

The Audit Findings for South Ribble Borough Council

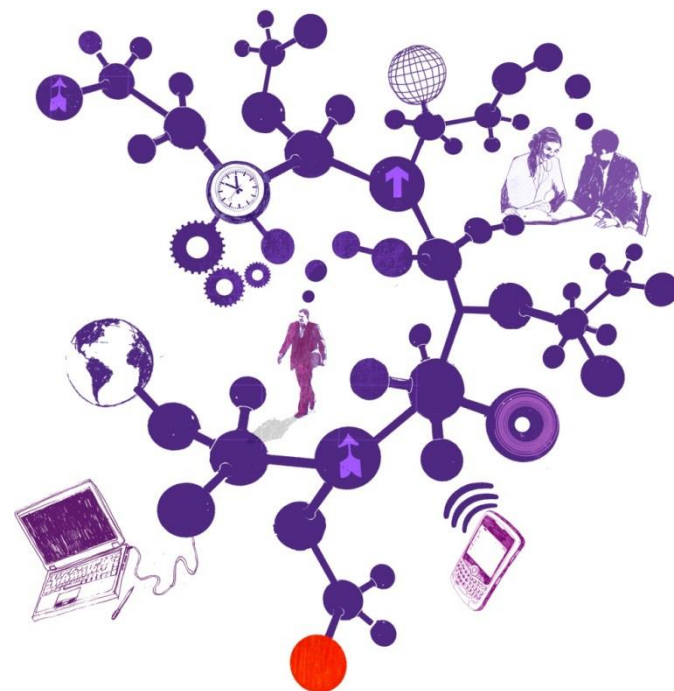
Year ending 31 March 2016

September 2016

Mark Heap
Director
T 0161 234 6375
E mark.r.heap@uk.gt.com

Gareth Winstanley
Manager
T 0161 234 6343
E gareth.j.winstanley@uk.gt.com

Richard Watkinson
Executive
T 0161 234 6345
E richard.watkinson@uk.gt.com



Contents

Section	Page
1. Executive summary	3-6
2. Audit findings	7-19
3. Value for Money	20-21
4. Other statutory powers and duties	22-23
5. Fees, non-audit services and independence	24-25
6. Communication of audit matters	26-27
Appendix	
A Action plan	29

Section 1: Executive summary

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

Purpose of this report

This report highlights the key issues affecting the results of South Ribble Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 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, whether it is consistent with the financial statements and in line with required guidance.

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 relevant period.

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

- 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);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 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, with the exception of our Value for Money (VfM) conclusion work, we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2016.

At the time of preparing our Audit Plan, we had not identified any significant risks relating to our VfM conclusion work. However, since the production of the Plan a number of serious governance issues have been raised as part of the Council's scrutiny review of licensing. We have therefore had to consider these issues as part of our VfM conclusion work.

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

- review of the final version of the financial statements
- continuing consideration of the governance matters raised in the recent Scrutiny Panel report following the review of taxi licensing
- review of the Council's Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

Key audit and financial reporting issues

Financial statements opinion

Our audit work identified one unadjusted misstatement and no adjusted misstatements. The unadjusted misstatement if corrected would have had no impact on the overall level of reported general fund reserves of the Council. Further detail is provided on page 17.

The Council has also made a small number of disclosure changes which affect the supporting notes to the statements.

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

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 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 Annual Governance Statement has been revised compared to the draft version that went to the Governance Committee in June. We have raised further queries with respect to the current version of the Statement and we await the Council's further observations.

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 a number of weaknesses, which are highlighted on pages 10 and 15. The Council should address these issues as a matter of urgency.

Further details are provided within section two of this report.

Value for Money

Our review of the Council's arrangements to secure economy, efficiency and effectiveness has highlighted the following issue which will give rise to a qualified VFM conclusion:

- the Scrutiny Committee Task Force report outlining the circumstances surrounding the commissioning of a review of the investigation of taxi licencing has highlighted a number of serious governance failures.

Full Council is due to discuss this report on 5 October 2016. It will be vital that a robust action plan is adopted to address the issues identified.

Further details are provided within section three of this report.

Other statutory powers and duties

To date we have not applied any of our statutory powers and duties under the Act.

We will give due consideration to the matters arising from the Scrutiny Committee Task Force review of taxi licencing when considering further use of statutory powers. Given the nature of the matters identified, we are unable to conclude our audit until we have fully considered them in the context of our other statutory powers and duties.

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 on-going and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Governance Committee which is due in February 2017.

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 Development, Enterprise & Communities and the Head of Shared Financial Services.

We have made a small number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Development, Enterprise & Communities and the Head of Shared Financial Services.

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.

