

The Audit Findings for Swindon Borough Council DRAFT

Year ended 31 March 2016

7th September 2016

Elizabeth Cave
Director

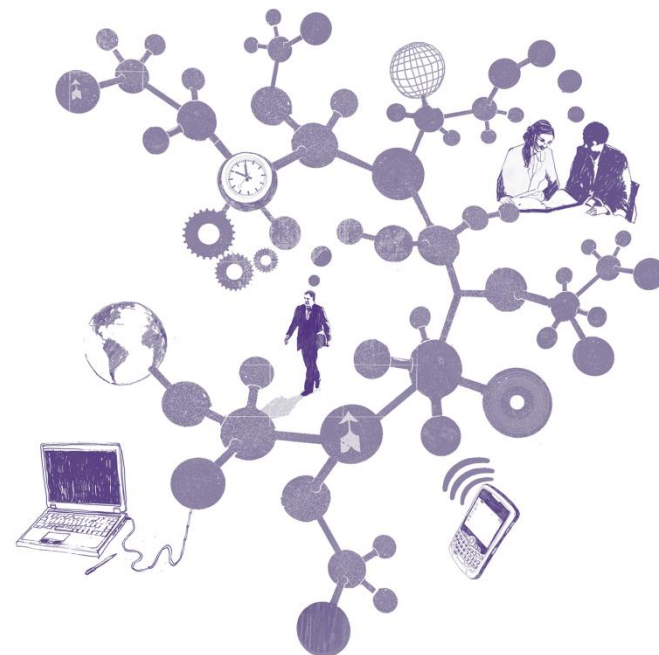
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7th September 2016

Dear Members of the Audit Committee

Audit Findings for Swindon 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 [Swindon 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 officers](#).

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](#)

[Elizabeth Cave](#)
Director

Chartered Accountants

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

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Purpose of this report

This report highlights the key issues affecting the results of Swindon 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

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 19th April 2016.

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

- review of the final version of the financial statements
- receipt and review of the final accounts of Public Power Solutions. the accounts have been prepared on the expectation of PPS receiving £3m in relation to Wroughton Solar Farm. If the money is not received by Wednesday 7 September we expect the accounts to be amended.
- obtaining and reviewing the management letter of representation
- review of revised versions of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

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 10 adjustments affecting the group and Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2016 recorded net expenditure of (£65,237k); the audited financial statements show net expenditure of (£50,088k). This change is primarily driven by changes made to Property, Plant and Equipment and Heritage Assets. We have also recommended a number of adjustments to improve the presentation of the financial statements.

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

- We identified £11m of heritage assets which were included in the Council's accounts but were on loan from other entities.
- We identified one school which had converted to an Academy during the year but had not been disposed of in the accounts
- We identified a number of reclassification adjustments between headings in the accounts.

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 (AGS) 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.

We have nothing to report in relation to the AGS.

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

We draw your attention in particular to a significant control issue identified in relation to the authorisation of journals. We have also reported control issues in relation to

- IT controls
- Contracts of employment

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.

Further details of our work on other statutory powers and duties is set out in section four of this report.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit Committee early in 2017.

The way forward

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

We have made a number of recommendations, which are set out in the action plan at Appendix A.

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
7th September 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

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

As we reported in our audit plan, we determined overall materiality to be £10,277,000 (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 £513,000. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan. (In relation to the note on officers remuneration we also tested the disclosures were in the correct bands).

Disclosure	Explanation	Materiality level
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.	£20,000
Disclosures of officers' remuneration, salary bandings, Councillors' 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.	£20,000

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>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Swindon Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including this Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed includes:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</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>Valuation of property, plant and equipment (PPE)</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>Work completed includes:</p> <ul style="list-style-type: none"> • Walkthrough of PPE process. We identified the controls put in place by management to ensure that PPE valuation is done correctly. This included checking the reconciliation between Valuation records and the fixed asset register. • Review of the competence, expertise and objectivity of the Council's management expert who did the valuation. • Discussions with the Valuer about the basis on which the valuation is carried out; and discussion of the key assumptions. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Review and challenge of the information used by the Valuer to ensure it is robust and consistent with our understanding. • Review of the instructions issued to valuation experts and the scope of their work • Evaluation of the assumptions made by management for those assets not revalued during the year, and how management has satisfied themselves that these are not materially different to current value. • Review of accounting estimates, judgements and decisions made by the Valuer • Review of unusual significant transactions. 	<p>Our audit work identified that the Council has revalued 93% of the total property, plant and equipment portfolio in 2015/16, excluding those assets carried at cost or not requiring revaluation.</p> <p>Our audit work has identified a material adjustment in relation to heritage assets, set out later in this report.</p> <p>We did not identify any other significant issues in relation to the risk identified, for property, plant and equipment.</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
4.	Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	We have: <ul style="list-style-type: none"> Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. Assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. Gained an understanding of the basis on which the valuation is carried out. Undertaken procedures to confirm the reasonableness of the actuarial assumptions made. 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. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee Remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We have: <ul style="list-style-type: none"> Completed a walkthrough of system and associated controls Undertaken a trend analysis of payroll expenditure by month to identify any significant variances Reviewed post year end payments to ensure all payroll expenditure is included Reviewed the reconciliation of gross payroll to ledger to ensure it is complete 	Our audit work has not identified any significant issues in relation to the risk identified, other than the control point relating to employee's contracts as detailed in the internal control section later in this report.
Operating Expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have: <ul style="list-style-type: none"> Completed walkthrough of system and associated controls Tested operating expenses Reviewed unrecorded liabilities and post year end payments to ensure all liabilities identified. Reviewed accruals Determined whether liabilities have been recorded in the correct period 	Our audit work identified a number of balances classified as creditor balances which were cash in transit, and a number of reclassification adjustments between categories of creditor. <p>These included:</p> <ul style="list-style-type: none"> Treasury borrowing totalling £3,470k repayable on 31/03/16 which was actually repaid by year end, and was therefore cash in transit Reclassifications between Central Government Creditors and Other/General Creditors, totalling £521k Reclassifications totalling £4,121k between Other Creditors and Central Government Creditors



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
Public Power Solutions Ltd	Yes	Targeted	Review of Revenue Recognition policies	Specific (targeted) scope procedures to be performed by non GT member firm.	We are awaiting the accounts from the subsidiary auditor
Thamesdown Transport Ltd	Yes	Targeted	Review of Revenue Recognition policies	Review of revenue recognition policies Analytical review of income	Our audit work has not identified any issues impacting the opinion
Forward Swindon Ltd	No	Analytical	N/A	Desktop review performed by GT UK	Our audit work has not identified any issues impacting the opinion

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
Revenue recognition	<p>Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:</p> <ul style="list-style-type: none"> Revenue from the sale of goods is recognised in the period that the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. Revenue from the provision of services is recognised in the period when the Authority provides the service and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority. 	<p>We found:</p> <ul style="list-style-type: none"> The policies were appropriate under relevant accounting framework The policies were adequately disclosed and Required limited judgement. 	<p>Green</p> 
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Useful life of PPE Revaluations Impairments Accruals Valuation of pension fund net liability Provision for NNDR appeals Other provisions 	<p>We noted:</p> <ul style="list-style-type: none"> There is no estimated provision for un-lodged Business Rates appeals which have not yet been filed by the occupier. Under current regulations the Council can only take account of issues that may be lodged from April 2015. Based on overall levels of provision we are satisfied the amount could not be material to the accounts. Officers are intending to meet the District Valuer's relationship manager to discuss the information provided to the Council. We noted that the value of the Pension Fund's assets as reported at year end in the Pension Fund Accounts was lower than the estimate calculated by the Council's actuary by 1%. This is because for timing reasons the Actuary bases their calculation on an estimate at 31 December indexed to 31 March. We estimated the amount of the difference on the assets attributable to Swindon to be £6m against total asset allocation of £482m. 	<p>Amber</p> 

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Board Director of Resources (s151 officer) has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that materially the going concern basis is appropriate for the 2015/16 financial statements.	Green ●
Other accounting policies	The accounting policies are set out in detail in the statement of accounts.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	Green ●

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any material incidents during the year and no other issues have been identified during the course of our audit,
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council, including specific representations in respect of the Group.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests for loans, investments and bank balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no omissions in the financial statements other than the matters outlined in the tables disclosing adjustments later in this section.

Other communication requirements continued

	Issue	Commentary
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report on a number of matters by exception in a number of areas: <p>We have not identified any issues we would be required to report by exception in the following areas</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <ul style="list-style-type: none"> Our work on the WGA is on-going as at 5th September 2016.

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 Employee Remuneration, Operating Expenditure, Property Plant and Equipment, and Pension Liability as set out on page 10 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.

	Assessment	Issue and risk	Recommendations
1.	Red ●	<ul style="list-style-type: none"> We identified that journals over £1.6m require authorisation. We noted that a report had been put into place to retrospectively identify all postings over £1.6m. This report was done for part of the financial year, however, there is no evidence it is being reviewed to provide a control and the report is produced retrospectively after journals have been posted. 	<ul style="list-style-type: none"> We recommend that management ensures that journals above £1.6m are authorised.
2.	Amber ●	<ul style="list-style-type: none"> We identified during our testing that fifteen contracts of employment were unsigned or unavailable. We were able to obtain assurance over the existence of employees by confirming NI numbers with HMRC, however, signing contracts is an important governance control. 	<ul style="list-style-type: none"> We recommend that all employees are required to sign a contract upon joining, which is retained securely by Swindon Borough Council and that those contracts which cannot be traced are re-signed.
We raise two issues arising from our review of the Council's overall IT systems			
3.	Amber ●	<ul style="list-style-type: none"> Segregation of duties is a fundamental principle of control. It requires that record keeping, custody of assets, authorisation and reconciliation processes are not performed by the same person. We identified conflicts for 26 functional roles across the Council where people could override the segregation of duty. 	<ul style="list-style-type: none"> A review of all roles and responsibilities will be undertaken and completed within 3 months. Mitigation will be provided if there are any areas where, due to business needs, it is not possible to segregate conflicting duties.
4.	Amber ●	<ul style="list-style-type: none"> We identified that in the period under review there have been three administrators that have assigned additional access rights to themselves in the production environment. We note that, although an authorisation process is in place and is monitored individuals should not assign themselves user rights. 	<ul style="list-style-type: none"> Due to the small size of the Oracle Team and their role as system administrators (which means they have full access to all the system) this is not possible. However, access rights will be recorded via the IT helpdesk with all access rights being time limited and access rights being clearly recorded.

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

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

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<ul style="list-style-type: none"> We identified three senior managers who had access to post journal entries. 	<ul style="list-style-type: none"> We did not identify this issue during the 2015/16 audit.
2.	X	<ul style="list-style-type: none"> We identified that journals over £1.6m require authorisation but we did not identify a control in place by which unauthorised journal postings could be identified. 	<ul style="list-style-type: none"> We identified that management have put a report into place to identify all journal postings above £1.6m; however we note that management are not using this report to control authorisation of journals
3.	X	<ul style="list-style-type: none"> We identified during our testing that five contracts of employment were unsigned. We were able to obtain assurance over the existence of employees by confirming NI numbers with HMRC, however, signing contracts is an important governance control. 	<ul style="list-style-type: none"> We have raised a similar recommendation in the current year. We identified that 15 employees did not have a signed contract during the course of our audit work for 15/16.
4.	X	<ul style="list-style-type: none"> We identified that within Oracle some users may be able to change their own access rights without authorisation. We also noted that some users are able to self-assign privileges (such as additional functionality). 	<ul style="list-style-type: none"> We have raised a similar recommendation in the current year.
5.	X	<ul style="list-style-type: none"> We identified within Oracle there are generic accounts with excessive privileges. Also there are users with access to a function referred to as the 'process tab' which allows override of functions. Currently there is only limited audit logging of activity. There is a risk that users could carry out activities and changes without detection. 	<ul style="list-style-type: none"> We have raised a similar recommendation in the current year.

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 Dr/(Cr)
1	Investments - We identified a misclassification between long term and short term investments within the accounts. For an investment with PPS of £11,500k, an adjustment of £8,900k is required, to move the £8,900k out of short term and into long term investments.	0	8,900 (8,900)	0
2	Property Plant & Equipment - We identified one school, Ferndale, which had transferred to academy status in February 2016 but the disposal had not been actioned in the accounts and continued to be held on the balance sheet at a value of £4,470k.	4,470	(4,470)	4,470
3	Heritage assets - During the course of the audit, it was identified that there are £11,057k of assets which are maintained and insured by Swindon Borough Council at the Steam Museum. However, these assets are on long term loan and are not owned by Swindon Borough and were incorrectly included on the balance sheet.	11,057	(11,057)	11,057

Adjusted misstatements (continued)

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
4	Creditors - Treasury Borrowing repaid on 31 March 2016 was incorrectly recorded as an outstanding creditor at year end. The balance should be recorded as cash in transit. We identified four such balances being £3,470k in total.	0	3,470 (3,470)	0
5	Creditors - Schools cash in transit of £4,926k was incorrectly recorded as a Payment in Advance within creditors.	0	4,926 (4,926)	0
6	Creditors -We identified a number of misclassified creditors categories - this included £250k of Central Government Creditors which should have been recorded as General Creditors, and a further £271k of General Receipts in Advance which should have been recorded as Central Government Receipts in Advance.	0	521 (521)	0
7	Property Plant & Equipment - We identified that a £2m property, plant and equipment transaction had not been correctly recorded in the accounts. A bus depot was transferred to Swindon Borough Council from Thamesdown Transport on 31/03/15. Although Thamesdown correctly recorded the transfer in their subsidiary 2014/15 accounts, the Council did not include the addition in the group accounts until 01/04/15 (2015/16) . However, the position is correct at the end of 2015/16.	0	2,000 (2,000)	0
8	Debtors - We identified two debtors which should have been recorded as cash in transit. The total adjustment required is £698k.	0	698 (698)	0

Adjusted misstatements (continued)

Detail		Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
9	Creditors - We identified that a creditor for the Business Rates was disclosed as "Other Creditor" and should be reclassified as a Central Government Creditor within the Short Term Creditors note.	0	4,121 (4,121)	0
Overall impact net		15,527	15,527	£15,527
Gross		15,527	24,636 (40,163) (15,527)	

Unadjusted misstatements

All identified misstatements other than those which are clearly trifling have been adjusted in the Council's accounts.

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/Note	Impact on the financial statements
1	Disclosure	144,920	Reconciliation to Subjective Analysis	Disclosure issue - the Service Reporting table was not correct due to an error in the underlying calculation. The total figure does not change but the employee remuneration allocation was corrected from £137m to £144m.
2	Disclosure	77,231	Note 9	The Grants note in the accounts (Note 9) had a figure of £77m duplicated within the note, although this was a disclosure change only.
3	Disclosure	N/a	Note 39	The fair value of the PFI scheme requires additional disclosures, including an explanation of why the PFI scheme is assessed as a Level 2 financial instrument. (A level 2 asset is defined in accounting standards as one where there are similar but not identical assets available in a market).
4	Disclosure	4,703	Note 19	The short term creditors note does not match the balance sheet due to a reclassification of a short term loan (£4,703k).
5	Disclosure	51,618	Reconciliation to Subjective Analysis	We identified a mis-allocation of charges within the Subjective Analysis. These charges of £51,618k were recorded as "Other Service Expenses" but were in fact "Support Services Recharged". There is no impact on the underlying totals.
6	Disclosure	N/a	Note 6	A disclosure of the potential impact of the EU Referendum is required within the Post Balance Sheet Events section in the accounts.
7	Disclosure	80,154	Note 9	The DSG grant within Note 9 had not been correctly extracted from the underlying workings, being £77,231k and corrected to £80,154k.
8	Disclosure	N/a	Throughout	We identified a number of minor disclosure changes in the accounts, such as referencing, minor casting changes, and other small adjustments.
9	Disclosure	N/a	Appendix to accounts	There is a requirement for a glossary of technical terms.

Section 3: Value for Money

01. Executive summary

02. Audit findings

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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 in March 2016 and identified the significant risks, which we communicated to you in our Audit Plan dated 19th April 2016. These risks are set out later in this section along with a summary of our further work and findings.

