

# The Audit Plan for Cheltenham Borough Council

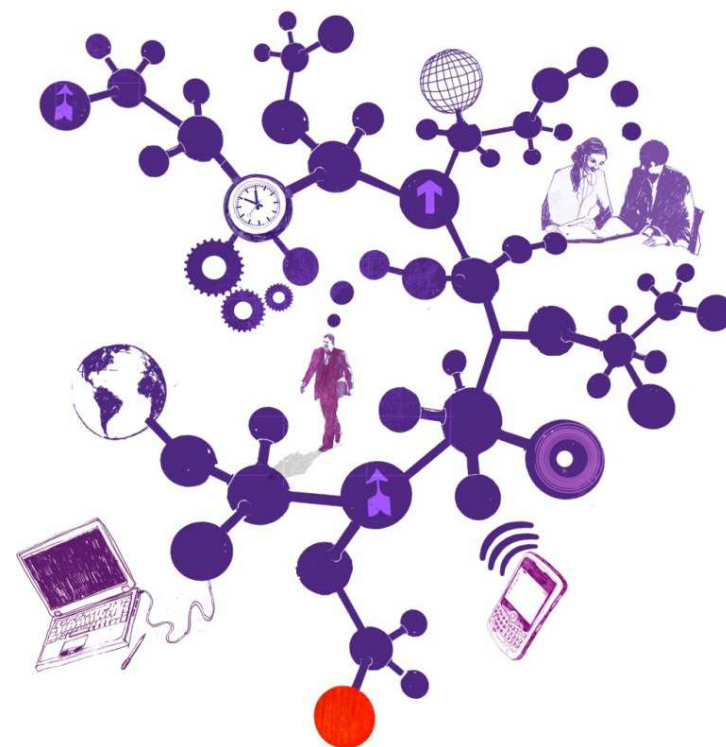
**Year ending 31 March 2016**

02 March 2016

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Municipal Offices  
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2 March 2016

Dear Members of the Audit Committee

**Audit Plan for Cheltenham Borough Council for the year ending 31 March 2016**

This Audit Plan sets out for the benefit of those charged with governance (in the case of Cheltenham Borough Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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.

Yours sincerely

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# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

## Challenges/opportunities

### 1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the announced increased ownership, the financial health of the sector is likely to become increasingly challenging.
- Cheltenham's Settlement Funding Assessment results in a fall in Government funding of 17.4% in 2016-17.



### 2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- There has been a Gloucestershire wide devolution submission – 'We are Gloucestershire' - to Government, which was developed by the County Council, the six District Councils, the LEP, the PCC and the CCG.



### 3. Housing

- The Autumn Statement also included a number of announcements intended to increase the availability and affordability of housing.
- In particular, the reduction in council housing rents and changes to right to buy will have a significant impact on Councils' housing revenue account business plans.
- Cheltenham currently believe this change in policy will result in the loss of £6.691 million of income in the period to 2019-20, and assuming a return to previous policy of CPI +1% following the next four years, a loss of around £111 million over the next 30 years.



### 4. Joint arrangements

- Councils are involved in a number of pooled budgets and alternative delivery models which they need to account for in their financial statements.
- Cheltenham has a number of such arrangements in place which have helped deliver cost savings and service improvements over a number of years. These include UBICO, GO Shared Services, Cheltenham Borough Homes and more recently the Cheltenham Trust.
- The Council have entered into '2020 Vision' with Cotswold, West Oxfordshire and Forest of Dean Councils, with a Joint Committee established and the first services set to transfer in April 2016.



## Our response

- We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.

- We will consider your plans as part of the local devolution agenda as part of our work in reaching our VFM conclusion.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will consider how the Council has reflected government announcements as part of its business planning process.
- We will share our knowledge of how other Councils are responding to these changes.

- We will review your proposals for accounting for these arrangements against the requirements of the CIPFA Code of Practice.
- We will consider the progress that has been made in relation to the 2020 Vision programme as part of our VFM conclusion.

# Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

## Developments and other requirements

### 1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.



### 2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.



### 3. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.



### 4. Other requirements

- Cheltenham Borough Council are required to submit Whole of Government Accounts (WGA) consolidation pack which summarises the group accounts.



## Our response

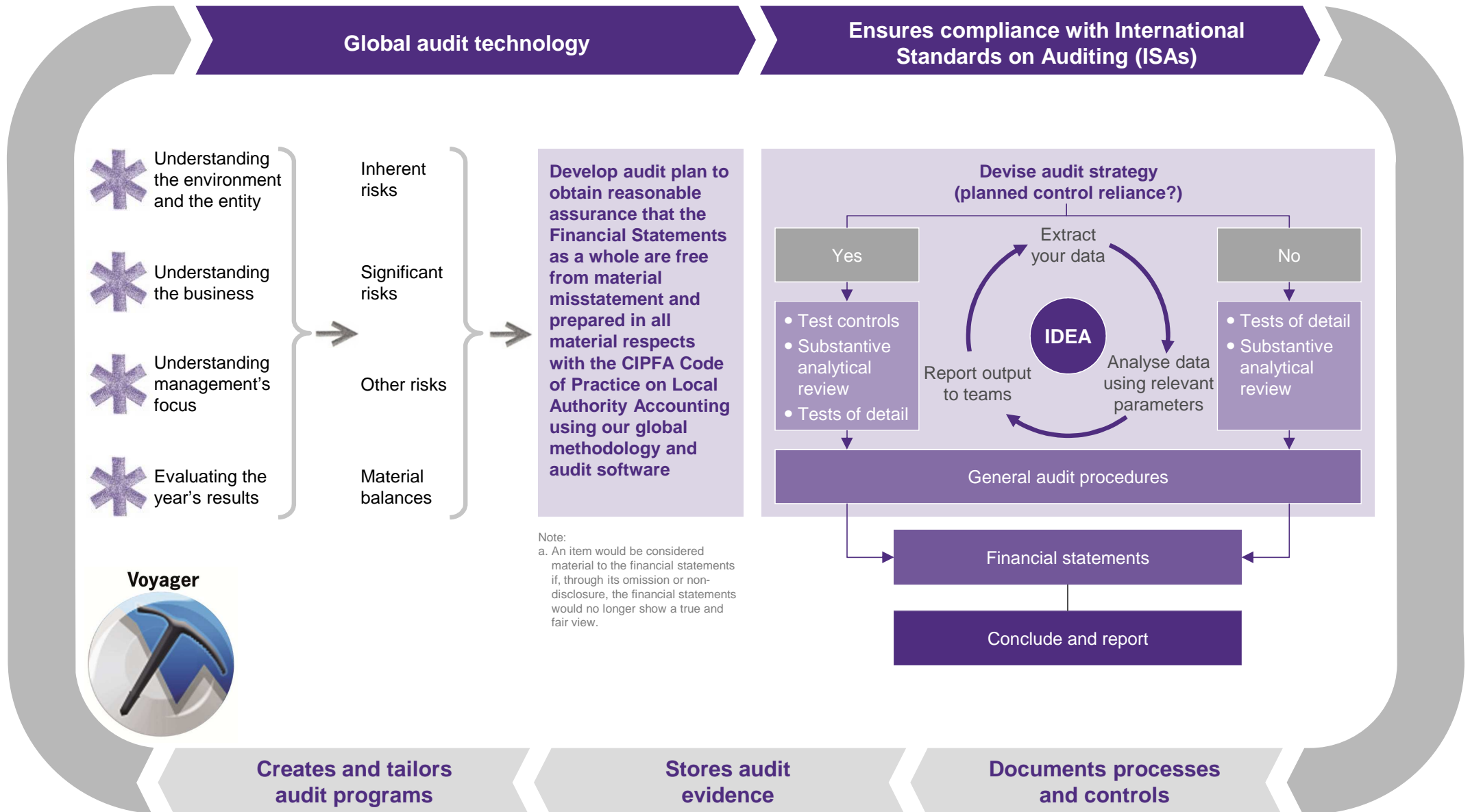
- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We will complete our work in advance of the current legislative timescales and will work with the Council to bring the audit dates forward in future years.