Section 2: Audit findings

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

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 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 £0.860m. 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 £0.043m. 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
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of auditors' remuneration in notes to the statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.
Related party disclosures.	Due to public interest in these disclosures and the statutory requirement for them to be made.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to 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 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
1.	<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 South Ribble 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 South Ribble 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>
2.	<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>	<ul style="list-style-type: none"> • Documentation of the controls applied to journal entries. • Testing of journal entries. • 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 entries has not identified any significant issues, other than the issue highlighted on page 15.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	<ul style="list-style-type: none"> 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. Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. Testing of additions and revaluations made during the year to ensure they are input correctly into the Council's asset register. 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 current value. 	Our audit work has not identified any significant issues in relation to the risk identified, but did highlight some weaknesses as detailed below: <ul style="list-style-type: none"> the Council's asset register did not always have the correct asset life information resulting in depreciation being incorrectly calculated (see page 17 for further detail) our walkthrough of the valuation process highlighted that the written valuation report for one asset (land adjacent to the Civic Centre) could not be located there was no specification between the Council's Shared Financial Services section and the Council's valuer highlighting the assets required to be revalued in the year and any other issues required to be considered.
4.	Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<ul style="list-style-type: none"> Review of the controls put in place by management to ensure that the pension fund liability is not materially misstated. Assessment of whether the controls were implemented as expected and whether they mitigated the risk of material misstatement. Review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. Gained an understanding of the basis on which the valuation is carried out. Confirm the reasonableness of the actuarial assumptions made. Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	Our audit work has not identified any significant issues in relation to the risk identified.



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	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; tested the year-end reconciliation of the payroll system to the general ledger; completed a month-by-month trend analysis on payroll costs to identify any unusual fluctuations; and performed substantive testing of payments made to employees. 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; test the year-end reconciliation of the accounts payable system to the general ledger; substantive testing of operating expenses; agreement of creditors to system balances and control account reconciliations; review and substantive testing of year end accruals and creditor balances including confirmation that balances due have been settled after year end; and "cut-off" testing to obtain assurance that creditors have been accounted for in the correct financial year. 	Our audit work has not identified any additional significant issues in relation to the risk identified.

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 within the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Accounting Policies state that activity is accounted for in the period to which it relates regardless of when the cash is paid or received.	The recognition of revenue by the Council is in line with recognised accounting guidance and in line with CIPFA's recommended approach.	
Judgements and estimates	Key estimates and judgements include: <ul style="list-style-type: none"> • useful life of capital equipment • pension fund valuations and settlements • revaluations • impairments • PPE valuations. 	<ul style="list-style-type: none"> • We have reviewed the estimates and judgements made in the accounts and they appear reasonable. • We have sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts. • We have confirmed that the entries relating to the pension scheme in the accounts agree through to the actuarial valuation. We have considered the qualifications of ,and the work completed by ,the actuary to ensure we can place reliance upon the their work. <p>No significant issues have been identified from this work, other than the issues around asset valuations highlighted on page 10.</p>	

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

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the statutory services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	●
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	●

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 discussed the risk of fraud with the Chair of the Governance Committee. We have not been made aware of any other incidents in the period and no fraud issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> Note 33 highlights the Council's related party transactions. We are not aware of 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, other than the issues highlighted by the scrutiny review into licensing.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council. No specific representations have been requested.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from banks for the year end bank balance. The requests were returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> A small number of disclosure amendments have been made to the financial statements arising from the audit and these are summarised on page 18. In addition a small number of minor presentational amendments have been made to improve the clarity and consistency of the financial statements.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We have not identified any issues we would be required to report by exception at this date: information in the Narrative Report is materially consistent with the information in the audited financial statements and our knowledge of the Council acquired in the course of performing our audit the Annual Governance Statement has been revised compared to the draft version that went to the Governance Committee in June. We have raised further queries with respect to the current version of the Statement and we await the Council's further observations.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls 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 that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	●	<p>Journal walkthrough</p> <p>As part of our walkthrough test to establish whether journal controls are operating as expected, we identified that there was no supporting documentation retained to support the journal selected.</p> <p>We are satisfied that the journal was valid, but it is important that supporting evidence for journals is retained. No other examples of this nature were identified from our journal testing.</p>	<ul style="list-style-type: none">Supporting documentation should be retained to support all journal entries.

Assessment

● Significant deficiency – risk of significant misstatement

● Deficiency – risk of inconsequential misstatement

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	Bank reconciliation process We reported in our Audit Findings Report last year that the bank reconciliation used to be independently reviewed and signed by off by a senior member of the finance team. However, this had not been happening as a matter of routine.	Within our Audit Plan issued in March 2016 we commented that last year's audit recommendation had not been implemented at the time of our interim visit. We did however receive assurances that arrangements would be put in place. We are pleased to report that adequate arrangements now exist for the independent review of the bank reconciliation process.

