

The Audit Findings for Blackburn with Darwen Borough Council

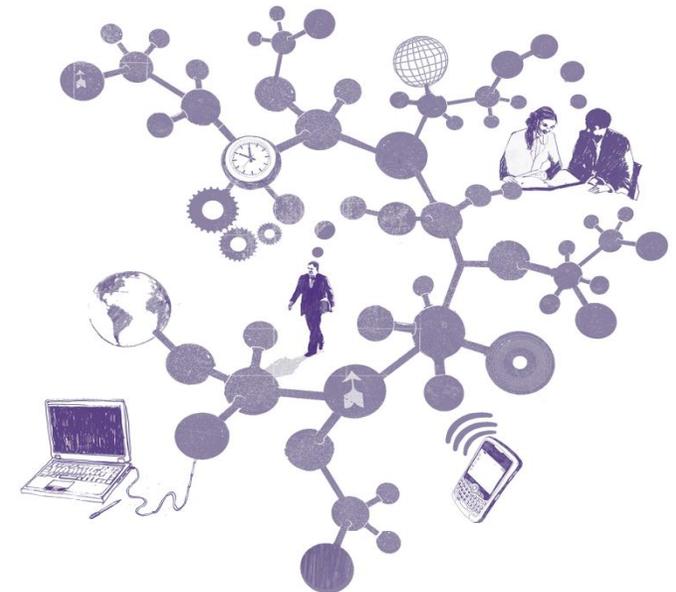
Year ended 31 March 2017

September 2017

Karen Murray
Engagement Lead
T 0161 234 6364
E karen.l.murray@uk.gt.com

Neil Krajewski
Engagement Manager
T 0161 234 6371
E neil.p.krajewski@uk.gt.com

Zak Francis
In-Charge Auditor
T 0161 953 6341
E zak.francis@uk.gt.com



22nd September 2017

Dear Sirs,

Audit Findings for Blackburn with Darwen Borough Council for the year ended 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Blackburn with Darwen Borough Council, the Audit and Governance Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with the Director of Finance and IT.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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 primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. 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 any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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.

Yours sincerely

Karen Murray
Engagement lead

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Section 1: Executive summary

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Purpose of this report

This report highlights the key issues affecting the results of Blackburn with Darwen Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- issue of an advisory notice (section 29 of the Act);
- application for judicial review (section 31 of the Act).

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act); and
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in the Audit Plan which we presented to the Audit and Governance Committee at its meeting on 11 April 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- obtaining a response from the Council's banks in respect of school bank accounts and outstanding items in our sample of schools income and expenditure transactions;
- obtaining supporting evidence for a small number of non-schools income and expenditure transactions;
- review of journal entries assessed as being large or unusual in nature;
- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- review of the final version of the Annual Governance Statement;
- updating our post balance sheet events review, to the date of signing the opinion; and
- completing procedures mandated by the National Audit Office on the Whole of Government Accounts return.

Key audit and financial reporting issues

Financial statements opinion

To date we have identified one adjustment affecting the Council's reported financial position (details are recorded in section two of this report). As detailed later in this report, management do not propose to process the adjustment of £1.323M which would be required to correct the error as they do not consider it to be material. Therefore, the draft and audited financial statements for the year ended 31 March 2017 record a deficit on provision of services of £22,081k. During the course of the audit, we have recommended a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the Council successfully brought-forward the date when the accounts were authorised for issue to 14 June 2017. This was achieved against the backdrop of installing a new main accounting system. The prospects for closing the accounts by 31 May 2018 in line with next year's statutory deadline are good
- the financial statements are generally of a good standard and are supported by appropriate working papers
- we identified discrepancies concerning the arrangements to account for Council property in line with the CIPFA Code of Accounting practice. Addressing these issues to confirm the associated disclosures are materially correct has extended the length of this year's audit visit.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 any control weaknesses, we report these to the Council.