- We will carry out the specified audit procedures on Cheltenham's WGA consolidation pack on behalf of the National Audit Office.

# Our audit approach



# 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 is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £1,644,000 (being 2% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors 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 accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £82,000.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings, members allowances and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000
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.	£5,000

# Significant risks identified

"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 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 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 Cheltenham 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"><li>• there is little incentive to manipulate revenue recognition</li><li>• opportunities to manipulate revenue recognition are very limited</li><li>• the culture and ethical frameworks of local authorities, including Cheltenham Council, mean that all forms of fraud are seen as unacceptable.</li></ul>
Management over-ride of controls	<p>Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"><li>• Testing of journal entries in months 1-9</li></ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"><li>• Review of accounting estimates, judgments and decisions made by management</li><li>• Testing of journal entries in months 10-12 and year end adjustments</li><li>• Review of unusual significant transactions.</li></ul>

## Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Financial statement level risk arising from the systems upgrade of Agresso	The council uses Agresso as it's main financial system which was upgraded in February 2016. The upgrade involved data migration from the old system to the new system and therefore there is a risk of loss of data integrity.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Reconciliation of data prior and post implementation of system upgrade to ensure integrity of data transfer.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Our specialist IT Auditor will be conducting a review of the process and controls in April 2016.</li> </ul>
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 current value. This represents a significant estimate by management in the financial statements.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Review of management's processes and assumptions for the calculation of the estimate.</li> <li>Review of the competence, expertise and objectivity of any management experts used.</li> <li>Review of the instructions issued to valuation experts and the scope of their work.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions</li> <li>Evaluation of the assumptions made by management for those assets not revalued during the year and how</li> <li>Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>Consideration of management's assertion that the current value of PPE assets not revalued as at 31 March 2016 are not materially different to their carrying value.</li> </ul>

## Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of surplus assets and investment property	<p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13. IFRS 13 also covers Investment Assets and Assets Held for Sale, which will need to be valued under the new provisions of IFRS 13. This represents a significant change in the basis for estimation of these balances in the financial statements.</p> <p>There are also extensive disclosure requirements under IFRS 13 which the Council needs to comply with.</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of the competence, expertise and objectivity of any management experts used.</li> <li>• Review of the instructions issued to valuation experts and the scope of their work</li> <li>• Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• Review of management's processes and assumptions for the calculation of the estimate</li> <li>• Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>• Review of the disclosures made by the Council in its financial statements to ensure they are in accordance with the requirements of the CIPFA Code of Practice and IFRS 13.</li> </ul>
Valuation of pension fund net liability	<p>The Council's pension fund liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.</li> <li>• We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out.</li> <li>• We will undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>

# Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"><li>• Documented our understanding of the controls operating in the operating expenditure system</li><li>• Performed walkthrough to confirm that controls are operating as described</li><li>• Understanding of the accruals process</li></ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"><li>• Year end testing of creditor balance and accruals</li></ul>
Employee remuneration	Employee remuneration and benefit obligations and expenses understated	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"><li>• Documented our understanding of the controls operating in the employee remuneration system</li><li>• Performed walkthrough to confirm that controls are operating as described</li><li>• Trend analysis months 1-10</li></ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"><li>• Global reconciliation of employee remuneration system to general ledger</li><li>• Trend analysis months 11-12</li></ul>

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# Other risks identified (continued)

## Other material balances and transactions

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

- Heritage assets
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes

## Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

# Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Gloucestershire Airport	No	<ul style="list-style-type: none"><li>A high level analytical review</li></ul>	<ul style="list-style-type: none"><li>N/A</li></ul>	Desktop review performed by Grant Thornton UK LLP
Cheltenham Borough Homes	Yes	<ul style="list-style-type: none"><li>Group instructions to be completed and sent to component auditor</li></ul>	<ul style="list-style-type: none"><li>None</li></ul>	Full scope UK statutory audit performed by Grant Thornton UK LLP

## UBICO Ltd

The structure of UBICO changed in 2015/16 with the addition of 3 more partners to the company. Membership is now made up of five partners – Cheltenham Borough Council, West Oxfordshire District Council, Cotswold District Council, Tewkesbury District Council and Forest of Dean District Council. The Council is currently reviewing the new arrangements in place to determine whether group accounts will be required in 2015/16.

