

# The Audit Findings for Cheltenham Borough Council

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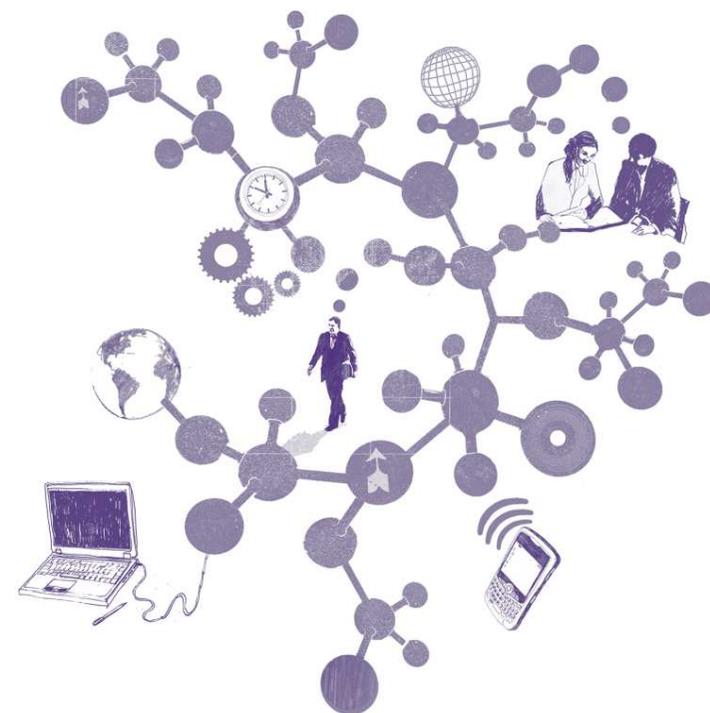
Year ended 31 March 2016

12 September 2016

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12 September 2016

Dear Members of the Audit Committee

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

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Cheltenham Borough Council, the Audit Committee), 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 management.

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.

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

Peter Barber  
Engagement Lead

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# Section 1: Executive summary

**01. Executive summary**

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**05. Communication of audit matters**

## Purpose of this report

This report highlights the key issues affecting the results of Cheltenham Borough Council ('the Council') and the preparation of the group and 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 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

Following discussions with the Council, we reported in our Audit Plan dated 2 March 2016 that the ownership structure of Ubico Ltd changed in 2015/16 with the addition of three more partners, meaning that ownership consisted of five partners, each with a one-fifth shareholding. We reported that the Council were reviewing arrangements in place to determine whether group accounts would be required in 2015/16.

The councils in the ownership structure subsequently confirmed that Stroud District Council became an additional partner on 29 January 2016, and therefore the individual councils' shareholdings decreased to a one-sixth share. The relevant councils concluded that this reduction in share resulted in the individual bodies no longer having joint-control or significant influence over the company. Following liaison with the Council, we considered the rationale for their assessment, including the separate operating practices, management structure, the application of majority-voting on the Ubico Ltd board and the reduction in the Council's shareholding, and were satisfied that the change in structure resulted in a loss of joint-control and significant influence.

We agreed, following these discussions with officers, that group accounts were no longer required in relation to Ubico Ltd and the Council's interest has therefore been classified as an investment in Ubico Ltd in the Balance Sheet.

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

- Receipt of final assurances from Cheltenham Borough Homes' auditors
- Review of the final version of the financial statements
- Obtaining and reviewing the management letter of representation
- Updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

## **Key audit and financial reporting issues**

### **Financial statements opinion**

We have identified no adjustments affecting the group and Council's reported revenue position. The draft financial statements for the year ended 31 March 2016 recorded net expenditure of £12.944 million. This was unchanged as a result of our audit.

Our audit has resulted in an increase of £3.568 million increase in the value of the Council's Property, Plant and Equipment figure in the Balance Sheet. This has been matched by an equal increase in the Revaluation Reserve.

We have recommended a number of adjustments to improve the presentation of the financial statements. 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 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.