Findings

Our work has identified four minor control weaknesses which we wish to highlight for your attention. Further details are provided within section two of this report on page 20.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Audit and Governance Committee in early 2018.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance and IT.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and IT and the finance team.

Acknowledgement

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

Grant Thornton UK LLP
September 2017

Section 2: Audit findings

01. Executive summary

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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £8,729k (being 2% of gross revenue expenditure in the previous year's audited accounts). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £436k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Related Party Transactions	The Council conducts its business using public funds. The Related Party disclosures ensures that the Council discloses in full any transactions that have occurred with related parties. This ensures that the Council is open about who it does business with and counters any allegations or suspicion of nepotism on the part of management, members or those charged with governance.	£20,000
Disclosures of senior manager salaries and allowances in the remuneration report	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

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

Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Blackburn with Darwen Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • 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 Blackburn with Darwen Borough Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have completed the following procedures:</p> <ul style="list-style-type: none"> • review of entity controls • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of property, plant and equipment The Council undertakes a rolling programme of revaluations of land and buildings. The approach taken to determine the carrying value of Property, Plant and Equipment in the Balance Sheet represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> • Identification of controls put in place by management to ensure that the carrying value of property, plant and equipment is not materially different from current value at year end and an assessment of whether these controls are implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • Review of management's processes and assumptions for the calculation of the estimate; • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work; • Sample testing to obtain assurance over the accuracy of valuations recorded in the Asset Register by tracing the valuations in the asset register back to reports received from the valuer; • Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions; • Review and challenge of the information used by the valuer to inform their valuations to ensure it is robust and consistent with our understanding; and • Evaluation of 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 carrying value. 	<p>The key matters arising from our audit testing are as follows:</p> <p><u>(i) Audit consideration of the Council's rolling programme of valuations</u></p> <p>Management instruct the valuer each year to undertake valuations in line with a five-year rolling programme. We have reviewed the valuations provided to management and noted that the valuation basis referred to is not always consistent with the requirements set out in the CIPFA Code of Practice. We requested and received assurance from the valuer that the valuation has been completed on an appropriate basis. We also requested and obtained assurance from management that the accounting entries posted correctly adjust the accumulated depreciation balance on receipt of a new valuation.</p> <p><u>(ii) Management's review of prior year valuations</u></p> <p>Management have long-standing arrangements in place to ensure assets are revalued with sufficient frequency so that the carrying value is not materially different from current value. These arrangements include arranging for revaluations on a more frequent basis than that required by the rolling programme to ensure management has assurance that the value of Property, Plant and Equipment, in overall terms, is materially correct. Additionally, management consult relevant indices to assess whether there is likely to have been a movement in asset values between the date of the most recent valuation and the Balance Sheet date. At our request, management provided an updated version of their assessment to consider of whether there had been any movement in the value of land and building between 1 April 2016 and 31 March 2017. This confirmed the movement was not material.</p> <p><u>(ii) Recognition of Surplus Assets by Management</u></p> <p>Our discussions with management have identified that the Council does not currently have a formal process in place to identify assets which meet the definition of a 'surplus asset', as set out in the Code. At our request, management reviewed the asset base and identified one individually significant asset - an area of land set aside for the potential development of residential property - which met the definition of a surplus asset. The required adjustments have been made to disclose this asset as 'surplus' as part of the Property, Plant and Equipment note. We obtained specific assurances from the Council's valuer that the value of this asset, as at 31 March 2017, is fairly stated in the Balance Sheet. Management have provided assurances, as part of the letter of representation, that there are no other surplus assets which would be material to the Council, either individually or in aggregate. A more formal process for identifying surplus assets is to be introduced going forward.</p>

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet represents a significant estimate in the financial statements.</p>	<ul style="list-style-type: none"> • We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out. • We undertook procedures to confirm the reasonableness of the actuarial assumptions made. • We reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from the Council's actuary. 	<p>We have not identified any concerns arising from this work to report to the Audit and Governance Committee.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at Appendix A.