Assessment
✓ Action completed
X Not yet addressed

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 Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £m	Balance Sheet £m	Reason for not adjusting
1 Depreciation			
Testing of a sample of assets identified that depreciation had been incorrectly calculated as incorrect asset life information was recorded within the Council's asset register.	Cost of services net expenditure -£0.491m	Property, plant and equipment +£0.491m	Value is not material
Based on a full review of the asset register it has been calculated that depreciation was overstated by £0.491m.	Surplus / deficit on provision of services +£0.491m	Unusable reserves +£0.491m	
	Total Comprehensive Income and Expenditure +£0.491m		
	Movement in Reserves Statement: Adjustment between accounting basis and funding under regulation -£0.491m		

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 £m	Account balance	Impact on the financial statements
1 Disclosure	0.059	Financial Instruments (Note 15a)	An amount of £0.059m in respect of income tax creditor had been incorrectly included within the financial instruments Note 15a as a financial liability carried at contract amount. Income tax creditors are not financial instruments and should be excluded from the note.
2 Disclosure	4.268	Financial Instruments (Note 15d)	The figure for amounts deposited with banks and financial institutions has been amended to reflect the correct balances as at 31 March 2016 and 31 March 2015.
3 Disclosure	n/a	Short term creditors (Note 19)	Testing of a sample of creditors identified one item that had been incorrectly classified as a creditor, as the work required under the original had not been undertaken in 2015/16. Based on the nature of the error we have extrapolated and found this not to be material. The original error was trivial and therefore has not been adjusted for.
4 Classification	0.258	Provisions (Note 20)	The classification within the provisions note on the business rates appeals had been incorrectly stated. The amount of the provision used in the year had been overstated by £0.258m and the amount by which the provision had been added (increased) had been overstated by the same amount.
5 Disclosure	0.268	Amounts Reported for Resource Allocation Decisions (Note 26)	A transposition error was noted when agreeing the note to supporting working papers relating to the other services expenses within cost of services.

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 £m	Account balance	Impact on the financial statements
6	Disclosure	0.002	External Audit Costs (Note 31)	The external audit costs have been amended to reflect the agreed audit fee within the 2015/16 audit fees letter and the audit plan.
7	Disclosure	n/a	Annual Governance Statement	The Annual Governance Statement has been revised compared to the draft version that went to the Governance Committee in June. We have raised further queries with respect to the current version of the Statement and we await the Council's further observations.

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 National Audit Office (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 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed 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

In our Audit Plan dated March 2016 we reported that, as a result of our initial risk assessment, we had not identified any significant risks requiring further work.

However, since the production of the plan a number of serious governance issues have been raised as part of the Council's scrutiny review of licensing.

We have therefore had to consider these issues as part of our VFM conclusion work.

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.

The Scrutiny Committee Task Force review into taxi licensing highlighted a number of serious governance concerns which we have considered as part of our VFM conclusion work. The report refers to:

- a major corporate governance failure within the Council which resulted in significant damage to the Council, its reputation and trust with residents
- unconstitutional actions taken by members and officers
- failure to follow contract procedure rules
- apparent exclusions of key officers and members from the review process
- member intervention in disciplinary proceedings in contravention of the Council's constitution
- lack of clarity among some officers with respect to the roles of officers and members.

Overall conclusion

Based on the matters outlined above, we concluded that:

- except for the matters we identified in respect of the Scrutiny Committee Task Force review following the investigation of matters related to the licensing service, the Council had proper arrangements. We therefore propose to give a qualified 'except for' conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources.

Section 4: Other statutory powers and duties

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

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 are continuing to consider the application of other statutory powers and duties
2.	Written recommendations	<ul style="list-style-type: none">• To date 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">• To date we have not identified any matters that would require us to make an application to the court for a declaration that an item of account is contrary to law.
4.	Issue of an advisory notice	<ul style="list-style-type: none">• To date we have we have not used this duty in connection with our 2015/16 audit.
5.	Application for judicial review	<ul style="list-style-type: none">• To date we have not used this duty in connection with our 2015/16 audit.

Section 5: Fees, non-audit services and independence

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

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

Fees

	Proposed fee £	Final fee £
Council audit	43,923	TBC
Grant certification	7,128	TBC
Total audit fees (excluding VAT)	51,051	TBC

The final fee for the Council's audit has yet to be determined, pending completion of our work to consider the matters raised with respect to the Scrutiny Panel review.

The final fee for certification of the Council's 2015/16 Housing Benefit claim will be determined following completion of our work in this area in November 2016.

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 £
Non-audit services – Options Review on the Allocation of Council Funds for Affordable Housing	5,000

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 6: Communication of audit matters

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

Communication to those charged with governance

International Standards on Auditing 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.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, 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.psaa.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		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Asset valuations <ul style="list-style-type: none"> The Council's asset register should be reviewed to ensure it contains the correct asset life information. Written valuation reports and supporting documentation should be retained for all assets that have been revalued during the year. A formal specification should be established between the Council's Shared Financial Services section and the Council's valuer to highlight the remit of the valuation exercise and which assets are required to be valued each year. 	M M M		
2	Journal walkthrough testing <ul style="list-style-type: none"> Supporting documentation should be retained to support all journal entries. 	M		
3	Value for Money Conclusion <ul style="list-style-type: none"> It is vital that a robust action plan is adopted to address the issues identified from the scrutiny review into licensing. 	H		



© 2016 Grant Thornton UK LLP. All rights served.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International LTD (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL, and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk