

Draft Audit Findings (ISA 260) Report for Halton Borough Council

Year ended 31 March 2025

24 September 2025

Halton Borough Council

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24 September 2025

Dear Members of the Audit & Governance Board

Audit Findings for Halton Borough Council for the year ending 31 March 2025**Grant Thornton UK LLP**

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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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-.pdf).

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

Elizabeth Luddington

Director
For Grant Thornton UK LLP

Chartered Accountants

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1 Headlines and status of the audit

Headlines

This page and the following 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 2025 for the attention of 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 [Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work remains on going and has been undertaken both on-site and remotely during July-September as planned. Our findings are summarised on pages 15 to 31.

We have identified 4 adjustments to the financial statements. These have no impact on the level of the Council's usable reserves. Audit adjustments are detailed at page 38. We have also raised recommendations for management as a result of our audit work. These are set out at page 42. Our follow up of recommendations from the prior year's audit are detailed at page 44. Our work remains on-going, however based on work completed to date 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 IFRS 16 implementation and IFRS 16 PFI adjustments and responses to queries
- Response to outstanding journal user inquiry
- Review of income and expenditure recharges
- Review and response to query on allocation of revaluation movements to reserves
- Query with the pension fund auditor in relation to inputs for IFRIC 14 calculation as well as receipt of IAS 19 assurance letter from pension fund auditor
- Review of group accounts assessment and subsidiary accounts
- Whole of Government procedures
- Finalising audit manager, engagement lead and engagement quality control reviews and obtaining satisfactory responses to a number of final queries
- review of the final set of financial statements and updated Annual Governance Statement
- receipt of signed management representation letter – see Appendix B

We have concluded that the other information to be published with the financial statements, including the updated Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited. Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts following the October full Council meeting.

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 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 completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which is presented alongside this report.

We identified significant weaknesses in the Council’s arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our findings are set out in the value for money arrangements section of this report (page 48).

Headlines

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.

In November 2024, we issued two statutory recommendations under section 24 schedule 7 of the Local Audit and Accountability Act 2014 to Halton Borough Council, relating to our Value for Money findings in respect of financial sustainability and the current financial challenges faced by the Council.

We are minded to issue additional recommendations in relation to our Value for Money findings for 2024/25.

We have completed the majority of work required under the Code. However, we intend to delay the certification of the closure of the 2024/25 audit of Halton Borough Council in the audit report, as detailed in Appendix C, due to not yet having received the WGA instructions from NAO. We await confirmation that the WGA audit has been finalised, and we can certify closure of the audit.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

Headlines

National context – audit backlog

Government proposals around 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 Council audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

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.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for 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.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local Council practitioners to support the transition and implementation on IFRS 16.

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 the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

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

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an Council is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Council

The implementation of IFRS 16 has resulted in £2.9m of lease liabilities and Right of Use Assets recognised on the balance sheet in respect of former operating leases.

In addition, the PFI liabilities are required to be restated on transition to reflect the indexation of unitary payments since the start of the schemes. This has resulted in a £50.8m increase of the opening liability at 1 April 2024.

We have reviewed the transition adjustments and identified some disclosure changes required to improve the clarity and understanding of the impact of applying the new accounting standard. We have also identified that the remeasurement of the PFI liabilities at the reporting date may have been omitted from the draft accounts.

We have undertaken procedures to confirm completeness of leases identified and we await further information from management to demonstrate how all other contracts and arrangements have been assessed for any leases.

Based on our work to date, we have no further issues to report, however our work is not yet complete.

2 Materiality

Our approach to materiality

As communicated in our Audit Plan presented at the 4 June 2025 Audit & Governance Board meeting, we determined materiality at the planning stage as £7.834m based on 1.5 % of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements and we have updated our materiality assessment based on actual 2024/25 gross expenditure.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £9.259m based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, industry developments and reporting requirements for the financial statements.
- We have used 1.5 % of gross expenditure as the basis for determining materiality. The use of 1.5% as a benchmark percentage remains consistent with the prior year. The reason for the increased materiality figure set out above from that used at planning is due to the increase in gross expenditure in the draft accounts compared to the prior year gross expenditure, which was the basis of determining the materiality set at planning.

Performance materiality

- We have determined performance materiality at £6.944m, this is based on 75% of headline materiality. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole

Specific materiality

Given public interest in senior officer remuneration disclosures we set a lower materiality level for this area. We design procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality.

We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

Reporting threshold

- We will report to you all misstatements identified in excess of £0.460m, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Council (£)	Qualitative factors considered
Materiality for the financial statements	9.259 million (m)	Financial performance of the Council with a focus on performance on total expenditure. We have calculated and updated materiality based on 1.5% of the total expenditure set out in the 2024/25 unaudited financial statements.
Performance materiality	6.944m	We based our assessment on a number of factors that included 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
Reporting threshold	0.463m	The amount below which matters would be considered trivial to the reader of the accounts.
Specific materiality for senior officer remuneration disclosures	46,000	Materiality is reduced for remuneration disclosures due to the sensitive nature and public interest. Based on 2% of total Senior Officer expenditure in the 2024/25 unaudited financial statements.

3 Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Risk 1 - Management override of controls	Significant	↔	✓	Medium	●
Risk 2 - The revenue cycle includes fraudulent transactions	Rebutted	↔	✓	Low	●
Risk 3 - The expenditure cycle includes fraudulent transactions	Rebutted	↔	✓	Low	●
Risk 4 - Valuation of land and buildings	Significant	↔	✗	High	TBC - ●
Risk 5 – Valuation of Pension Fund net Liability	Significant	↔	✗	High	TBC - ●
Risk 6 – Exceptional Financial Support/Revenue Expenditure Funded from Capital Under Statute (REFCUS	Other	↔	✗	Medium	●
Risk 7 – Implementation of IFRS 16	Other	↔	✗	Low	TBC - ●

- ↑

 Assessed risk increase since Audit Plan
- ↔

 Assessed risk consistent with Audit Plan
- ↓

 Assessed risk decrease since Audit Plan
- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk description in our Audit Plan and reason for risk identification	Audit Procedures performed and Key observations
<p data-bbox="107 285 458 349">Management override of controls</p> <p data-bbox="107 371 458 578">Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p data-bbox="107 599 458 835">The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p data-bbox="107 856 458 1235">We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p data-bbox="573 285 700 314">We have:</p> <ul data-bbox="573 321 2491 564" style="list-style-type: none">• reviewed accounting estimates, judgements and decisions made by management;• reviewed unusual significant transactions;• made enquiries of finance staff regarding their knowledge of potential instances of management override of controls;• evaluated the design effectiveness of management controls over journals;• analysed the journals listing and determined the criteria for selecting high risk unusual journals and those falling into certain criteria determined by the audit team; and• tested a sample of journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. <p data-bbox="573 599 802 635">Key observations</p> <p data-bbox="573 649 2491 749">In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included:</p> <ul data-bbox="573 763 1630 1021" style="list-style-type: none">• Post year-end journals• Material journals across the year• Year-end journals• Journals posted by senior management• Off ledger adjustments• Adjustments to accrued expenditure and accrued income around the year-end <p data-bbox="573 1035 2491 1178">Application of these routines and supplementary procedures identified a total sample of 75 journals to test. Testing of journals identified through application of our specified criteria and targeted risk assessment is complete. We did not identify any changes in accounting policies or estimation processes and review of key estimates has not identified any matters to bring to your attention and this is in line with our expectations – further detail is set out on pages 25 to 30.</p> <p data-bbox="573 1220 2491 1360">Our audit work has not identified any issues in respect of management override of controls. We noted that there continues to be 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. We reported a recommendation in the previous audit – refer to page 42.</p>

Significant risks

Risk description in our Audit Plan and reason for risk identification

Presumed risk of fraud in revenue recognition

Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition.

We completed a risk assessment of all revenue streams for the Council as part of audit planning and 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.

We kept this assessment under review throughout the audit and confirmed that our judgment remained appropriate.

Audit procedures performed and Key observations

Despite the risk being rebutted and not considered as a significant risk for the Council we completed audit procedures.

We have:

- evaluated the Council's accounting policy for recognition of income for appropriateness and compliance with the Code;
- updated our understanding of the system for accounting for the income and evaluate the design of associated processes and controls;
- agreed on a sample basis relevant income and year end receivable/income accruals to invoices and cash payment or other supporting evidence; and
- completed 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.

Our audit plan confirmed that we considered it appropriate to rebut the significant risk in relation to revenue as we concluded that there was not a risk of material misstatement due to fraud relating to revenue recognition.

Whilst revenue and expenditure recognition was not identified as a significant risk, we have carried out procedures and tested material revenue streams to gain assurance over this area and evaluated that it remained appropriate to rebut the presumed risk of revenue and expenditure recognition.

Our audit work is completed and we did not identify any instances of fraudulent revenue recognition or inaccurate cut off of revenue recorded around the year end or any other reason to change our assessment of the risk in this area.

Significant risks

Risk description in our Audit Plan and reason for risk identification

Presumed risk of fraud in expenditure recognition

Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.

We completed a risk assessment of all revenue expenditure streams for the Council. We 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 also considered the risk of fraudulent expenditure recognition in relation to capital expenditure and concluded that it is not a significant risk. We tested 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 xx.

Audit procedures performed and Key Observations

Despite expenditure recognition not being a significant risk, we completed the following procedures to ensure expenditure included within the financial statements was materially correct. We kept this consideration under review throughout the audit to ensure this judgement remained appropriate.

We have :

- 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.

Key findings

Our substantive testing of payments made after the year-end to confirm the completeness of expenditure recorded in the financial year identified 3 errors totalling £1.22m whereby transactions were recorded in 2025/26 which related to 2024/25. These all related to capital expenditure incurred before 31 March 2025, but recorded in April and May 2025. This is reported as an unadjusted misstatement on page 40.

We have extended our testing of capital expenditure transactions around the year-end.

Our additional testing is in progress and based on audit work completed to date, we have no issues report in relation to fraud in expenditure recognition.

Significant risks

Risk description in our Audit Plan and reason for risk identification

Audit procedures performed and Key observations

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 at £229m as at 31 March 2025 (£213.1 million 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.

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 valuation expert;
- Written to the 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;
- evaluated the valuer’s report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets have been substantively tested to ensure the valuations are reasonable;
- tested 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;
- 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; and
- for assets not formally revalued or revalued on a desktop/indexation basis only, evaluated the judgements made by management or others in determination of the value of these assets

Key findings

Our review of identified that the draft accounts did not reconcile to the final valuation report issued by Sanderson Weatherall. This has resulted in an understatement of Land & Buildings of £5.8m, which has been adjusted in the accounts– refer to page 38.

Additionally, we noted that the disclosure of assets not subject to full revaluation did not reconcile to the Fixed Asset Register and this has been partially amended however, there is remaining variance of £0.5m which is unadjusted – refer to page 39.

We await final responses to our queries on the allocation of valuation movements to reserves. Based on our work completed to date, we have no further issues to report.

Significant risks

Risk description in our Audit Plan and reason for risk identification	Audit procedures performed and Key observations
<p>Valuation of Pension Fund net liability</p> <p>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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£505 million funded liabilities and £726 million of assets as at March 2025) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council’s pension fund net liability as a significant risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none">• updated 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;• evaluated the instructions issued by management to their management expert (an actuary - Hymans) 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 performed 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• 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. <p>Key findings</p> <p>Our review of the processes and controls in respect of pensions and the instructions issued by management identified no issues, nor did our assessment of the competence, capability and objectivity of the actuary. We also confirmed the accuracy and completeness of the information provided by the Council to estimate the liability.</p> <p>We challenged the actuary’s assumptions and used our auditor’s expert (PWC) to provide expert input on the assumptions that had been used. Page 27 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability</p> <p>Our audit work is ongoing but to date has not identified any issues in respect of valuation of the pension fund liability for the Council.</p> <p>As noted on page 6. we are still awaiting the IAS19 assurances from the auditor of the Cheshire pension fund. In addition, we await further guidance from the pension fund auditor in relation to expected disclosures of any impact of the Virgin Media case for LGPS admitted bodies.</p>

Other risks

Risk description in our Audit Plan and reason for risk identification	Audit procedures performed and Key observations
<p data-bbox="107 275 1370 339">Exceptional Financial Support/Revenue Expenditure Funded from Capital Under Statute (REFCUS).</p> <p data-bbox="107 361 1370 532">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. At the time of audit planning, 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.</p> <p data-bbox="107 568 1370 704">However, for the Department to provide a final capitalisation direction, the Council was required to undergo an external assurance review which including an assessment of the Council’s financial position and governance arrangements. Based on our understanding, we expected the direction to include the following conditions:</p> <ul data-bbox="107 739 1370 846" style="list-style-type: none">• The Council may only capitalise expenditure when it is incurred;• Where expenditure is capitalised, the Council shall charge annual Minimum Revenue Provision (MRP) using the asset life method with a proxy ‘asset life’ of no more than 20 years. <p data-bbox="107 882 1370 989">The approval of any capitalisation directions is 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.</p> <p data-bbox="107 1025 1370 1089">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.</p> <p data-bbox="107 1125 1370 1160">We have therefore identified:</p> <ul data-bbox="107 1168 1370 1268" style="list-style-type: none">• 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.	<p data-bbox="1370 275 2415 311">We have :</p> <ul data-bbox="1370 347 2415 689" style="list-style-type: none">• evaluated the Council’s accounting policy for capitalisation of expenditure for appropriateness and compliance with the Code;• continued 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;• reviewed further communications from MCLHG to confirm what conditions have been attached to the Exceptional Financial Support;• tested a sample of capitalised expenditure to invoices or other supporting evidence to ensure it has been properly incurred including REFCUS; and• reviewed the MRP policy and MRP charge 2024/25. <p data-bbox="1370 746 2415 882">Our work is substantially complete and we have identified one transaction of £36k which was not accurately classified as REFCUS as it related to works to a Council building. We have extrapolated the error and we are satisfied the overall impact is trivial.</p> <p data-bbox="1370 925 2415 1032">The Council has obtained final approval from MHCLG which confirms the Exceptional Financial Support for 2024/25 as capitalisation of £10m of revenue expenditure.</p> <p data-bbox="1370 1046 2415 1082">Our work is complete, we have no further issues to report.</p>

Other risks

Risk identified

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 Council’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.

Audit procedures performed and Key observations

In response to this risk, we have:

- reviewed the processes and controls put in place by management to ensure that the implementation of IFRS 16 complete, accurate and not materially misstated. We also evaluated the design of the associated controls;
- reviewed the proposed accounting policy and agreed disclosures presented in the financial statements to underlying accounting records and calculations; and
- reviewed management’s lease accounting calculations and assessed the accuracy and appropriateness of the inputs and assumptions used including lease term, discount rate and annual rentals

Key findings

The implementation of IFRS 16 has resulted in £2.9m of lease liabilities and Right of Use Assets recognised on the balance sheet.

We have reviewed the transition adjustments and identified some disclosure changes required to improve the clarity and understanding of the impact of applying the new accounting standard.

We have undertaken procedures to confirm completeness of leases identified. These identified some employee car lease schemes and leasehold properties for review and we await further information from management to demonstrate how all other contracts and arrangements have been assessed for any leases.