Transaction cycle and Risk	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses/creditors</p> <p><i>- Creditors are understated or not recorded in correct period</i></p> <p>(Completeness Assertion)</p>	<p>Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention.</p>	<ul style="list-style-type: none"> • We have reviewed the systems and controls that the Council has in place to pay suppliers and record expenditure incurred; and • We have walked through controls relevant to the risk identified. • We undertook testing of a sample of payments made by the Council after the year-end to obtain assurance over the completeness of the Council's accruals 	<p>We have not identified any matters to the bring to the attention of the Audit and Governance Committee.</p>
<p>Employee remuneration</p> <p><i>-Employee remuneration costs are understated</i></p> <p>(Completeness Assertion)</p>	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention.</p>	<ul style="list-style-type: none"> • We have reviewed the systems and controls that the Council has in place to ensure that its employees are paid the correct amount based on hours worked and their contractual entitlement, including arrangements to accrue for amounts outstanding but not yet paid at the year-end. • We have walked through the controls the Council has in place in relation to this risk. • We documented and walked-through the systems and processes operated by Capita which are relevant to this risk. Whilst the Council has brought payroll in house for the majority of service areas, Capita process payroll on behalf of most of the schools in the Borough. • We completed substantive testing of significant year end payroll accruals. • We performed analytical procedures to identify any discrepancies in monthly payrolls and consideration as to whether payroll expenditure is in line with our expectations based on supporting evidence. • We tested the reconciliation between the Council's payroll system and the amounts recorded in the general ledger and financial statements. For other payroll providers used by the Council we confirmed twelve monthly feeder files had been imported to the ledger and there were no apparent anomalies in the amounts posted. 	<p>We have not identified any matters to the bring to the attention of the Audit and Governance Committee.</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Changes to the presentation of local authority financial statements</p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Management have prepared the primary statements in accordance with CIPFA Code requirements. As part of this exercise, gross income and expenditure has been presented in line with the Council's Directorate structure. This is the format used to present information to members during the year.</p> <p>Management have re-stated the prior year figures in line with the new format. The restated figures are material to the Council. Accounting standards require that where a material amount is restated, a prior period adjustment note should be prepared. Management's judgement for omitting the prior period adjustment is that the omission does not materially impact on users' understanding of the financial statements.</p> <p>We have discussed management's judgment with senior members of the Finance Team. As part of these discussions, we considered the format in which information regarding the restatement would need to be presented based on the Council's reporting structure. We have concluded that the we do not consider the omission to be a material issue. However, because the Council has not complied in full with accounting standards in relation to this, the Audit and Governance Committee need to assess whether they are content with management's judgment on this issue.</p>

New issues and risks identified during the course of the audit

This section provides commentary on new issues and risks which were identified during the course of the audit and were not previously communicated in the Audit Plan

	Issue	Commentary
1.	<p>Shopping Centre Lease</p> <ul style="list-style-type: none"> The Council has leased out the land on which the Mall shopping centre and car park is located. The lease is for 150 years and commenced in 1993. The lease is classified as a finance lease and the associated long-term debtor balance at 31 March 2017 was £26.278m. The income the Council receives from the lessor varies according to the rent received from tenants in the shopping centre. 	<p>The original lease was recognised in the Balance Sheet as part of the implementation of International Financial Reporting Standards in 2010/11. When posting the accounting entries relating to the lease, the Council made an assumption based on the income expected to flow to it in respect of each year of the lease. In recent years, the income recognised is substantially less than that forecast at the inception to the lease.</p> <p>This does not materially impact on the value of the finance lease debtor as this reflects the value of the asset which transferred in 1993. However, the value of the Council's unearned finance income in relation to the lease is based on forecast income.</p> <p>Management response</p> <ul style="list-style-type: none"> Additional disclosure has been added to the accounts to provide more information regarding the nature of the lease. Management will review the disclosure annually to confirm whether any adjustment to the value of unearned income disclosed is required.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<p>The Council's accounting policies set out its approach to revenue recognition. Income relating to the provision of services and or funding of Council activities is accounted for in the year in which the activity/service takes place.</p> <p>Council tax and income relating to non-domestic rates is accrued for in the year to which it relates. Adjustments are made in line with the applicable statutory overrides to recognise in the General Fund the amount permitted under the relevant regulations.</p>	<p>The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code).</p> <p>The main elements of the Council's revenues are predictable and there is minimal judgement required by the Council. The accounting policy is appropriately disclosed in accounting policies section of the financial statements.</p>	<p style="text-align: center;"> Green</p>
<p>Judgements and estimates</p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> – Revaluations – Impairments – Accruals – Valuation of pension fund net liability – Identification and classification of financial instruments – Provision for NNDR appeals – Other provisions – Group Accounting boundary – Accounting for pooled budgets 	<p>Having reviewed management's approach to producing accounting estimates and arriving at the judgments we consider to be significant to the accounts, we are satisfied that management has put appropriate arrangements in place.</p> <p>Our work in relation to the estimates produced by management in relation to property, plant and equipment and pension fund assets and liabilities is set out on pages 11 and 12 of this report respectively.</p> <p>In addition, we have considered:</p> <ul style="list-style-type: none"> - management's decision to continue to classify its investments in money market funds as an 'Available for Sale' asset within the financial instrument disclosures - management's assessment that the Council does not need to produce Group Accounts - management's assessment that it has joint control with Blackburn with Darwen CCG of the Better Care Fund pooled budget <p>We were satisfied that the judgment made in each of these areas was reasonable.</p>	<p style="text-align: center;"> Green</p>

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Director of Finance and IT (S151 officer) has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	 Green
Other accounting policies	The Council is required to review its accounting policies annually.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 Green

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period. No other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	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 relevant laws and regulations. We have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> We draw your attention to the draft Letter of Representation which is included as part of the papers on the agenda for tonight's meeting. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for the provisions the Council has included in its accounts in respect of closed landfill sites.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the banks and other financial institutions with which the Council had outstanding balances at the year-end. This permission was granted and the requests were sent. We are currently awaiting confirmations in relation to bank accounts held by schools but we have received all of the other confirmations we require.
6.	Disclosures	<ul style="list-style-type: none"> We have identified a small number of adjustments and enhancements to disclosures which have been agreed with management.

Other communication requirements (continued)

	Issue	Commentary
7.	Matters on which we report by exception	<p>We have not identified any issues we would be required to report by exception in the following areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	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>As the Council exceeds the specified group reporting threshold of [£tbc] we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <ul style="list-style-type: none"> • This work has not yet been concluded. Arrangements are in place to conclude this work before we issue our opinion on the Council's financial statements
9.	Audit evidence and explanations	<ul style="list-style-type: none"> • All information and explanations requested from management was provided.
10.	Significant difficulties	<ul style="list-style-type: none"> • We did not encounter any significant difficulties during the audit.
11.	Other matters	<ul style="list-style-type: none"> • There are no other matters we need to report to you.

Internal controls

	Assessment	Issue and risk	Recommendations
1.	 [AMBER]	Our work on property, plant and equipment identified that the Council did not have a structured process in place to identify surplus assets. This is important as surplus assets are valued on a different basis to operational assets and, where material, additional disclosures are required in the statement of accounts.	<ul style="list-style-type: none"> Introduce a process for maintaining and updating a record of assets meeting the definition of a 'surplus asset' in the CIPFA Code of Accounting Practice.
2.	 [AMBER]	Our work on the Collection Fund identified that the provision the Council had calculated for potential reductions in rateable value arising from appeals submitted to the Valuation Office Agency was overstated. This was because the Council had not adjusted for circumstances where multiple appeals had been made by the same ratepayer.	<ul style="list-style-type: none"> Review the basis of determining the provision for non-domestic rate appeals to ensure the treatment of multiple appeals for the same ratepayer is appropriate.
3.	 [AMBER]	Our review of exit packages identified that the Council had not accrued for exit packages which had been agreed at the year-end as part of the Council's ongoing savings programme. The disclosure of exit packages in the financial statements was amended to include these.	<ul style="list-style-type: none"> Update the year-end closure process to ensure adequate consideration is given to the need to accrue for redundancies or other exit packages agreed as at the Balance Sheet date.

Assessment

-  [RED] Significant deficiency – risk of significant misstatement
-  [AMBER] Deficiency – risk of inconsequential misstatement

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.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. No non-trivial adjustments impacting on the primary statements have been identified.

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Reason for not adjusting
<p>1 Our work on the Collection Fund identified that the provision for appeals against the rateable value determined by the Valuation Office Agency was overstated by £2,700,000. This was due to an error in the approach taken to adjust for duplicate appeals from the same ratepayer. In line with relevant regulations, the Council's share of this provision is 49% therefore the charge to the Comprehensive Income and Expenditure Statement is overstated by £1,323,000</p>	<p>Taxation and Non-Surplus Grant Income understated by £1,323,000</p>	<p>Long Term Liabilities – Provisions overstated by £1,323,000</p>	<p>The extent of the overstatement is immaterial and the figure used in the draft accounts has already been provided to the other precepting bodies (Lancashire Fire and Rescue Authority and Department for Communities and Local Government)</p>
<p>2 The Council has established a pooled budget arrangement with Blackburn with Darwen Clinical Commissioning Group as part of the Better Care Fund arrangements. The Council hosts the arrangement. In accordance with IFRS 12 the Council should only account for its share of income and expenditure. However, the Council has accounted for the full amount deposited in the pooled fund. The Council has accounted for the transactions to transfer funds from the Council to the CCG as gross expenditure. Consequently, gross income and gross expenditure are overstated.</p>	<p>Gross Income and Gross Expenditure overstated by £5,844,000</p>	<p>No impact</p>	<p>The extent of the overstatement is immaterial and has no impact on the outturn position of the Council.</p>
<p>Overall impact</p>	<p>£1,323,000</p>	<p>£1,323,000</p>	

Unadjusted disclosures

- 1) As noted on pg. 14 of this report, management do not propose to include a prior period adjustment disclosure in the financial statements to reflect the presentational changes to the comprehensive income and expenditure account introduced as part of the 2016-17 CIPFA Code of Accounting Practice. Given accounting standards require the inclusion of such a disclosure, the Audit and Governance Committee is asked to confirm it accepts management's decision not to include this disclosure on the basis that its omission does not materially impact on the users of the account's understanding of the Council's financial position and performance.
- 2) Note 13 to the accounts reports movements in the Council's Property, Plant and Equipment balance during the year. One aspect of the movements reported is amounts re-classified from one asset category to another. During the year management concluded the majority of the work on a major transport scheme known as Pennine Reach. There is a immaterial amount of spend incurred which has not been re-classified from assets under construction to operational assets as management do not currently have the necessary detailed to determine the asset category. We are satisfied this has no material impact. The balance of £2,346,262 remains in Assets Under Construction and will be re-classified during the 2017-18 financial year.

Misclassifications and disclosure changes

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

Adjustment type	Value	Note Affected	Impact on the financial statements
1 Disclosure	£5,900,000	Note 11 – Trading Operations	The deficit on trading operations disclosed in Note 11 was overstated by £5,900,000 as the expenditure reported included an amount reflecting the downward valuation of former market site, which had been charged to the Mall Market cost centre in error, and does not relate to current trading operations.
2 Disclosure	Various	Note 8 – Officers Remuneration	Regulation requires that senior officers whose remuneration exceeds £150,000 are named as part of the disclosure. Management had not included the name of the Deputy Chief Executive although her remuneration exceeded this threshold. Our testing also identified that the Chief Executive’s remuneration was overstated as a benefit in kind of £4,000 had been disclosed in error.
3 Disclosure	£1,983,000	Note 14 – Capital Expenditure and Financing	The use of capital receipts to reduce the Council’s indebtedness had not been disclosed as part of the breakdown in the movements in the Capital Financing Requirement
4 Disclosure	Financial Assets increase by £1,599,000 Financial Liabilities increase by £3,688,000	Note 26 – Financial Instruments	The Council had incorrectly excluded the Council’s overdraft and debtor and creditor balances relating to public sector organisations from the disclosure of financial instruments. Adjustments to the note have been agreed and the prior-year comparator has also been adjusted (adjustments shown to the left refer to changes made to the disclosure of the position as at 31 March 2017)
5 Disclosure	£704,000	Note 26 – Financial Instruments	The fair value of the Council’s market loans was understated by £704,000 due to a transposition error.