Our work has not identified any issues with the Annual Governance Statement.

### **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 that actions in relation to control weaknesses highlighted in the 2014/15 audit findings report have been actioned.

Our 2015/16 audit has identified control weaknesses in relation to IT controls which we wish to highlight for your attention. These weaknesses did not alter our proposed audit strategy. Further details are provided within section two of this report.

### **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 the deadline for reporting is 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit Committee.

### **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 Section 151 Officer.

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 Section 151 officer 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 2016**

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. 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 £1,644,000 (being 2% of gross revenue expenditure). 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 £82,000.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were 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

# 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><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;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 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; and</li> <li>• the culture and ethical frameworks of local authorities, including Cheltenham Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>We rebutted the presumed significant risk in relation to fraudulent revenue recognition.</p> <p>Our audit work on revenues has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries and year end adjustments</li> <li>• Review of unusual significant transactions</li> </ul>	<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.</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.	<p><b>Financial statement level risk arising from the systems upgrade of Agresso</b></p> <p>The Council uses Agresso as its 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>	<p>We have reviewed the arrangements set up to plan and execute the upgrade from a finance and IT perspective.</p> <p>We have also reviewed the reconciliations of balances before and after the transfer, and agreed these balances to underlying transactions.</p>	<p>We concluded that the upgrade has been effective, and only minor inconsistencies and problems have been identified by officers.</p> <p>Our work on the Council's IT Systems has identified a number of potential improvements. See findings and recommendations made on page 20.</p>
4.	<p><b>Valuation of property, plant and equipment</b></p> <p>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>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Reviewed management's processes and assumptions for the calculation of the estimate.</li> <li>• Reviewed the competence, expertise and objectivity of the experts used by management.</li> <li>• Reviewed the instructions issued to valuation experts and the scope of their work.</li> <li>• Tested revaluations made during the year to ensure they are input correctly into the Council's asset register.</li> <li>• Held discussions with the valuer about the basis on which the valuation is carried out and challenged the key assumptions.</li> <li>• Evaluated the assumptions made by management for those assets not revalued during the year.</li> <li>• Reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• Considered 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>	<p>Our work has resulted in a £3.568 million increase in the value of Council's Property, Plant and Equipment reported in the Balance Sheet.</p> <p>The Code requires that the carrying value of assets is not materially different to their fair value. Our audit work identified that there may have been a material difference for five significant assets.</p> <p>We requested additional information from the valuer on these assets which were last valued in 2014. Although this was not a formal valuation, this suggested a material difference between their carrying value and fair value.</p> <p>The Council has updated the asset values on the basis of indices, which is a departure from the Code. This does however achieve the wider objective of ensuring that the values are materially stated.</p> <p>We have raised a recommendation that the Council consider their valuation programme to ensure that values remain materially stated.</p>

# Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
5.	<p><b>Valuation of surplus assets and investment property</b></p> <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. The basis on which fair value is defined for investment property is also different to that used in previous years. This represents a significant change in the basis for estimation of these balances in the financial statements. There are also extensive disclosure requirements under IFRS 13 which the Council needs to comply with.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Reviewed the competence, expertise and objectivity of the management experts used.</li> <li>• Reviewed the instructions issued to valuation experts and the scope of their work</li> <li>• Held discussions with valuer about the basis on which the valuation is carried out and challenged the key assumptions.</li> <li>• Reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• Reviewed management's processes and assumptions for the calculation of the estimate.</li> <li>• Tested revaluations made during the year to ensure they are input correctly into the Council's asset register.</li> <li>• Reviewed 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 IFRS13.</li> </ul>	<p>In 2015/16 the Council revalued surplus assets and investment properties in line with the IFRS 13 requirements. However, we identified a small number of surplus assets which were not valued as at 31 March 2016 due to omission, and are therefore not valued using the correct method.</p> <p>We sought additional assurance from the valuer for those surplus assets not valued in 2015/16. This provided us with sufficient assurance that the value of these assets in the Balance Sheet is not materially different to the valuation they would have been given if subject to revaluation. As such, the values were not updated in the Council's Balance Sheet.</p> <p>For those assets which have been valued in line with IFRS 13, including investment properties and surplus assets, we held discussions with the valuer to understand the assumptions behind the valuations and these were deemed to be appropriate.</p>

## Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
6.	<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.</li> <li>• 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.</li> <li>• We undertook procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• We reviewed 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>	<p>Our audit work has not identified any issues in this area.</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	Description of risk	Work completed	Assurance gained & issues arising
<b>Employee remuneration</b>	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Documented our understanding of controls operating in the employee remuneration system</li> <li>• Performed a walkthrough to confirm that controls are operating as described</li> <li>• Performed a reconciliation of the payroll system outputs to the general ledger and financial statements</li> <li>• Performed trend analysis on payroll expenditure data for the year to identify any areas that require further investigation</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Documented our understanding of the controls operating in the operating expenditure system</li> <li>• Performed a walkthrough to confirm that controls are operating as described</li> <li>• Obtained an understanding of the accruals process and sample tested accruals to ensure that these are calculated on a reasonable basis</li> <li>• Tested for unrecorded liabilities through a review of payments made after the year end</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

## Significant matters discussed with management

	Significant matter	Commentary
1.	Business conditions affecting the Council and business plans and strategies that may affect the risks of material misstatement.	<p>The structure of Ubico Ltd changed on the 1<sup>st</sup> April 2015 with the addition of three more partners to the company. As a result, membership consisted of five partners, each with a one-fifth shareholding. At this point we concluded that group accounts incorporating Ubico Ltd were required, as had been the case in previous years. We discussed with officers changes to the structure of Ubico Ltd following the appointment of Stroud District Council as a partner on the 20 January 2016, when the Council's shareholding in Ubico Ltd decreased to a one-sixth share. The Council considered that this change in structure resulted in a loss of joint control and significant influence, and that as a result group accounts were no longer required.</p> <p>We considered the separate operating practices, management structure, the application of majority-voting on the Ubico Ltd board and the reduction in the Council's shareholding and concluded that we agreed with the Council's view that the arrangements no longer constituted the Council having joint-control or significant influence over the company. The Council's interest has therefore been classified as an investment in Ubico Ltd in the Balance Sheet.</p>
2.	Accounting standards, Property Plant and Equipment (valuation)	<p>The CIPFA Code of Practice requires that assets are revalued with sufficient regularity to ensure that their carrying value in the Balance Sheet is not materially different to their fair value. The Council adopts a rolling programme of valuations, which is allowable under the Code.</p> <p>During our audit, we identified five high value properties that were last valued in 2014. We applied indices to the values, which suggested that the fair value of these assets could be materially different to their carrying values. We discussed this with the Council's valuer, and whilst they did not undertake a formal valuation, they considered their own indices and this confirmed that there was a material difference between the suggested fair value and the carrying value.</p> <p>The Council has revalued these five assets based upon indices, resulting in a £3.568 million increase in the value of property, plant and equipment in the Balance Sheet. This is offset by an equal increase in the Revaluation Reserve. The Code states that assets should not be revalued based upon indices, and therefore this is a departure from the Code requirements. This treatment does however achieve the wider objective of ensuring that the Council's property, plant and equipment is fairly stated.</p> <p>We have recommended that the Council consider their rolling valuation programme, to ensure that high value property, plant and equipment assets are valued with sufficient regularity to ensure that they remain materially stated in the Balance Sheet.</p>

# Group audit scope and risk assessment

ISA (UK&I) 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	Work completed	Assurance gained & issues raised
Gloucestershire Airport	No	A high level analytical review	N/A	Desktop review performed by Grant Thornton UK LLP	Our audit work has not identified any issues in respect of Gloucestershire Airport.
Cheltenham Borough Homes	Yes	Comprehensive	None	Full scope UK statutory audit performed by Grant Thornton UK LLP	Our audit work has not identified any issues in respect of Cheltenham Borough Homes.  The audit of Cheltenham Borough Homes is in its final stages of completion and no significant issues have been identified as part of the audit to date which impact the consolidation into the group accounts.

# 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><b>Revenue recognition</b></p>	<p>Revenue from the provision of services is recognised when the Council can measure reliably the level of completion of the transaction and it is probable that benefits will flow to the Council. It is accounted for in the year that it takes place and not when the payment is made.</p> <p>Revenue grants received are accounted for on an accruals basis when the conditions of their receipt are met.</p>	<p>Accounting policies are appropriate and compliant with the Code of Practice on Local Authority Accounting 2015/16 (the Code) and accounting standards</p> <ul style="list-style-type: none"> <li>The revenue recognition policy covers all material revenue streams including non-exchange transactions (Council tax and non-domestic rates)</li> <li>We have undertaken substantive testing of grants and other revenues and are satisfied that the Council has recognised income in accordance with its accounting policies.</li> <li>The disclosure of accounting policies are adequate.</li> </ul> <p>During our testing of grant income, we identified a balance totalling £0.083m disclosed as receipts in advance. Subsequent review of supporting documentation identified that these monies relate to Section 106 bond deposits. They relate to 2 Section 106 agreements, with £0.063m of the balance relating to an agreement that was signed in 2004. The monies are repayable to the contractor upon completion of the works per the signed agreement.</p> <p>The above information suggests that the funds should have been held as a creditor in the Balance Sheet rather than grant received in advance. The Council should consider the most appropriate accounting treatment for these monies in future financial years.</p>	<p style="text-align: center;">● <b>Amber</b></p>
<p><b>Judgements and estimates</b></p>	<p>PPE Revaluations</p>	<p>The Council adopts a rolling programme of valuations for its land and buildings. This is allowable under the CIPFA Code. Our audit resulted in an increase in the value of land and buildings of £3.568 million, as discussed on page 15.</p> <p>We have raised a recommendation that the Council consider their revaluation programme to ensure high value assets are valued with sufficient regularity.</p>	<p style="text-align: center;">● <b>Amber</b></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
<b>Estimates and judgements</b>	Other estimates and judgements <ul style="list-style-type: none"> <li>• NDR appeals provision</li> <li>• Depreciation and asset values</li> <li>• Pension fund valuations</li> <li>• Financial Instruments Fair Values</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has appropriately disclosed its significant judgements and estimates</li> <li>• The Council has calculated its provision using a reasonable methodology</li> <li>• The Council has appropriately relied upon the work of experts for pension fund valuations</li> <li>• In 2015/16 the Council derecognised a number of assets from its Fixed Asset Register which were carried at a nil value. We recognise that going forward, the Council will undertake an annual review of asset lives, as assets with nil values could be an indication that asset lives are too short.</li> </ul>	 <b>Green</b>
<b>Going concern</b>	The 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 management's assessment and are satisfied with their assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 <b>Green</b>
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	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.  The accounting policies were approved by members at the June 2016 Audit Committee.	 <b>Green</b>

**Assessment**

# 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.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Chair of the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<p>We obtained direct confirmations from the PWLB for loans and requested from management permission to send confirmation requests for confirmation for borrowing, bank and investment balances . This permission was granted and the requests were sent and received.</p>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>A small number of disclosure issues were identified within the draft statement of accounts . These are detailed later in the report.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<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"> <li>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</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<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>The Council does not exceed the specified group reporting threshold and therefore a detailed review of the WGA is not required to be completed.</p>

# 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. We considered and walked through the internal controls for Property, Plant and Equipment valuations, the Pension Fund valuation, Employee Remuneration and Operating Expenses as set out on page 11 to 14 above.