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. In arriving at our conclusion, our main considerations were:

- the robustness of the Council's 2016/17 savings plans and the arrangements for future plans to support its financial sustainability
- the Council's corporate arrangements for monitoring and reporting on the performance of its subsidiaries and partners.
- the arrangements for progressing the Wichelstowe joint venture including changes to the Model, the impact on expected returns and the information reported to Members.

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.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement . Management's response to these can be found in the Action Plan at Appendix A.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment. We did not identify further material risks through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Financial health Between 2017/18 and 2019/20 the Council is anticipating cost pressures of £63.5m which after assumed increases in income (eg council tax) leaves a gap of £49m. Key actions to address the gap including service reductions, and early interventions in areas such as social care to avoid costs have been identified. The overall financial challenge raises significant risks to the Council's medium term financial stability.	We reviewed and discussed the risks in the Council's medium term financial plans.	<p>The Council set a balanced budget for 2016/17 in February 2016. Since then the Council has continued to develop its Vision which is feeding into a new four year plan due to be completed in September.</p> <p>Key themes in Council plans include:</p> <ul style="list-style-type: none"> - Developing income sources - The local delivery of services and - Controlling costs, for example through managing the social care market <p>Our review of Council plans indicates assumptions are robust and detailed. The Council consults on its plans and also considers the national context as well as the local position. Current plans are realistic and the Council is being innovative in seeking solutions to its financial challenges, although delivery will be challenging. The current budget gap for 2017/18 is £6m, work is on-going to address the gap.</p> <p>On this basis we concluded that the risks were sufficiently mitigated and the Council has proper arrangements</p> <p>Continuing to deliver the change programmes is an on-going challenge. The Council needs to ensure there is capacity across its management teams to support delivery of the change programmes.</p>

Key findings continued

Significant risk	Work to address	Findings and conclusions
<p>Oversight of Council subsidiaries and partner bodies</p> <p>In response to growing financial pressures and to deliver high quality services in a changing environment, the Council is engaging with increasing numbers of partner bodies. These vary significantly in the nature of the arrangement. Recent examples include the solar farm project linked to Swindon Common Farm Community Interest Company and the financing arrangement for the related bond issue. Also the Wichelstowe Joint Venture Partnership to oversee a key development project in the Borough.</p> <p>The Council and those charged with governance need to ensure they have on-going robust oversight arrangements in place.</p>	<p>We reviewed corporate arrangements at the Council for monitoring and reporting on the performance of its subsidiaries and partners.</p>	<p>Current arrangements vary. Councillors are appointed as non-executive directors to the main subsidiary companies, TTL and PPS. There are also shareholder panels. These arrangements provide oversight in specific areas.</p> <p>Overall, however, arrangements are not consistent across all areas. For example there is no direct link to Forward Swindon. There is insufficient evidence of Council governance and monitoring to ensure that arrangements for oversight are sufficiently challenging and that risks are minimised and services are delivered as intended. There is no overall summary record of how individual partner arrangements are managed.</p> <p>We concluded overall that the risk was sufficiently mitigated and the Council has proper arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control and the criteria of informed decision making. However, there is scope to further improve arrangements specifically:</p> <p>An annual report should be issued to either the Audit Committee or the Standards Committee. This should identify all significant partnerships covering:</p> <ul style="list-style-type: none"> - the risks associated with the arrangements eg both in terms of governance, financial risks and reputational risks. - the mitigations to address the risks including the governance arrangements, methods of challenging partners - the outcome of the work done in the previous 12 months

Key findings continued

Significant risk	Work to address	Findings and conclusions
<p>Financial close of the Wichelstowe development joint venture contract</p> <p>Negotiations to agree a joint venture development using Council land and previous infrastructure investment have been on-going for two years. Financial close is expected imminently to enable the Council to recover debt of £43m and realise additional gains. There have been some late changes to the financial model, for example to reflect the need for additional piling at the site. The risk to the Council is that it does not obtain the best deal in the circumstances.</p>	<p>We will review the changes to the Model, the impact on expected returns and the information reported to Members.</p>	<p>Negotiations have remained at the final stage since the beginning of 2016 but the contract remains unsigned.</p> <p>Officers have continued to monitor risks and keep the Leader's advisory group and the cross party advisory group up-dated. The Council has reassessed options for the early stages of the development. The option being proposed is the Council developing the district centre independently. At the same time they would continue to negotiate with the joint venture partnership on the house building.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p> <p>However, there remain on-going risks for future years. The Council should:</p> <ul style="list-style-type: none"> - Provide a detailed assessment against the original criteria to demonstrate value for money to the Council at the point of sign-off - Keep Members informed of progress. - Ensure there is capacity and arrangements in place for managing the development including robust business plans, a finalised S106 agreement and Council representation and oversight of the decision making - Evaluate whether any further investment in the scheme would be justified on the basis of a robust business case.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Any other matters