Misclassifications and disclosure changes (continued)

Adjustment type	Value	Note Affected	Impact on the financial statements
6 Disclosure	£1,500,000	Accounting Policies (Estimation Uncertainty)	The disclosure relating to sources of estimation uncertainty has been revised to include the total of both depreciation and amortisation charged in the year. In the original version of the disclosure amortisation in relation to intangible assets totalling £1,500,000 was omitted.
7 Disclosure	£7,000,000	Note 13 – Property, Plant and Equipment	As reported on page 12, our work identified that the Authority had not recognised surplus assets held by the Council. Management have updated Note 13 to separately identify the surplus asset held by the Council.
8 Disclosure	£18,495,000	Note 13 -Property, Plant and Equipment	Our testing of re-classifications identified that completed work on infrastructure assets relating to the Pennine Reach scheme should have been transferred from the Assets Under Construction heading to operational assets. No revaluation of the associated assets was required as infrastructure assets are carried at depreciated historic cost in the Balance Sheet. As noted on pg. 23 management will complete work to re-classify an immaterial amount into the correct asset categories in the 2017-18 financial year.
9 Disclosure	N/A	Note 12 – Events After the Balance Sheet Date	We agreed with management that it would include a disclosure in its accounts reflecting the one-off payment in advance made to Lancashire County Council Pension Fund in April 2017.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2017 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan which we presented to the meeting of the Audit and Governance Committee held on 11 April 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The progress made by management to develop and implement the £15M savings programme which forms part of the Council's Medium Term Financial Plan; and
- The work undertaken by management to update the Medium Term Financial Plan to take account of emerging pressures and changing assumptions.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 28.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment.

