later than 31 December 2022. The 2020/21 Auditor's Annual Report will be finalised once a regulatory decision is agreed regarding infrastructure asset accounting to enable the audit opinion to be issued. The 2021/22 Auditor's Annual Report will be finalised once the VFM audit fieldwork is completed and infrastructure asset accounting is agreed with regulators.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Michael Green

Michael Green

Grant Thornton

grantthornton.co.uk