Grant Thornton

The Audit Plan for Halton Borough Council

Year ending 31 March 2025

MAY 2025

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English Devolution White Paper

On 16 December 2024 , the Secretary of State for Housing, Communities and Local Government, Angela Rayner, Presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system	Our Response
On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement. The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for: • Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers; • Contract management, procurement, commissioning and appointment of auditors to all eligible bodies; • Setting the Code of Audit Practice; • Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies; • Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors. The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including: • setting out the vision and key principles for the local audit system; • committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users; • enhancing capacity and capability in the sector; • strengthening relationships at all levels between local bodies and auditors to aid early warning system; and • increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.	Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding : Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Local Government National Context – The Backstop: On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations requires audited financial statements to be published 27 February 2026 for year ended 31 March 2025.The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care, SEND and homelessness. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context	Our Response
• Council spending as at 31st March 2024 was £5.6m over budget (£5.2m over budget 2022/23) and continues to have a significant detrimental impact on the Council's finances and reserves. Overspend positions impacted most departments, with the largest budget pressure continuing to impact Children's Directorate, where net spend for the year was £10m over the approved budget. • The most recent financial report to Executive Board in March 2025 reported that at January 2025 the Council was £15.49m over budget and forecast to be £18.9m over budget at year end if no further corrective actions are taken. • The annual pay award, continued inflationary pressures, increasing service demands and use of agency staff, continue to have a significant detrimental impact on the Council's financial position. These factors and the continued annual financial overspends mean it remains imperative that the Council progress the Transformation Programme to achieve the required changes in service delivery and savings. To date the Transformation programme has not delivered required savings. We note in the January 2025 report to Executive Board that as at November 2024 budget savings of some £0.129m had been identified against planned savings of £4m by 31 March 2025. • The use and cost of agency staff continues to be one of the main contributing factors to the overspend position for the year. This is mostly evident within the Children & Families Department and the Council's in-house Care Homes. Initiatives and support from the Transformation Programme are ongoing to reduce reliance upon agency staff. • Given these financial challenges the Council requested Exceptional Financial Support from the Ministry for Housing, Communities and Local Government (MHCLG) and has received confirmation that Government are "minded" to approve a capitalisation direction of £20.8m for 2024/25 and £32m in 2025/26.	• We have identified financial sustainability as a significant weakness as part of our Value for Money risk assessment and set out our planned response on page 31. • Exceptional Financial Support and the appropriateness of the capitalisation of expenditure has been identified as an "other risk" as part of our planning risk assessment with further details set out at Page 18.
New accounting standards and reporting developments	
• Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset.	• Implementation of IFRS 16 identified as an "Other audit risk" and we will undertake a detailed review of the authority's implementation of IFRS 16. Further detail set out at page 19

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan has been agreed with the Director of Finance.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is to undertake our audit following a hybrid approach of remote working and on-site visits when appropriate.
- We plan to meet with the Chief Executive, and with the Director of Finance regularly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we plan to meet informally with the Chair of your Audit and Governance Board, to brief them on the status and progress of the audit work to date and to discuss the main issues relating to our annual planning enquiries that we also shared and discussed with management.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit and Governance Board with sector updates providing our insight on issues from a range of sources via our Audit and Governance Board updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