Based on our work to date, we have no further issues to report, however our work is not yet complete.

4 Other findings

Other areas impacting the audit

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.

Issue	Commentary
Uncleared payments to creditors at year-end	<p>Our substantive testing of creditor balances identified that a payment of £6.8m to creditors was issued and processed before 31 March 2025 however, the payment did not clear the bank until April 2025. As BACS payments cannot be cancelled once processed, we would expect this to be recorded in the cash to bank reconciliation as an uncleared payment against the related creditor balances, thereby reducing the both the cash balance and creditors. In the draft accounts, this payment was not recorded as a reconciling item although it was recorded as paid in the ledger, therefore both the cash balance and creditors was overstated by the same amount which has nil net impact on the balance sheet overall - this has been adjusted in the accounts – refer to page 38.</p>
Fully depreciated assets held at nil Net Book Value (NBV) assets	<p>At 31 March 2025, there were fully depreciated assets with a total gross cost of £18.3m on the Fixed Asset Register. Our substantive testing of fully depreciated assets identified that all 5 items selected in our initial sample and one further item were subsequently confirmed to have been disposed of and were incorrectly held on the Fixed Asset Register. We requested that management undertake a review of all fully depreciated assets which subsequently identified disposals of £11.2m which has been adjusted in the accounts – refer to page 39.</p> <p>The residual untested population is not material and therefore, we are satisfied there is no risk of material misstatement in the Property, Plant & Equipment disclosures.</p> <p>We have reported a recommendation on page 42 and we have also requested additional representations in the draft Letter of Representation which is set out at Appendix B.</p>
Prior year adjustments identified	<p>Management identified a misstatement in the prior year comparative information in relation to the maturity analysis of long-term loans in note 26. There was a misclassification of £10m incorrectly presented as maturing in 2-5 years instead of 1-2 years as was the case at 31 March 2024.</p> <p>The prior comparative figures have been restated to reflect the correct disclosure. We are satisfied this misstatement only impacts the disclosure note and we have not identified any further issues to report.</p>

Other findings – key judgements and estimates



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

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings £229m at 31 March 2025	<p>The Council revalues its property assets on a rolling basis. With valuations undertaken by an external valuation expert, Sanderson Weatherall.</p> <p>Management complete an annual desktop review of the assets not due to be revalued during the year, considering factors such as changes to building cost indices since the asset’s last revaluation, and the impact of market changes evidenced by revaluations in year for similar assets and this is reviewed by management’s expert.</p> <p>For 2024/25 the review highlighted that there was a £1.1m (equivalent to 2.0%) decrease in the gross valuation of all high value assets (those individually over £1m). Management’s assessment is that the potential difference in the value of the remaining assets not formally revalued during 2024/25 is not material.</p> <p>The total year end valuation of land and buildings was £229m, a net increase of £16m from 2023/24 (£213m).</p>	<p>The Council’s accounting policy on valuation of land and buildings is included in the Accounting Policies note of the financial statements.</p> <p>We have:</p> <ul style="list-style-type: none">assessed the Council’s in-house valuer to be competent, capable and objective;carried out completeness and accuracy testing of the underlying information provided to the valuers used to determine the estimate including floor areas where appropriate;reviewed management’s assessment of assets not valued in the year against the Gerald Eve report and concluded that their assessment is reasonable and that assets not valued in the year are not materially misstated;agreed valuation reports to the Fixed Asset Register and to the Statement of Accounts; andengaged our own valuation expert to assess the work of the Council’s valuer, compliance with RICS requirements and management’s assessment of assets not revalued in year. Our expert was able to confirm that the Council’s approach was reasonable and in line with those adopted by other Valuers and that the valuations were reasonable. <p>Our audit work is substantially complete and we have no further issues to report.</p>	<p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious.</p>




Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																							
<p>Valuation of net pension liability</p> <p>£4.0m at 31 March 2025</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>The Council's initial draft net pension liability at 31 March 2025 was £4.0m (PY £4.5m) comprising the Cheshire Local Government defined benefit pension scheme and unfunded defined benefit pension scheme obligations.</p> <p>The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £18.3m net actuarial gain during 2024/25.</p>	<p>Our work on the Council's net pension liability is substantially complete. We have:</p> <ul style="list-style-type: none">assessed management's expert to be competent, capable and objective.assessed actuary's approach taken, detail work undertaken to confirm reasonableness of approachused PwC as auditors expert to assess actuary and assumptions made by the actuary as outlined in the table below: <table><tr><th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>5.80%</td><td>5.80 – 5.85%</td><td>●</td></tr><tr><td>Pension increase rate</td><td>2.75%</td><td>2.70 – 2.80%</td><td>●</td></tr><tr><td>Salary growth</td><td>3.45%</td><td>2.75 – 3.75%</td><td>●</td></tr><tr><td>Life expectancy – Males current pensioners</td><td>20.8 years</td><td rowspan="2">PwC confirmed that assumptions are acceptable</td><td>●</td></tr><tr><td>Life expectancy – Females current pensioners</td><td>23.5 years</td><td>●</td></tr></table> <ul style="list-style-type: none">confirmed the completeness and accuracy of the underlying information used to determine the estimate, including liaison with the auditor of the Cheshire Pension fund (response currently outstanding)undertaken a reasonableness test of the Council's share of LPS pension assets and assessed the reasonableness of movement in the estimate, andassessed the adequacy of disclosure of estimate in the financial statements. <p>Conclusion</p> <p>We have not identified any issues to date in respect of this significant estimate, however as noted on page 21 our work is not yet complete.</p>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.80%	5.80 – 5.85%	●	Pension increase rate	2.75%	2.70 – 2.80%	●	Salary growth	3.45%	2.75 – 3.75%	●	Life expectancy – Males current pensioners	20.8 years	PwC confirmed that assumptions are acceptable	●	Life expectancy – Females current pensioners	23.5 years	●	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p>
Assumption	Actuary value	PwC range	Assessment																							
Discount rate	5.80%	5.80 – 5.85%	●																							
Pension increase rate	2.75%	2.70 – 2.80%	●																							
Salary growth	3.45%	2.75 – 3.75%	●																							
Life expectancy – Males current pensioners	20.8 years	PwC confirmed that assumptions are acceptable	●																							
Life expectancy – Females current pensioners	23.5 years		●																							


Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p>Depreciation</p>	<p>Asset values and assessed remaining lives are input into Halton's asset management system (RAM) at acquisition where they are maintained until write off or disposal. The system then calculates the depreciation charge to be included in the draft accounts. Depreciation is calculated on a straight-line basis over the Useful Economic Life (UEL) of the assets. The usual UEL of assets is as follows:</p> <p>Buildings and Other Operational Properties - 10-60 years</p> <p>Community Assets - 15 years</p> <p>Infrastructure Assets - 15-120 years</p> <p>Vehicles, Plant and Equipment - 3-10 years</p> <p>Intangible Assets - 5 years</p> <p>Qualified valuers advise on the UEL of Buildings and suitably qualified officers advise on Vehicles, Plant and Equipment.</p>	<p>Our review of the depreciation charge for the year identified no issues with the estimate made by management.</p>	<div>  <p>Green</p> </div>
<p>Bad debt allowances/credit loss provision</p>	<p>The Bad Debt Provision and impairment provision recorded in the accounts is made up of a number of provisions, most notably the Mersey Gateway Public Charge Notices provision and Local Taxation provision.</p> <p>Calculation of Bad Debt Provisions is based on a reconciliation of aged debt balances. Outstanding balances are agreed and then historical collection rates are applied to the balances to calculate an estimate for the required provision.</p>	<p>The method for calculating the Bad Debt Provisions for Short Term Debtors has remained consistent for a number of years. The general method is to obtain listings of all debtors and their amounts and calculate the bad debt provision required based on the general percentage rate of collection. These percentages are based on historic data and have been used for several years. We are content with these percentages, and their underlying assumptions, being used to calculate the provision and have not identified any circumstances that suggest they ought to have changed.</p>	<div>  <p>Green</p> </div>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Provisions	<p>Key provisions are based on the best estimate of expenditure required to settle the obligation at the time of preparation. Any subsequent increase or decrease in these amounts would lead to a corresponding decrease or increase in the General Fund, or the Collection Fund in respect of NNDR Appeals. Provisions are reviewed and authorised by senior management.</p> <p>There is a significant provision for the amounts potentially owed to the Department for Transport in respect of the Mersey Gateway, however this is calculated on a known basis rather than an estimate.</p>	No management bias has been identified. The recognition, measurement, presentation and disclosure of Provisions estimate in the financial statements are deemed to be in accordance with the applicable financial reporting framework. Based on the results of the procedures performed in Provisions and contingent liabilities section, assurance gained over the reasonableness of the Provisions estimate.	 Green
Financial instruments - fair value of level 2 and level 3 investments	The Council has treasury management advisors, to calculate the fair values of its financial instruments. Management understands and discloses that the fair value of liabilities can differ significantly from the carrying values, and can vary significantly year on year, dependant on market conditions.	No management bias has been identified. The Fair Value of loans and PFI liabilities is calculated by an external expert using loans and PFI data for each loan and PFI scheme supplied by Council. The expert uses PWLB and comparable interest rates from the underlying market in force on the 31st March 2025 to calculate the fair values. No changes noted from previous year.	 Green
Accruals	Accruals for costs incurred or income earned at year-end are recorded based on the actual amount per invoice subsequently received post-year end, or estimated based on the previous invoices received or raised.	No significant accruals during the year and no significant judgements nor assumptions used with respect to this estimate based on the results of our samples testing on income, expenditure, debtors and creditors. No indicators of management bias noted.	 Green