## The Cheltenham Trust

The Cheltenham Trust was established part way through the 2014-15 financial year. A review of the Trust against applicable accounting standards and the CIPFA Code of Practice on Local Authority Accounting is required by the Council to determine how the Trust should be treated in their statement of accounts.

# Value for Money

## Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to consider whether 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.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015 [here](#).

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.

The guidance 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.*

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"><li>• Acting in the public interest, through demonstrating and applying the principles and values of good governance</li><li>• Understanding and using appropriate cost and performance information to support informed decision making and performance management</li><li>• Reliable and timely financial reporting that supports the delivery of strategic priorities</li><li>• Managing risks effectively and maintaining a sound system of internal control.</li></ul>
Sustainable resource deployment	<ul style="list-style-type: none"><li>• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</li><li>• Managing assets effectively to support the delivery of strategic priorities</li><li>• Planning, organising and developing the workforce effectively to deliver strategic priorities.</li></ul>
Working with partners and other third parties	<ul style="list-style-type: none"><li>• Working with third parties effectively to deliver strategic priorities</li><li>• Commissioning services effectively to support the delivery of strategic priorities</li><li>• Procuring supplies and services effectively to support the delivery of strategic priorities.</li></ul>

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# Value for Money (continued)

## **Risk assessment**

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

*A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

# Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<b>Medium term financial position</b> The Council have been required to deliver substantial savings since 2010/11, and forecast continued significant savings requirements going forward. The current MTFP includes a balanced position for 2016-17, but includes a number of unidentified savings over the period to 2019-20.	Informed decision making  Sustainable resource deployment	<ul style="list-style-type: none"><li>• Review of the MTFP, including the assumptions that underpin the plan.</li><li>• Understand how savings are identified and monitored to ensure that they support the delivery of budgets.</li></ul>
<b>2020 Vision</b> The Council continues to progress the 2020 Vision partnership arrangement with Cotswold, West Oxfordshire and Forest of Dean District Councils. The success of 2020 Vision, through the members working together effectively, is critical to the medium term financial plan at Cheltenham.	Working with partners and other third parties	<ul style="list-style-type: none"><li>• Review of the progress made in the development of the 2020 Vision.</li><li>• Understand how the Joint Committee is operating and how the Councils are working together to deliver the planned savings.</li></ul>

## Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"><li>• Communication and enforcement of integrity and ethical values</li><li>• Commitment to competence</li><li>• Participation by those charged with governance</li><li>• Management's philosophy and operating style</li><li>• Organisational structure</li><li>• Assignment of authority and responsibility</li><li>• Human resource policies and practices</li></ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

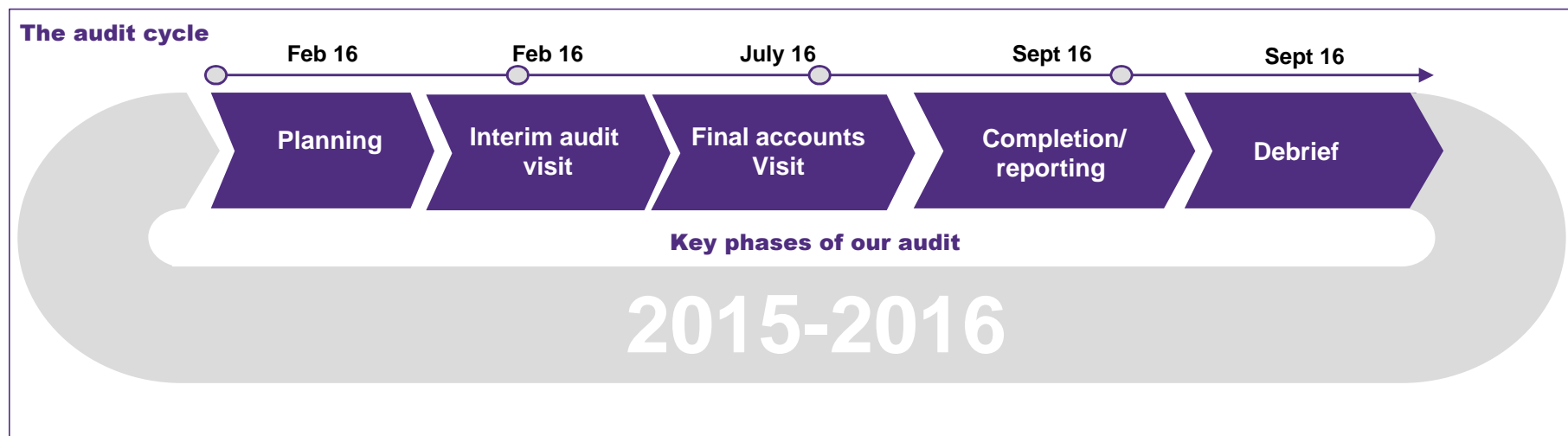
## Results of interim audit work (continued)