IFRS 16 Leases

Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

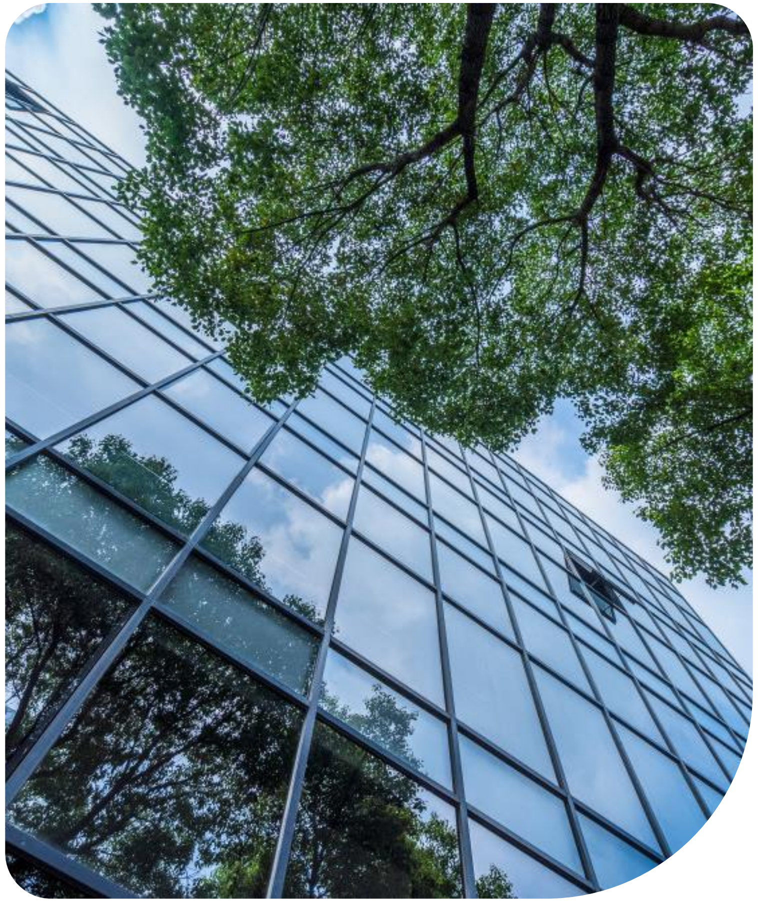
- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment procedures we have shared key questions with Management. We have met with Management to discuss these and will then meet with those charged with Governance to discuss and confirm our understanding.

02 Introduction and Headlines

Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Halton Borough Council ('the Council') for those charged with governance.

Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Halton Borough Council. We draw your attention to these documents.

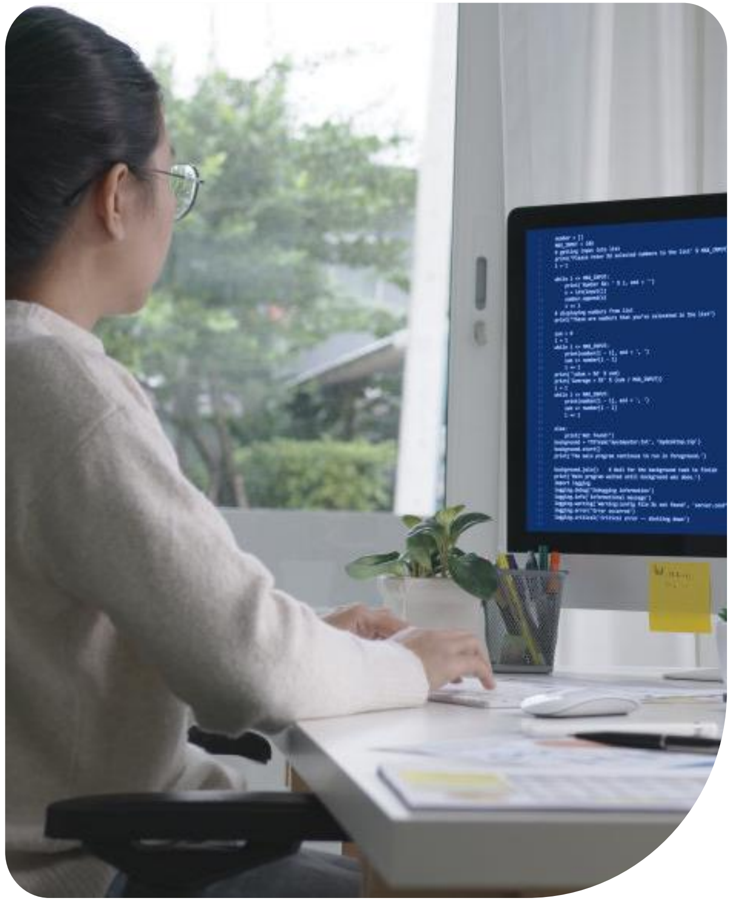
Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Board); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit and Governance Board of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Introduction and headlines (continued)



Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of property plant and equipment
- Valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £7.834m (PY £8.653m) for the Council, which equates to 1.5% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.391m (PY £0.432m).