Significant risk	Work to address	Findings and conclusions
<p>Delivery of the Financial Plan In February 2016 the Council agreed measures to close the budget gap of almost £48 million over the period of the Medium Term Financial Strategy (MTFS) to 2019/20. Progress has been made during 2016/17 in the implementation of these measures including development and significant delivery of a savings programme and increases in income streams.</p> <p>However, the December 2016 revenue monitoring report set out that the Council continues to face significant financial pressures and is forecasting an overspend of approximately £1.683 million across all portfolios for 2016/17.</p> <p>The delivery of the required savings in 2016/17 and beyond represent a significant challenge to the Council.</p>	<ul style="list-style-type: none"> • review the detail to support the required savings in 16/17 including financial and budget reporting to Members • assess the outturn position for 2016/17 and the budget plans for 2017/18 to 2019/20 • meet with key officers to discuss plans/proposals 	<p>The Council's financial position continues to be challenging.</p> <p>The Council has had arrangements in place for a number of years to drive changes to its models of service provision in order to reduce net expenditure to cope with sustained reductions in central government funding.</p> <p>For 2016/17 the Council's savings target was £13.8M. There were three principal elements to the target:</p> <ul style="list-style-type: none"> • £6.7m related to the final year of a £15m programme of savings of started in 2014; • £3.6m of in-year savings; and • £3m of savings from the first year of the Council's workforce review programme which began in 2016/17. <p>Management reported to members in the outturn report in July 2017 an overspend on cash-limited expenditure of £1.434m, equivalent to 1.25% of the budget. This was mainly due to continuing pressure on the Health and Adult Social Care directorate. This overspend has been funded from the Council's reserve balances.</p> <p>However, changes to the Council's minimum revenue provision policy, one-off government grant receipts and the release of contingencies meant that, even after covering this overspend, the unallocated reserve balance at the year-end was £1.2m more than that forecast in February 2017. Total unallocated reserves at 31 March 2017 are £6.189m.</p> <p>During the year, work has been undertaken by senior officers to develop robust mechanisms for making further savings. Internal project management support is in place across the Council to ensure savings plans are subject to appropriate review and challenge. For 2017/18, the workforce review is expected to generate savings of £6.278m which equates to 50% of the required savings for the year. However, internal reporting at March 2017 suggested this target will be challenging because some of the savings schemes are still at a relatively early stage of development. We understand management are continuing to assess whether the original savings can be realised or whether alternative savings schemes will need to be put in place.</p> <p>The Council recognises the challenges facing the Health and Adult Social Care directorate. The 2017/18 budget has therefore increased by £3m from the amount in the Medium Term Financial Strategy presented in February 2016. The demand and cost pressures facing the directorate mean that savings will still need to be found to contain expenditure within the budget allocated.</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
		<p>The Council is working with its partners in the NHS to take forward changes in the wider system intended to reduce service users' level of dependency and make more effective use of the available resource. The Government announced a £3.590mill increase to the Improved Better Care Fund for 2017/18 in the Spring Budget, i.e. after the Council had set it's budget. This funding is non-recurring although amounts of £2.186mill and £1.081mill will be paid in 2018/19 and 2019/20 respectively but again on a non-recurring basis. The Council and Blackburn with Darwen CCG have been working together with health and adult social care colleagues across Pennine Lancashire to develop proposals to utilise this funding to meet increasing adult social care needs, to reduce pressures in the NHS and to stabilise the social care provider market across the borough.</p> <p>Given the financial pressures from increasing demand, management need to ensure that all directorates remain focussed on delivering the savings set out in the MTFS.</p>

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Other statutory powers and duties

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Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Public interest report	<ul style="list-style-type: none">• We have not identified any matters that would require a public interest report to be issued.
2.	Written recommendations	<ul style="list-style-type: none">• We have not made any written recommendations that the Council is required to respond to publicly.
3.	Application to the court for a declaration that an item of account is contrary to law	<ul style="list-style-type: none">• We have not used this duty.
4.	Issue of an advisory notice	<ul style="list-style-type: none">• We have not used this duty.
5.	Application for judicial review	<ul style="list-style-type: none">• We have not used this duty.

Section 5: Fees, non-audit services and independence

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We confirm below our final fees charged for the audit and provision of non-audit services charged from the beginning of the financial year, i.e. 1 April 2016 to 8 September 2017 and services in relation to the 2016-17 financial year which we have provisionally agreed with the Council to provide.

Fees

	Proposed fee £	Final fee £
Council audit	102,839	102,839
Grant certification	14,910	14,910
Total audit fees (excluding VAT)	117,749	117,749

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services :	
<ul style="list-style-type: none"> Independent reasonable assurance report in respect of 2015-16 Teachers Pensions Return (work completed November 2016) 	4,200
<ul style="list-style-type: none"> Independent reasonable assurance report in respect of 2015-16 Regional Growth Fund claim (work completed September 2016) 	2,100
<ul style="list-style-type: none"> Independent reasonable assurance report in respect of 2015-16 Transport Grant (work completed December 2016) 	3,875
<ul style="list-style-type: none"> Independent reasonable assurance report in respect of 2016-17 Regional Growth Fund claim (work completed June 2017) 	2,350
<ul style="list-style-type: none"> Independent reasonable assurance report in respect of 2016-17 Teachers Pensions Return (service agreed in principle, due to be completed by 30 November 2017) 	4,200 (estimated)
Non-audit services:	
<ul style="list-style-type: none"> Subscription to Grant Thornton's Place Analytics and Chief Finance Officer Insights software (three-year subscription agreed which commenced from 1 April 2017) 	24,000 (for 2017-18 subscription)
Total Fee for Other Services	40,725

Independence and other services

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks. The Council has no subsidiaries therefore the services provided below have all been provided to the Council.