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Minimum revenue provision £13.150m in 2024/25 (PY £11.409m)	<p>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.</p> <p>The year end MRP charge was £13.150m, an increase of £1.741m from 2023/24. We note that MRP in 2024/25 is 2.02% of the closing CFR (PY 1.88%)</p> <p>The approval of the Council’s application for a capitalisation direction to fund revenue expenditure by MHCLG contained a requirement that where this resulted in an increase in the CFR the Council needed to chare annual MRP using the asset life method with a proxy asset life of no more than 20 years.</p>	<p>We have reviewed the Council’s MRP calculation and considered:</p> <ul style="list-style-type: none">• whether the MRP has been calculated in line with the statutory guidance;• whether the Council’s policy on MRP complies with statutory guidance including requirements set out by MHCLG;• assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full Council; and• the reasonableness of the increase in MRP charge <p>New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.</p> <p>Our work is completed and we have no issues to report.</p>	<div> Green</div>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
PFI liability £385.8m in 2024/25 (PY £345.4m)	<p>Estimate is based on the requirements of IFRIC 12 and the financial information in the operator’s model. They have been considered to have an implied finance lease within the arrangement. The Council has estimated the implied interest rate within the leases. Internal Rate of Return (IRR) has been estimated as remaining constant throughout the remaining period of the contract.</p> <p>Model based on latest available information and information relevant to PFI type schemes.</p> <p>Underlying assumptions involved surrounding asset valuation and figures within the operators model. The main assumption underlying the estimate is that the conditions hold true for the life of asset.</p> <p>From 1 April 2024, the liability has been remeasured in accordance with IFRS 16 Leases, to reflect the impact of indexation of unitary charges up to the 31 March 2024. This resulted in restatement of the liability of £50.8m.</p>	<p>No management bias has been identified. The estimate is based on the requirements of IFRIC 12 and the financial information in the operators model. They have been considered to have an implied finance lease within the arrangement. The Council has estimated the implied interest rate within the leases. IRR has been estimated as remaining constant throughout the remaining period of the contract. The Model is based on latest available information and information relevant to the PFI type Schemes.</p> <p>The Code specifies the approach, i.e. the apportionment of expected payments under the financial model into separate elements and the application of the actuarial model for lease accounting to the elements relating to acquisition of the asset.</p> <p>IFRS 16 implementation</p> <p>We have reviewed the IFRS 16 transition adjustments in PFI models with support from our internal modelling team. Our work is ongoing and we await further information from management to support our review of the remeasurement of the liability at 31 March 2025.</p> <p>We have identified some amendments to disclosures in the draft accounts – refer to page 39.</p>	<p>TBC – pending review IFRS 16 PFI adjustments</p>

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Unit 4 ERP	ITGC assessment (design and implementation only)	<div><div></div>Green</div>	<div><div></div>Green</div>	<div><div></div>Green</div>	<div><div></div>Green</div>	Our Value for Money work has identified a significant weakness due to the Council’s business continuity and disaster recovery plans being out-of-date – see Interim Auditor’s Annual Report presented alongside this report for more detail.

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

5 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	<ul style="list-style-type: none">• We have previously discussed the risk of fraud with the Audit and Governance Board. 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	<ul style="list-style-type: none">• We are not aware of any related parties or related party transactions which have not been disclosed. However, we did identify some members had failed to declare all interests as expected. We have retained the prior year recommendation – refer to page 43.
Matters in relation to laws and regulations	<ul style="list-style-type: none">• You have not made us aware of any significant incidences of non-compliance with laws and regulations and we have not identified any such incidents from our audit work.
Written representations	<ul style="list-style-type: none">• A letter of representation has been requested from management, and we have requested specific representations in respect of the prior period adjustment related to 2023/24 restated long term borrowing disclosures and the fully depreciated assets held at nil NBV.• We draw your attention to the draft Letter of Representation which is set out at Appendix B.
Confirmation requests from third parties	<ul style="list-style-type: none">• We requested from management permission to send confirmation requests to other Local Authorities, banks and financial institutions in respect of cash and investment balances and borrowings. This permission was granted and the requests were sent and positive responses received.
Disclosures	<ul style="list-style-type: none">• We have evaluated the appropriateness of the Council's financial statement disclosures in line with applicable accounting principles and the Code of Practice. A number of minor amendments were made to the financial statements to further enhance the transparency of the disclosures within the Accounts and improve compliance with reporting requirements. Further detail is set out at page 39.
Audit evidence and explanations	<ul style="list-style-type: none">• All information and explanations requested from management was provided. (TBC as audit is on-going)
Significant difficulties	<ul style="list-style-type: none">• No such difficulties were encountered.

Other responsibilities

Issue	Commentary
Going concern	<p>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 2024). 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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• 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. <p>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:</p> <ul style="list-style-type: none">• 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. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified; and• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	<p>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.</p> <p>Management have updated the Narrative Report to more clearly set out the findings and conclusions from the May 2024 Ofsted inspection of Children's services and to update the position in relation to Exceptional Financial Support as the Council received approval from MHCLG on 21 August 2025 for a capitalisation direction to fund revenue expenditure at a total not exceeding £10 million.</p> <p>Management have updated the Annual Governance Statement to explain the basis of the statutory recommendations issued in December 2024 and associated actions to address the identified weaknesses.</p> <p>Subject to receiving and updated AGS, we plan to issue an unmodified opinion in this respect – refer to Appendix C.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• 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/es. <p>As noted on page 9 In November 2024, we issued two statutory recommendations under section 24 schedule 7 of the Local Audit and Accountability Act 2014 to Halton Borough Council, relating to our Value for Money findings in respect of financial sustainability and the current financial challenges faced by the Council.</p> <p>We are minded to issue additional recommendations in relation to our Value for Money findings for 2024/25.</p>

Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>We have not yet completed our work on the Whole of Government Accounts as NAO have not issued the WGA group audit instructions at this stage.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2024/25 audit of Halton Borough Council in the audit report, as detailed in Appendix C, due to not yet having received the WGA instructions from NAO. We await confirmation that the WGA audit has been finalised, and we can certify closure of the audit.</p>

6 Audit adjustments

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

The adjusted misstatements identified based on our work completed to date, are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Remeasurement of lease liabilities under IFRS 16 misclassified in the CIES	Finance expenditure 4,673 Impairment, depreciation & amortisation (4,673)	-	-	-
Understatement of valuation of Land & Buildings in draft accounts		Land & Buildings (Cost) 683 Accumulated depreciation 5,146 Revaluation reserve (4,864) Impairment expense (966)		
Misclassification between creditors and cash balance due to uncleared payment not recorded as reconciling item at 31 March 2025		Creditors 6,807 Cash & cash equivalents (6,807)	-	-
Fully depreciated assets identified as identified as disposed or no longer in use by 31 March 2025		Accumulated depreciation 11,234 Land & Buildings (Cost) (11,234)	-	-
Overall impact	0	0	0	0

Audit adjustments

Misclassification and disclosure changes

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

Amendment type	Misclassification or change identified	Adjusted?
Disclosure	Various - Management agreed to amend for a number of other minor presentational issues and disclosure matters to ensure compliance with guidance.	✓
Narrative report	Updates to disclosure the outcome from the recent Ofsted inspections and explain the main factors contributing the “inadequate” rating	✓
Annual Governance Statement	Draft version did not make reference to statutory recommendations and associated actions.	✓
Note 10	Amendment to correct banding of Teaching Staff in the disclosure of employees with remuneration over £50k	✓
Note 32	Amendment to correct £2m error in the disclosure of amounts payable within 11-15 years	✓
Note 42	Amendment to correct variance of £3.5m due to 2 revaluations being miscoded to Mersey Gateway instead of Environment and Regeneration.	✓
Note 29	Assumptions made about the future and other major sources of estimation uncertainty - Disclosure has been added to include valuation of Property, Plant and Equipment as an area of significant estimation uncertainty including the required sensitivity analysis to demonstrate the financial impact of changes in estimation assumptions.	✓
Note 30	We identified some disclosure changes required to improve the clarity and understanding of the impact of applying the new IFRS 16 accounting standard.	✓
Note 17	Variance of £551k between the Fixed Asset Register and the draft disclosure of assets not subject to revaluation	x

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified, based on our work completed to date, which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Capital expenditure incurred before 31 March 2025, but incorrectly recorded in the following financial year, 2025.26.	-	Property, Plant & Equipment 1,222 Capital accruals (1,222)	-	-
Overall impact of current year unadjusted misstatements	0	1,222		0

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

We have reviewed the 3 prior year unadjusted misstatements identified during our 2023/24 audit. The only one which potentially could have an ongoing impact into the 2024/25 position is detailed below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Incorrect downwards revaluation of whole asset when only part was revalued	(670)	670	(670)	0	Materiality
Overall impact of prior year unadjusted misstatements	(670)	670	(670)	0	
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	(670)	670	(670)	0	0

Action plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our 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
<div>●</div> <div>High</div>	<p>Valuation of land & buildings</p> <p>Our review identified that the draft accounts and fixed asset register had been updated based on the incorrect version of the valuation report provided by the Councils' external valuer. This resulted in the understatement of assets by £5.8m.</p>	<p>We recommend that management ensure appropriate quality review procedures are in place to confirm the draft accounts and supporting working papers reconcile to the underlying data whether produced internally or by an external expert.</p> <p>Management response</p> <p>The Council will increase the checks balancing the final accounts to the underlying valuation data, and build this into the closedown checklist.</p>
<div>●</div> <div>Medium</div>	<p>Fully depreciated assets held at nil Net Book Value (NBV) assets</p> <p>In our testing we identified many assets in Property, Plant & Equipment which were fully depreciated on the Fixed Asset Register. There is a risk that some of these items are no longer in use and should be recorded as disposed otherwise the gross cost and accumulated depreciation balance is overstated.</p> <p>We identified items which were incorrectly held on the Fixed Asset Register and further review identified a material value of assets which were disposed. Following review by management, we identified one further error in the remaining population of fully depreciated assets.</p>	<p>We recommend that management ensure appropriate procedures and controls are in place to ensure regular review of assets nearing the end of the useful economic life and identify unrecorded disposals of assets.</p> <p>Management response</p> <p>The Council had increased the checks on nil Net Book Value assets following the recommendation from previous audits. This will be widened to include intangible assets from 2025/26.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our 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
<div><div></div><div>Low</div></div>	<p>In our 2023/24 audit, we noted during our audit testing that some members had not disclosed all their interests on their declarations.</p> <p>Update at September 2025– Management acknowledged the need for all declarations to be made and carried out further audit testing to verify completeness and timeliness of relevant declarations as part of our 2024/25 audit. We identified that not all members had declared all their interests as expected.</p>	<p>We recommend that all declarations are completed fully by both officers and members.</p> <p>Management response</p> <p>The Council will continue to try and ensure all members interests are declared as part of 2025/26 accounts process.</p>
<div><div></div><div>Medium</div></div>	<p>Capital expenditure recognition</p> <p>Our substantive testing of payments and creditor invoices after the year end identified £1.2m of capital expenditure in 3 transactions which had incorrectly been recorded in the following financial year, 2025/26 but which occurred prior to 31 March 2025.</p>	<p>We recommend that management implements an appropriate control to review and identify capital expenditure around the year-end to ensure transactions are recorded and allocated to the correct financial period.</p> <p>Management response</p> <p>Controls were increased on the timing of debtors and creditors as part of the 2024/25 accounts process. The capital invoices were received at the end of April after we had reviewed the year end transactions. Further checks will take place up to May 2026.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