We have identified the following disclosure with a lower level of materiality given heightened public interest:

- Senior officer remuneration £38k (PY £38k). This is based upon 2% of total senior officer remuneration.

Value for Money arrangements

Our 2023/24 Auditor's Annual Report identified seven significant weaknesses resulting in two statutory recommendations, five key recommendations and six improvement recommendations.

Our 2024/25 risk assessment regarding your arrangements to secure value for money has identified risks of significant weakness across the three key areas of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

We will follow up progress against recommendations made in 2023/24 and ensure that our work assesses the current arrangements in place. See page 31 for further detail of our VFM risk assessment

Audit logistics

Our interim visit took place in March and April and our final visit will take place from June – September 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £338,579 (PY: £329,402) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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

03 Identified risks

Significant risks identified

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.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
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.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: • review accounting estimates, judgements and decisions made by management; • review unusual significant transactions; • make enquiries of finance staff regarding their knowledge of potential instances of management override of controls; • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals and those falling into certain criteria determined by the audit team; and • test a sample of journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	**Planned audit procedures**
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	We have completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transactions as: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Halton Borough Council, means that all forms of fraud are seen as unacceptable.	Where the risk has been rebutted we do not consider this to be a significant risk for the Council however standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate. We will: – evaluate the Council's accounting policy for recognition of income for appropriateness and compliance with the Code; – update our understanding of the system for accounting for the income and evaluate the design of associated processes and controls; – agree on a sample basis relevant income and year end receivable/income accruals to invoices and cash payment or other supporting evidence; and – we will carry out testing on sample basis of invoices issued in the period prior to and following 31 March 2025 to determine whether income is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties. We will keep this rebuttal under review throughout the audit to ensure our judgment remains appropriate.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all revenue expenditure streams for the Council. We have assessed the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to • the low fraud risk in the nature of the underlying nature of the transaction • there being little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds; • the culture and ethical frameworks of local authorities, including Halton Borough Council, means that all forms of fraud are seen as unacceptable. We have identified a higher risk of error in the recognition of other service expenditure for the completeness of this expenditure stream. We have identified the risk to be a higher risk of cut-off of expenditure accruals at year-end. We have also considered the risk of fraudulent expenditure recognition in relation to capital expenditure and concluded that it is not a significant risk. We plan to test the appropriateness of the capitalisation of expenditure as part of a planned response to the other risk that we have identified in relation to Exceptional Financial Support conditions set out on page 18.	Despite expenditure recognition not being a significant risk, we will still undertake the following procedures to ensure expenditure included within the financial statements is materially correct. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate. We will: • evaluate the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code; • update our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls; • agree on a sample basis relevant expenditure and year end payables and accruals to invoices or other supporting evidence; and • complete substantive testing of expenditure streams in 2024/25 including sample test of material transactions.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of land and buildings	The Council revalues its property assets on a rolling basis. 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 (£213.1 million of land and buildings at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions. Additionally for land & 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. We therefore identified the valuation of land & buildings as a significant risk for the Council.	For assurance over the balance sheet valuation of land & buildings (including valuations undertaken by both the internal and external valuation experts), we will: • evaluate management's processes and assumptions for the calculation of the valuation estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write out to the valuation expert and discuss with the valuer the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • evaluate the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable; • test a selection of other asset revaluations made during the year to ensure they have been input accurately into the Council's asset register, revaluation and Comprehensive Income and Expenditure Statement; • evaluate 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; • for assets not formally revalued or revalued on a desktop/indexation basis only, evaluate the judgements made by management or others in determination of the value of these assets; and • agree the basis of revaluations relating to Assets Held For Sale.
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 (£574 million funded liabilities and £711 million of assets as at March 2024)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.	We will: • update our understanding of the processes and controls put in place by management to ensure the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary - Hymans) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test 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; • undertake 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, including confirmation of the scope of the actuary's work and whether the application of IFRIC 14 has been considered; and • obtain 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

Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Exceptional Financial Support/Revenue Expenditure Funded from Capital Under Statute (REFCUS)	In December 2024 the Council requested Exceptional Financial Support from the Ministry of Housing, Communities and Local Government (MHCLG) in respect of the financial years 2024-25 and 2025-26, The Council have received approval that the Deputy Prime Minister (DPM) is minded to approve a capitalisation direction of £20.8 million in 2024-25 and £32 million in 2025-26. However, for the department to provide a final capitalisation direction, the council is required to undergo an external assurance review which will include, but will not be limited to, an assessment of the council's financial position and governance arrangements. We understand that if the DPM decides to grant directions, she is minded to attach the following conditions: • The Council may only capitalise expenditure when it is incurred; • Where expenditure is capitalised, the authority shall charge annual Minimum Revenue Provision (MRP) using the asset life method with a proxy 'asset life' of no more than 20 years. The approval of any capitalisation directions will also be contingent on the council reporting to the department the final amounts identified for which it requires capitalisation for each year, with the agreement of Grant Thornton as the Council's external auditors. We also considered our findings set out in our 2023/24 Audit Findings report where audit testing identified that several items totalling some £1.3m were incorrectly classified as REFCUS. We have therefore identified: • compliance with the requirements imposed by MHCLG should they grant a capitalisation direction; and • accuracy and occurrence of capital expenditure as an other risk for the audit.	We will: • evaluate the Council's accounting policy for capitalisation of expenditure for appropriateness and compliance with the Code; • continue to work with the Council to confirm plans and procedures in place for the Council to record and confirm final amounts required for capitalisation in 2024/25; • review further communications from MCLHG to confirm what conditions have been attached to the Exceptional Funding; • test a sample of capitalised expenditure to invoices or other supporting evidence to ensure it has been properly incurred including REFCUS; and • review the MRP policy and MRP charge 2024/25.

"The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated." (ISA (UK) 315)

Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Implementation of IFRS 16.	IFRS 16 Leases is now mandatory for all Local Government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called “peppercorn” rentals. This is one instance where the right of use asset and its' associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets. Key judgements include • determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the authority's threshold for capitalising owned assets; • determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term; and • the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this. We have therefore identified completeness of the identification of relevant leases and valuation as a risk.	In response to this risk, we will: • review the processes and controls put in place by management to ensure that the implementation of IFRS 16 complete, accurate and not materially misstated. We will also evaluate the design of the associated controls; • review the proposed accounting policy and agree disclosures presented in the financial statements to underlying accounting records and calculations; and • review management's lease accounting calculations and assess the accuracy and appropriateness of the inputs and assumptions used including lease term, discount rate and annual rentals

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

04 Our approach to materiality

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.

Matter	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	• We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements	• An item may be considered to be material by nature when it relates to: – instances where greater precision is required
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process	• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	**Matters we will report to the Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.391m (PY £0.432m). • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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.

	Amount (£)	Qualitative factors considered
Materiality for the Council's financial statements	7,834,000	Financial performance of the Council with a focus on performance on total expenditure. We have calculated materiality based on 1.5% of the total expenditure set out in the 2023/24 audited financial statements.
Performance Materiality (PM)	5,875,000	We base our assessment on a number of factors that include the quality of working papers in prior year, extent of misstatements identified in previous years and the Council response to audit queries. Based on these factors we have set PM at 75% (maximum level permissible) of materiality for the Council's financial statements
Trivial Matters	391,000	The amount below which findings would be clearly inconsequential both individually or in aggregate to any reader of the financial statements. Set at 5% of overall materiality.
Materiality for specific transactions, balances or disclosures	38,000	Materiality is reduced for remuneration disclosures due to the sensitive nature and public interest. Based on 2% of total Senior Officer expenditure in the 2023/24 audited financial statements. Any related party adjustments are considered on a case–by-case basis as to whether it is material to either party