	Fees	Threat identified	Safeguards
Audit related services			
Independent reasonable assurance reports in respect of: Teachers Pensions (2015/16 and 2016/17) Regional Growth Fund (2015/16 and 2016/17) Transport Grant (2015/16 only)	16,725	Self-Interest	The fees in respect of Teachers Pension are recurring at an estimated £4,200 per annum. The fees relating to the Regional Growth Fund and the Transport Grant are non-recurring for future financial years as the associated projects have now ended. Therefore, whilst the recurring nature of the fee for Teachers Pensions presents a self-interest threat this is not considered a significant threat to independence as the fee for this work of £4,200 in comparison to the total fee for the audit of £117,749, and in particular to GTUK's turnover overall. Further, the work is on audit related services. 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.
Non-audit services			
Subscription to Grant Thornton's Place Analytics and Chief Finance Officer Insights software	24,000	Self-Interest	This service is provided by a separate team within Grant Thornton UK LLP. There is no exchange of information relating to the audit between the two teams and therefore no impairment of auditor independence. The Council has agreed to purchase the service for a three-year period which also mitigates the degree of self-interest as there is no risk to the firm of the Council not renewing the subscription

- The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor and have been considered by the Audit and Governance Committee.
- None of the above 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 Blackburn with Darwen Borough Council. The table summarises all non-audit services which were identified.
- The fees reconcile to the financial statements.

fees per financial statements **£128,000**

– 2016/17 Regional Growth Fund and Teachers Pensions work not accrued for as fees 'tbc' at point of closedown **£6,550**

– 2017/18 Place Analytics and Chief Finance Officer subscription **£24,000**

Total Fee as per above **£158,550**

This covers all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (ES 1.69)

Independence and ethics

Independence and ethics

- Ethical Standards 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, manager. In this context, we disclose the following to you:
- Karen Murray is currently serving their sixth year on the engagement. As discussed and agreed with you, we will rotate Karen for the 2017/18 financial year because the firm's policy is that engagement leads on the audit of public interest entities are rotated every five years. For the 2016/17 audit approval was obtained from PSAA and the firm's Ethics Department that Karen's appointment could be extended for a further year. We have mitigated the familiarity threat by appointing a review partner. The review partner has not worked on the audit previously and their role is to review key judgements to ensure that the Engagement Lead has not been influenced by their familiarity with the Council.
- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- We have received confirmation that the following experts used by the Council are independent:
 - Capita – provider of valuation services to the Council;
 - Arling Close – provider of treasury management expertise to the Council

Section 6: Communication of audit matters

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Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues 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

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our 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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
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	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

- A. Action Plan
- B. Audit Opinion

A. Action plan

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	Introduce a process for maintaining and updating a record of assets meeting the definition of a 'surplus asset' in the CIPFA Code of Accounting Practice.	Medium	We have already started to gather information through attendance at the Council's Asset Management Group. Surplus Assets category to be set-up as part of the implementation of the new Civica Asset Register Software	Information gathering has commenced Asset Register changes scheduled Jan-Mar 2018 Gaynor Simons, Deputy Finance Manager
2	Review the basis of determining the provision for non-domestic rate appeals to ensure the treatment of multiple appeals for the same ratepayer is appropriate.	Medium	The error in the provision calculation spreadsheet has been amended and an additional step added to the procedure note in order to ensure that the calculation excludes multiple appeals for the same ratepayer.	Completed Julie Jewson, Senior Finance Manager
3	Update the year-end closure process to ensure adequate consideration is given to the need to accrue for redundancies or other exit packages agreed as at the Balance Sheet date.	Low	Added as a specific item on the closure timetable in order to ensure this is carried out in future	Completed Julie Jewson, Senior Finance Manager

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice



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