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. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1.	 Deficiency	<p><b>Weaknesses in Agresso system management</b></p> <p>As a result of our IT work we identified the following control weaknesses:</p> <ul style="list-style-type: none"> <li>A high number of system administrators (16 active). System administrator access and activities should be restricted to staff who do not have financial reporting or operational management responsibility within the organisation. This would remove any segregation of duty conflicts within Agresso and provide a more secure environment.</li> <li>The control environment has been weakened further by the practice of allowing users to set up system services against their own accounts, therefore not following a robust change control process.</li> <li>Security logs are not subject to independent review</li> </ul> <p>We discussed the above issues with officers from across Go Shard Service on the 6<sup>th</sup> July and agreed the actions outlined in appendix A.</p>	<p>Management should:</p> <ul style="list-style-type: none"> <li>Review all user access based on segregation of duties principles</li> <li>Restrict administration activities to the independent system administration team and ICT</li> <li>remove elevated access from those that have responsibility for functional and operational management of financial Services, HR and Payroll.</li> <li>Restore service processes to system accounts only</li> <li>Implement a risk-based security log review process with independent review.</li> <li>Ensure an effective change management procedure is implemented to review system changes processed.</li> </ul>

**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.	✓	It is good practice for senior financial reporting staff to not have the ability to post journals as their adjustments would not be subject to authorisation by a more senior officer. We recommend that the S151 Officer's ability to raise journals should be removed	<ul style="list-style-type: none"> <li>The Section 151 Officer no longer has access to post journals and it was confirmed that no journals were posted in 2015/16 by them.</li> </ul>
2.	✓	<p>The Council encountered a number of issues in 2014/15 with their fixed asset module. This led to a number of errors within the PPE disclosures in the statement of accounts due to the fixed asset module not being up to date as at 31 March 2015.</p> <p>A recommendation was made in the prior year around ensuring the fixed asset register is kept up to date. Due to a number of issues encountered by the finance team during 2014/15 closedown of the accounts, the asset register was not fully updated to reflect 2014/15 movements in PPE balances. We recommend that a review is undertaken of the effectiveness of the fixed asset module and a decision to be made by the GO Shared Services Head of Finance on how to move forward with this to ensure that the fixed asset register is able to be used effectively in 2015/16.</p>	<ul style="list-style-type: none"> <li>In 2015/16, the Council decided not to use the Agresso Fixed Asset Module due to the issues identified in previous years and instead created a Fixed Asset Register outside of the Agresso system.</li> <li>Officers have put a considerable amount of time and effort into ensuring the position shown by the fixed Asset Register in 2015/16 is materially correct and we have found the new Fixed Asset Register to be robust and a significant improvement on the previous year.</li> </ul>

**Assessment**  
 ✓ Action completed  
 X Not yet addressed

# 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. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 The valuations for five properties were increased by £3.568 million. This was to ensure that their carrying value was not materially different to their fair value.	-	DR Property, Plant and Equipment £3,568  CR Revaluation Reserve £3,568	-
<b>Overall impact</b>	-	<b>£3,568</b>	-

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
<p>1 Property, plant and equipment</p> <p>£0.095m was reclassified from community assets to other land and buildings and then shown as a disposal.</p> <p>This should have been shown as a de-recognition rather than a disposal. This is a disclosure point in the Property, Plant and Equipment note (Note 19) and does not have any impact on the Council's Comprehensive Income and Expenditure Statement or its Balance Sheet.</p>	-	-	<p>Error not material and has no overall impact on Property, Plant and Equipment balance.</p>
<p><b>Overall impact</b></p>	-	-	

## 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 £'000	Account balance	Impact on the financial statements
1 Disclosure	(7,628)	Financial Instruments	The fair value disclosure of PWLB Loans has been changed to ensure that it is measured in line with IFRS13. In the draft statement of accounts the fair value was calculated based on the PWLB premature repayment rates, as was used in prior years. The introduction of IFRS 13 in 2015/16 means this is no longer the correct method, and the figure has been updated using discounted cash flows based on estimated market rates. This has reduced the fair value disclosure of the PWLB loans by £7.63m. This is a disclosure change, and does not change the value of the loans shown in the Council's Balance Sheet.
2 Disclosure	-	Financial Instruments	An additional disclosure has been added to the financial statements note regarding the fair value hierarchy of financial instruments. This is a new requirement in 2015/16 due to the introduction of IFRS 13.
3 Disclosure	-	Property, Plant and Equipment	An additional disclosure has been added to the property, plant and equipment note regarding the fair value hierarchy of assets valued using IFRS 13. This is a new requirement in 2015/16 due to the introduction of IFRS 13.
4 Disclosure	-	Various	There was a number of other minor presentational adjustments made to improve the quality of disclosures in the accounts.

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. 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 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

We carried out an initial risk assessment and identified the following significant risks, which we communicated to you in our Audit Plan dated 2 March 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

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. 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 later in this section.

### **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 and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><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.</p> <p>The current Medium Term Financial Strategy (MTFS) includes a balanced position for 2016-17, but includes a number of unidentified savings over the period to 2019-20.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Reviewed the MTFS, including the assumptions that underpin the plan.</li> <li>Reviewed how savings are identified and monitored to ensure that they support the delivery of budgets.</li> </ul>	<p>A Medium Term Financial Strategy (MTFS) paper was presented to Cabinet in October 2015, which included financial projections to 2019/20. The projections showed a funding gap of £3.903m over the period 2016/17 to 2019/20, with a gap of £1.825m in 2016/17. During the budget setting process, the MTFS was updated to reflect the proposed funding settlement and other known changes. The update taken to Cabinet and Council meetings in February 2016 showed a deficit to 2019/20 of £4.198m and a funding gap of £1.881m in 2016/17. The changes were mainly driven by a funding settlement that was lower than expected.</p> <p>The updated MTFS identified proposed savings, which are detailed by area and linked to specific projects. The latest 'Bridging the Gap Strategy' for 2016/17 to 2019/20, included in the February 2016 Cabinet and Council papers, identifies total savings of £3.964m, leaving savings of £0.234m still to identify. The 2016/17 year is balanced, with a £0.671m shortfall currently identified in 2017/18. Savings are 'RAG' rated, with all but two of the 2016/17 projects rated as green. As would be expected, savings further into the future are rated amber or red.</p> <p>Savings are identified as part of the budget build and MTFS planning and are clearly linked to projects. Key savings in 2016/17 relate to the Leisure &amp; Culture Trust, with the identified savings included within the contract, and in relation to 2020 Vision Shared Services. These savings in 2016/17 have already been identified, and are linked to the change in the Council's management structure as a result of moving toward the 2020 Vision. The savings strategy includes a total of £0.808m in relation to 2020 Vision to 2019/20. This programme is considered over the page. The potential changes to the Council's involvement in the 2020 Vision Programme will have to be considered, and additional savings identified to cover any shortfalls. Should these or any other savings not be realised, the Council will either have to use general fund balances or cut discretionary services. Discussions with the Council have identified other potential savings or income growth areas, however these have not been fully identified or quantified.</p> <p>In 2015/16 the 'Budget Strategy (Support) Reserve' was created totalling £0.973m. The current funding strategy relies on £0.400m and £0.337m of this reserve to balance the revenue budgets in 2016/17 and 2017/18. The use of New Homes Bonus received by the Council is also increased in 2016/17, with 81% of the total expected income of £2.152m being used to support the revenue budget. In 2014/15, 65% of the New Homes Bonus was used to support the revenue budget. The Government has consulted on changes to the New Homes Bonus scheme, and there is therefore a risk that future New Homes Bonus funding will change. The Council recognise this in the 2016/17 budget paper.</p> <p>The Council's MTFS takes into account the factors we would expect, is updated sufficiently regularly and is responsive to significant events in the annual financial cycle. The assumptions employed within the projections appear to be appropriate and reasonable, and are based upon known contractual obligations where these are known. The Council has also explored alternatives before deciding on the medium term financial strategy.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>

**Key findings**

Significant risk	Work to address	Findings and conclusions
<p><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.</p>	<p>We have:</p> <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>	<p>In early 2015 the four Councils involved in the 2020 Vision partnership established a Member Governance Board and an interim management team (made up of a Partnership Managing Director, a Lead Commissioner and a Programme Director) to progress the 2020 Vision programme prior to creating more permanent arrangements. All partner councils voted to go forward with the 2020 Vision programme.</p> <p>A Joint Committee for all partner Councils came into operation in February 2016. Each Partner has appointed two of its elected members as its representatives on the Joint Committee, one of whom will be a member of that Partner Council's Executive, and the other a member of the Partner Council. The 2020 Programme has appointed a number of 'Group Managers' to plan business cases to incorporate a cross section of services from the partner Councils into the 2020 Programme. The overall business case for the Programme is currently being reviewed and updated and initial indications are that the original savings programme will be achieved. Some savings have already been taken by partner the Councils.</p> <p>Savings have already been achieved through the establishment of the 'core' 2020 project team to which a number of staff were seconded. As a result of share of the employment cost of the Chief Executive, Strategic Director and Business Improvement manager have been funded by the 2020 Project. Further savings from the programme have been delivered earlier than anticipated. Cashable savings to date are on profile with savings already delivered in 2015/16 and 2016/17 of £2.3m. Programme spend to date is within budget.</p> <p>Governance arrangements are developing, a Constitution and Scheme of Delegation was approved by the Joint Committee in February 2016.</p> <p>At the public Joint Committee meeting in June 2016, a Councillor of Cheltenham Borough Council delivered a statement confirming that Cheltenham Borough Council would not vote to agree a proposal to set up a company operating model for discussion with the partner Councils and develop detailed implementation plans to establish the new companies. The statement indicated that Cheltenham Borough Council may not wish to include their Revenues and Benefits and Customer Services in the 2020 Vision programme as had been originally indicated. This has an implication of the savings that can be delivered for Cheltenham and the other Councils through the programme. These potential changes to the Council's involvement in the 2020 Vision Programme will have to be considered, and if applicable additional savings identified, with detailed plans developed to cover any shortfalls.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></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.

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## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non audit services and independence**

05. Communication of audit matters

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

### Fees

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

### 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 £
<b>Non-audit services</b>	
Accommodation Strategy Workshop	3,000
Vat and employment tax support – Go Shared Services*	417

\* This service is provided to six GO Shared Services partners. Total fee is £2,500, the amount disclosed above is the element which relates to Cheltenham Borough Council.

### 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.

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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. 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.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		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Significant 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	✓	✓

# 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	IT should implement the recommendations arising from our IT review as set out on page 20.	Medium	We have recently completed a Solution Architect review of the ABW system including data control roles. We are now developing an action plan to improve the functionality of the system. Part of the action plan will address data control processes and will resolve the issues identified in the audit. We will also implement the change of password recommendation on Accounts used to run system services.	31 March 2017 Group Manager for Go Shared Services
2	The Council should consider the rolling valuation programme, to ensure that high value property, plant and equipment assets are valued with sufficient regularity to ensure that they remain materially stated in the Balance Sheet.	Medium	Agreed that the rolling valuation programme will be reviewed each year, to ensure high valued PPE are valued regularly and material values are correctly reflected in the balance sheet	31 March 2017 Group Manager for Go Shared Services

# Appendix B: Audit opinion

**We anticipate we will provide the Council and Group with an unmodified audit report**

## **DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHELTENHAM BOROUGH COUNCIL**

We have audited the financial statements of Cheltenham Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Authority Movement in Reserves Statements, the Group and Authority Comprehensive Income and Expenditure Statements, the Group and Authority Balance Sheets, the Group and Authority Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Section 151 Officer and auditor**

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Section 151 Officer; and the overall

presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority and Group as at 31 March 2016 and of the Authority's and Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the Group audited financial statements.

### **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

**Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

**Respective responsibilities of the Authority and auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

*Signature – to be added*

Name – to be added  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

Date – to be added



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