05 Progress against prior year audit recommendations

Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Council's financial statements, which resulted in six recommendations being reported in our 2023/24 Audit Findings Report. Management agreed to implement improvement actions for five of the recommendations and did not agree that any action was required in respect of the remaining recommendation. We will follow up on the implementation of our recommendations as part of our 2024/25 audit and provide an update in our Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
To be confirmed	Our work on cash noted that bank reconciliations are not always carried out at the month-end date and also that some school bank accounts were still included within cash when they shouldn't have been. The amounts concerned are below our triviality level so no adjustment was required. We also noted the same issue as in 2022/23 where reconciling items were posted to debtors automatically rather than considered as reconciling items as part of the cash balance. The amounts are below trivial	We recommended that reconciliations are performed fully at period-ends and that the amounts which should no longer be in schools cash are transferred to the appropriate place in the Council's accounts. UPDATE – Management acknowledged that further training was required and that reconciliations would be performed monthly. During our 24/25 audit planning work, we reconfirmed that the bank reconciliation were not completed in a timely manner at month-end dates. We will continue to assess timeliness and appropriateness of reconciliations as part of our final accounts audit.
In progress	From our work and discussions with management we understand that there is no internal formal impairment process performed. Whilst we understand that the valuer will review impairment as part of their review, management need to demonstrate how they have considered their own estate for potential impairment via the estates team and how issues have been discussed with the valuer such as plans to stop using certain assets, condition surveys etc.	We recommended that management introduce a formal impairment process on at least an annual basis. UPDATE - Management agreed to build this process into the annual closedown procedures and we will assess implementation as part of our final accounts audit.
In progress	Our work on REFCUS (Revenue Expenditure Funded from Capital Under Statute) identified several items that should not have been classified as REFCUS and this led to the misstatements we reported in the Audit Findings Report in 2023/24.	We recommend that the Council review any expenditure it is classifying as REFCUS as part of its annual closedown to ensure it meets the definition and is therefore accounted for correctly UPDATE - Management agreed to build this into the annual closedown checklist. We have identified accounting for REFCUS as an other risk on page 18 and will assess how Management have accounted for REFCUS as part of our final accounts audit.
In progress	We noted during our audit testing that some members had not disclosed all their interests on their declarations.	We recommend that all declarations are completed fully by both officers and members. UPDATE – Management acknowledged the need for all declarations to be made and we will undertake audit testing to verify completeness and timeliness of relevant declarations as part of our 24/25 audit.
In progress	Our testing identified an item which had been disposed of but was still held on the asset register. We note however it had no carrying value as it was fully depreciated	We recommend that at year-end disposals are reviewed to ensure that they are no longer on the asset register. UPDATE – Management agreed to implement action as part of annual closedown procedures and we will assess as part of our final accounts audit
Not addressed	We noted that there is no formal review or authorisation process for journals. The mitigating control is that each cost centre is monitored by the relevant budget holder. The budget holder reviews transactions against cost centre codes periodically to ensure no unusual or incorrect postings have been made.	Management should consider putting in place a preventative control in addition to the existing detective control so that journals are authorised prior to them being posted. UPDATE – Management view was that this was not required. Our review remains that a preventative control is necessary and will again report this issue in our 2024/25 Audit Findings Report

06 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Agresso/Unit 4 ERP	Financial reporting	Assessment of design and implementation of relevant IT general controls operated by the Council. To review IT general controls related to security management, development and maintenance and technology infrastructure

07 Value for Money Arrangements

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

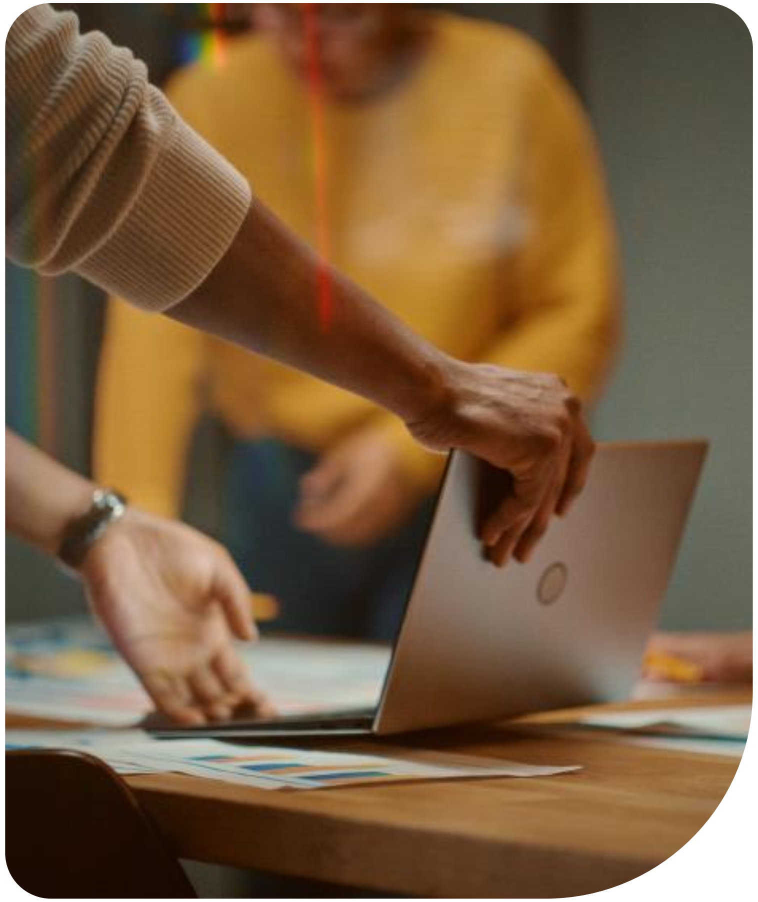
Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

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.

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	Red	Three significant weaknesses reported resulting in two statutory recommendations and one key recommendation in relation to short and medium-term financial planning, the Councils transformation programme and the Dedicated Schools (DSG) deficit.	Risk of significant weakness in arrangements for 2024/25 based on prior year findings.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures. We will undertake additional risk-based work to assess the robustness of arrangements to secure financial sustainability with regard to developing the 2025/26 budget and medium-term financial plan, the development of transformation and savings plans, and mitigating the DSG deficit. We will also follow up the progress made addressing the recommendations we raised in 2023/24.
Governance	Red	Two significant weaknesses identified resulting in two key recommendations in relation to risk management and business continuity and disaster recovery. We also reported five improvement recommendations relating to internal audit, whistleblowing, scrutiny, the Audit & Governance Board and declarations of interest.	Risk of significant weakness in arrangements for 2024/25 based on prior year findings.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures. We will undertake additional risk-based work to assess the progress that the Council has made in addressing the key recommendations we raised in 2023/24 to ensure that governance arrangements are strengthened in relation to risk management and business continuity. We will also follow up the progress made addressing the recommendations we raised in 2023/24.
Improving economy, efficiency and effectiveness	Red	Two significant weaknesses reported and two key improvement recommendations raised in elation to performance management and children's services. We reported one improvement recommendation relating to contract management.	Risk of significant weakness in arrangements for 2024/25 based on prior year findings.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures. We will undertake additional risk-based work to assess the progress that the Council has made in addressing the key recommendations we raised in 2023/24, to ensure that performance management arrangements are strengthened, and driving through improvements in children's social care. We will also follow up the progress made addressing the recommendations we raised in 2023/24.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

8 Logistics

Logistics

The audit timeline - 2025

Key Dates

April 2025 – Communicate draft Audit Plan

30 June 2025 - Deadline for publication of unaudited Financial Statements

September 2025 – Audit Findings and Reporting

Sign off:

Before 31 12 2025

Audit phases:

March – April 2025 –

Planning/Interim

Key elements

- Planning undertaken including meetings with management
- Audit scoping and risk assessment to be completed
- Completion of system walkthroughs and document relevant controls
- Review of key judgements and estimates
- Commence VFM inquiries
- Agree timetable and deliverables with management and Audit & Governance Board
- Issue the Audit Plan to management and Audit & Governance Board

June 2025 – Audit Plan presented at to Audit & Governance Board

July – September 2025 – Fieldwork Onsite and Remote

Key elements

- Audit teams onsite and remote working to perform fieldwork and detailed testing
- Weekly update meetings with management to help ensure progress and identify issues as they arise