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

Section 4: Other statutory powers and duties

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05. Fees, non audit services and independence

06. Communication of audit matters

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

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

Section 5: Fees, non-audit services and independence

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05. Fees, non audit services and independence

06. Communication of audit matters

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

Fees

	Budget £	Actual £
Council audit	128,378	128,378
Grant certification	10,476	10,476
Total audit fees (excluding VAT)	138,854	138,854

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Our work on housing benefit subsidy certification is not completed but will be finalised by the 30th November deadline. Final fees for this will be confirmed then.

Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services:	
• Review of Teachers Pensions Agency return	4,200
• Review of Pooling of Housing Capital Receipts return	2,200
Non Audit related services	
• Review of Schools PFI contract	20,000
• Place analytics data base service	7,800
Other services	34,200

Independence and ethics

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

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

Section 6: Communication of audit matters

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06. Communication of audit matters

Communication to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

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

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

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
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	We recommend that management ensures that journals above £1.6m are authorised.	High	Awaited	
2	We recommend that all employees are required to sign a contract upon joining, which is retained securely by Swindon Borough Council and that those contracts which cannot be traced are re-signed.	Medium	Awaited	
3	Management should review and where possible eliminate instances where the segregation of duty established within IT systems breaks down. Where this is not possible mitigating controls should be established.	Medium	A review of all roles and responsibilities will be undertaken and completed within 3 months. Mitigation will be provided if there are any areas where, due to business needs, it is not possible to segregate conflicting duties.	November 2016 Oracle and Systems Development Team
4	Users of the IT systems should not be able to self assign access rights to themselves.	Medium	Due to the small size of the Oracle Team this is not possible. However, access rights will be recorded via the IT helpdesk with all access rights being time limited and access rights being clearly recorded.	November 2016 Oracle and Systems Development Team

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
5	Financial health The Council needs to ensure there is capacity across its management teams to support delivery of the change programmes.	High	This is being considered as part of arrangements to deliver the current change programmes and the future phase of the Council's transformation.	Timescale by December 2016 and on-going. Corporate Director for Resources (note this will be led by Jan Willis as Interim).
6	Oversight of Council subsidiaries and partner bodies An annual report should be issued to either the Audit Committee or the Standards Committee. This should identify all significant partnerships covering: <ul style="list-style-type: none"> - the risks associated with the arrangements eg both in terms of governance, financial risks and reputational risks. - the mitigations to address the risks including the governance arrangements, methods of challenging partners - the outcome of the work done in the previous 12 months 	High		

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
7	<p>Wichelstowe</p> <p>The Council should:</p> <ul style="list-style-type: none"> - Provide a detailed assessment against the original criteria to demonstrate value for money to the Council at the point of sign-off - Keep Members informed of progress. - Ensure there is capacity and arrangements in place for managing the development including robust business plans, a finalised S106 agreement and Council representation and oversight of the decision making - Evaluate whether any further investment in the scheme would be justified on the basis of a robust business case. 	High	This is agreed.	Action with Wichelstowe Programme Director. Timescale December 2016 and on-going.

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWINDON BOROUGH COUNCIL

We have audited the financial statements of Swindon 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 Statement of Financial Position, the Authority Balance Sheet, the Group and Authority Cash Flow Statements, the Housing Revenue Account, 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 Board Director: Resources and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts Responsibilities, the Board Director: Resources 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 Board Director: Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, the Information Relating to Group Accounts 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, the Information Relating to Group Accounts 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

Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Elizabeth Cave

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House
Victoria Street
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TBC September 2016



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