	Work performed	Conclusion
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first ten months of the financial year, by extracting 'unusual' and 'large' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	Our work has not identified any weaknesses which impact on our audit approach.
<b>Early substantive testing</b>	<p>We completed early substantive testing on the following areas;</p> <ul style="list-style-type: none"> <li>• Operating expenditure transactions months 1-10</li> <li>• Employee remuneration transactions months 1-10</li> <li>• Property, plant and equipment existence testing</li> <li>• Property, plant and equipment rights and obligations testing</li> <li>• Balance sheet opening balances testing</li> <li>• Journals testing months 1-10</li> </ul> <p>As in previous years, our testing has been undertaken as a joint effort between all applicable GO Shared Service partners to ensure the most efficient audit approach and to attempt to minimise any potential duplication of effort.</p>	Our work has not identified any weaknesses which are likely to adversely impact on the Council's financial statements.

## Results of interim audit work (continued)

	Work performed	Conclusion
<b>Response to prior year actions</b>	<p>We reviewed the progress the Council has made against the prior year action plan where the following recommendations were made:</p> <ul style="list-style-type: none"> <li>• The Sections 151 Officer's ability to post journals should be removed</li> <li>• A review is undertaken of the effectiveness of the Fixed Asset Register due to issues identified in past two years relating to the Agresso fixed asset register module</li> <li>• The Council should ensure the 2015/16 Statement of Accounts are de-cluttered included a review of accounting policies to ensure they are applicable</li> <li>• Accounting policies should be reviewed and approved by members.</li> </ul>	<p>Our work has identified that:</p> <ul style="list-style-type: none"> <li>• The S151 Officer is no longer able to post journals</li> <li>• A review of the fixed asset register arrangements has been undertaken and for 2015/16 the asset register information is held and updated outside of the Agresso system. The audit team have reviewed the arrangements and are satisfied with the work and arrangements the Council have adopted.</li> <li>• The Council have began the process of reviewing the disclosures and accounting policies which will be included within the 2015/16 statement of accounts to ensure they are de-cluttered and appropriate.</li> <li>• Accounting policies have yet to be reviewed by members.</li> </ul>

# Key dates



Date	Activity
February 2016	Planning
February 2016	Interim site visit
March 2016	Presentation of audit plan to Audit Committee
July 2016	Year end fieldwork
September 2016	Audit findings clearance meeting with S151 Officer
September 2016	Report audit findings to those charged with governance (Audit Committee)
September 2016	Sign financial statements opinion

# Fees and independence

## Fees

	£
Council audit	£49,406
Grant certification	£8,361
<b>Total audit fees (excluding VAT)</b>	<b>£57,767</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

## 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	£
Accommodation Strategy workshop	£3,000
<b>Total fees for other services (excluding VAT)</b>	<b>£3,000</b>

## Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

## 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.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

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

# Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 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 Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan 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 and includes nationally prescribed and locally determined work (<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 the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓



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