Key elements

- Audit Findings shared and agreed with management
- Draft Audit Findings issued to management
- Audit Findings Report Findings issued to Audit Committee
- Audit Findings presentation to Audit Committee
- Auditor's Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Liz Luddington

Engagement Lead/
Key Audit Partner

- Key contact for senior management and Audit & Governance Board
- Overall quality assurance supported by EQCR Partner

Pool of specialists and other technical specialists (e.g. IT audit)

Matt Derrick – Audit Manager

Chris Whittingham – Support Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Jason Granger

VFM Audit Manager

- Value for Money Planning
- Main contact for review of VFM arrangements
- Preparation of the VFM commentary in the Auditor's Annual Report

Hanna Peurala

Audit In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	**Audit reporting**	**Audit progress**	**Technical support**
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

9 Fees and related matters

Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Halton Borough Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £338,579.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here Fee Variations Overview – PSAA

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Halton Borough Council Audit	329,402	338,579
IFRS 16	N/a	TBC
Total (Exc. VAT)	**329,402**	**338,579**

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit;
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements;
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements; and
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Previous year

In 2023/24 the scale fee set by PSAA was £307,352. The actual fee charged for the audit, was £329,402

10 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers). In this context, we confirm that there are no matters that we are required to report. We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council/Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council/Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council/Group .
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council/Group's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements. Furthermore, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Following this consideration we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The table below sets out the non-audit services agreed from the beginning of the financial year to date of issue of the Audit Plan (* - exact fee to be finalised once inflationary uplift is confirmed. We will set out final fee in our Audit Findings Report) as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the council's policy on the allotment of non-audit work to your auditor and none of the below services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Halton Borough Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived ethical threats from these fees that we set out below.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Housing Benefits Subsidy Certification	28,860 *	Self-Interest (because this is a recurring fee) self review and Management	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 £27,487 *) in comparison to the total fee for the audit of £338,579 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. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Teachers' Pension Agency Certification	12,500	Self-Interest (because this is a recurring fee), self review and Management.	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 £12,500 in comparison to the total fee for the audit of £338,579 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. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
CFO Insights – Other service	15,000	Self-Interest	The fee is a subscription and is therefore a self-interest consideration. However, the fee for this work is negligible in comparison to the total fee for the audit and in particular Grant Thornton UK LLP's turnover overall. It is also a fixed fee with no contingent element. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	56,360 *		

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

11 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

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

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

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

12 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

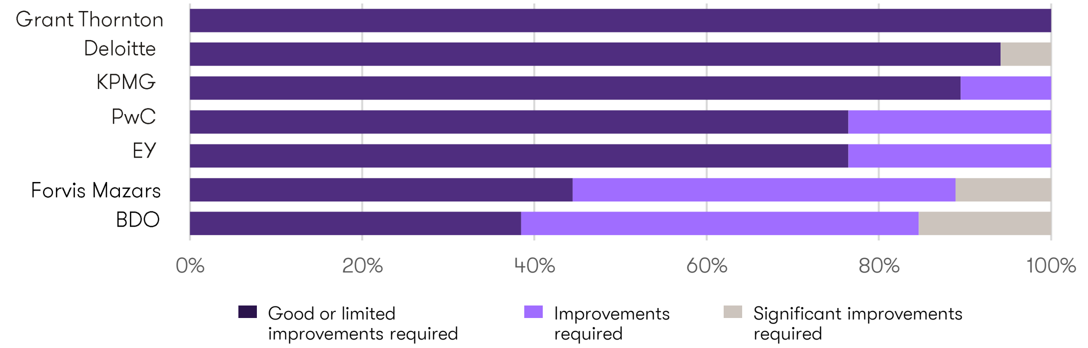
Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm) – NOTE that these results relate to Commercial audit reviews.



13 Appendices

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16 Lease liability in a sale and leaseback	• IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. • This year will be the first year IFRS 16 is adopted fully within Local Government.
IAS 1 amendments Non-current liabilities with covenants	• These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IAS 7 and IFRS 7 Supplier finance arrangements	• These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

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These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of ‘Operating profit or loss’ subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

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