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 the 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 followed up on the implementation progress of our recommendations as at May 2025 when we issued the Audit Plan and as part of our 2024/25 audit we set out our assessment of action taken as at September 2025.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	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	<p>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.</p> <p>Update at May 2025– Management acknowledged that further training was required and that reconciliations would be performed monthly. During our 2024/25 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.</p> <p>Update at September 2025 – Our review identified that the schools bank reconciliations required amendment to fully reconcile the cash balances and these were provided for audit on 5 September 2025. We have also identified a misstatement whereby an uncleared payment to creditors at the year-end was not classified accurately and this has been adjusted in the accounts – refer to page 24 for details.</p>
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.	<p>We recommended that management introduce a formal impairment process on at least an annual basis.</p> <p>Update at May 2025 - Management agreed to build this process into the annual closedown procedures and we will assess implementation as part of our final accounts audit.</p> <p>Update at September 2025 We have reviewed the impairment review carried out by management and based on the documentation available it is not clear whether all assets have been sufficiently considered and assessed for the risk of impairment. As best practice, we would expect a full list of assets to be circularised at least annually to asset owners requiring positive confirmation that an assessment of impairment risk factors has been completed. At this stage, we do not consider the process as fully implemented or adequately addressing the recommendation.</p>

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
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.	<p>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</p> <p>Update at May 2025 - 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.</p> <p>Update at September 2025</p> <p>Our testing in 2024/25 identified one transaction which was incorrectly classified as REFCUS as it related to works completed on a Council building. We are satisfied this is not material however, we consider further improvement is necessary to ensure REFCUS is appropriately classified.</p>
In progress	We noted during our audit testing that some members had not disclosed all their interests on their declarations.	<p>We recommend that all declarations are completed fully by both officers and members.</p> <p>Update at May 2025– 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 2024/25 audit.</p> <p>Update at September 2025</p> <p>We have re-issued this recommendation based on further issues identified in the 2024/25 audit.</p>

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Completed	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	<p>We recommend that at year-end disposals are reviewed to ensure that they are no longer on the asset register.</p> <p>UPDATE at May 2025– Management agreed to implement action as part of annual closedown procedures and we will assess as part of our final accounts audit</p> <p>Update at September 2025 We have no identified any further issues with disposals incorrectly processed from the fixed asset register however, we have reported a recommendation in relation to identification and disposal of fully depreciated assets – refer to page 42.</p>
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.	<p>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.</p> <p>UPDATE at May 2025 – 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</p> <p>Update at September 2025 Our view remains that a preventative control is necessary and should be implemented in line with best practice.</p>

7 Value for Money arrangements

Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024/25. Our draft AAR accompanies this audit findings report.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



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.



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.

In undertaking this work we have identified significant weaknesses in arrangements.

We have completed our VFM work and our detailed commentary is set out in the separate Interim Auditor's Annual Report, which is presented alongside this report.

8 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, managers and network firms). In this context there are no independence matters that we would like to report to you.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

Further, 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.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council 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 in the group 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 or 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 or 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, 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 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 [and network firms] 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.

Following this consideration we can confirm that we are independent 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 following tables below set out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to September 2025 , 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 self-interest threat from these fees in that we set out below.

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	26,780	28,860*	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 £28,860 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.
Teachers' Pension Agency Certification	12,500	12,500	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 £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.

Other non-audit services

CFO Insights	15,000	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	54,280	56,360*		

* Exact fee to be confirmed on completion of work

Fees and non-audit services

Total audit and non-audit fee

Audit fee - £338,579	(Non-audit fee) - £56,560*
IFRS 16 - £5,000	
Total - £343,579	£56,650*

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

• fees per financial statements	£387,329
• Additional fees in relation to 2023/24 external audit	£48,750
• Additional fees in relation to 2024/25 external audit (IFRS 16)	£5,000
• total fees per above	£343,579

* - Exact fee to be confirmed on completion of work

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

Appendices

A. 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	●	
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 Group’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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		<div></div>
Non-compliance with laws and regulations		<div></div>
Unadjusted misstatements and material disclosure omissions		<div></div>
Expected modifications to the auditor's report, or emphasis of matter		<div></div>

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 Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report.

Specific representations have also been sought for the following areas:

- in relation to the prior period adjustment identified by management and awareness of any other prior period errors, and
- confirming the fully depreciated assets held at nil net book value in the fixed asset register are still operational and in use

C. Audit opinion

Draft audit report to follow separately



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