

The Audit Findings for Swindon Borough Council

Year ended 31 March 2017

31 August 2017

Elizabeth Cave

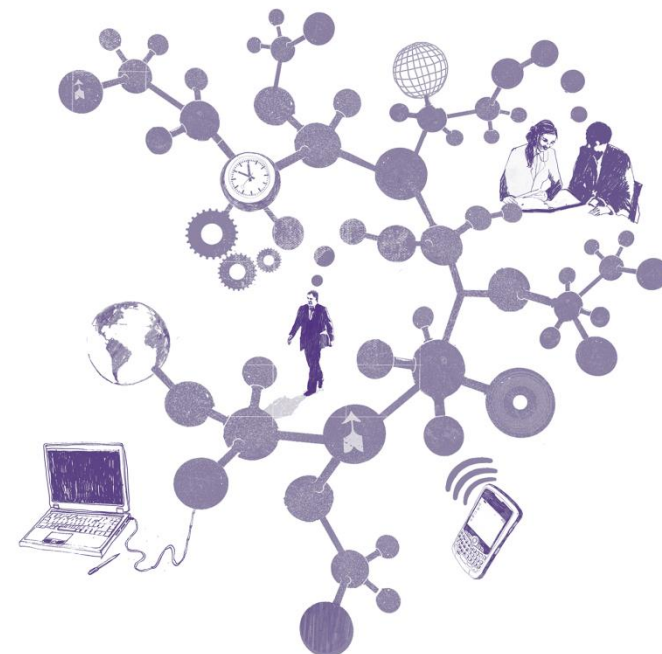
Director
T +44 (0)117 305 7885
E Liz.A.Cave@uk.gt.com

Chris Hackett

Audit Manager
T +44 (0)117 305 7876
E Chris.I.Hackett@uk.gt.com

Anna McWilliam

Executive
T +44 (0)117 305 7611
E Anna.K.McWilliam@ukk.gt.com



Swindon Borough Council
Civic Centre
Euclid Street
Swindon
SN1 2JH
31 August 2017

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT
T +44 (0) 117 305 7600
www.grant-thornton.co.uk

Dear Members of the Audit Committee

Audit Findings for Swindon Borough Council for the year ending 31 March 2017

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Elizabeth Cave
Engagement Lead

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.
Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	25
4. Other statutory powers and duties	31
5. Fees, non-audit services and independence	33
6. Communication of audit matters	37

Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Purpose of this report

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

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

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

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

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

- 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 16 March 2017.

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

- review of the Group Accounts
- review of the pension fund disclosures
- testing on schools payroll
- obtaining confirmations on short term debtors
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of revised versions of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements at the commencement of our work, although some working papers were refined after our audit commenced for example in relation to the reconciliation of operating expenditure to the draft accounts. This did result in our having to do additional working querying differences on the draft accounts.

Key audit and financial reporting issues

Financial statements opinion

We have identified no 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 2017 recorded net expenditure of £494,464k, the audited financial statements show the same net expenditure.

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

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

- The creditors balance was amended by £7.2m to exclude amounts that were timing difference rather than actual creditors, with a corresponding adjustment to cash
- The Council needs to continue to review its accounts processes to enable it to meet the earlier closedown timetable next year of July 31st as set out by the Government.

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

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

Other financial statement responsibilities

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

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

Controls

Roles and responsibilities

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

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

We identified some weaknesses in the division of duty. This is detailed further in 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.

In reaching this conclusion we completed an overall assessment of arrangements and risks for the year of audit (2016/17) and looked in detail at the how the Council built up savings plans and included them in to budgets. We considered also how the Council managed its adult social care budget.

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

Other statutory powers and duties

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

Grant certification

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

The way forward

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

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and 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
August 2017

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

As we reported in our audit plan, we determined overall materiality to be £10,000k (being 1.88% of gross revenue expenditure). Expenditure in 2016/17 is less than 2015/16, therefore we have reduced materiality to reflect the reduction in gross expenditure. Our revised overall materiality was set at £9,500k (being 1.9% of gross revenue expenditure).

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 £480k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

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

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000
Disclosure of the auditors' remuneration in the notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

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

Audit findings against significant risks

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

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>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• the culture and ethical frameworks of local authorities, including Swindon Borough Council, mean that all forms of fraud are seen as unacceptable.	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have completed the following work:</p> <ul style="list-style-type: none">• review of journal entry process and controls• review of accounting estimates, judgments and decisions made by management• tested of journal entries• considered and reviewed unusual significant transactions.	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings from our review of journal controls, testing of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

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

Audit findings against significant risks continued

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
<p>Valuation of property, plant and equipment (PPE) The Council re-values its assets on a rolling basis over a five year period. (Although larger assets are valued more regularly). The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>We have</p> <ul style="list-style-type: none"> walked through the PPE valuation process reviewed the competence, expertise and objectivity of management experts used discussed with the Valuer the basis on which the valuation is carried out and considered and where necessary challenged the key assumptions tested revaluations made during the year to ensure they are input correctly into the Council's asset register reviewed and challenged the information used by the Valuer to ensure it is robust and consistent with our understanding evaluated 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>The Valuer has valued £719,372,000 assets including Council dwellings and a portion of other land and buildings. The valuations were done as at 1 April and the Valuer provided a further estimate (£22.6 m) of the overall increase in value to the balance sheet date of 31 March 2017.</p> <p>The Valuer considered also the assets not valued during the year and provided an estimate of the increase needed to uplift these values to the 31 March 2016 (£10.3m). The Valuer decided not to apply a similar up-lift to 31 March 2017. As a consequence our audit review identified that these values were understated. The likely value of the understatements is £5.2m which is not material.</p> <p>A note has been added to the accounts at our request to explain the nature of the valuations they include.</p> <p>Overall, from our testing of the assumptions for up-lifting the valuations to 31 March 2017 by comparing to national indices and referring to independent reports prepared on movements nationally in property values we found the estimated values were materially correct.</p> <p>The up-lifted asset values are not formal valuations and are not reflected at individual asset level in the fixed asset register but entered as a single line adjustment. Officers felt this was necessary to avoid any errors in future years when assets are revalued further and to avoid errors in depreciation Overall the total on the fixed asset register reconciles to the accounts.</p>

Audit findings against significant risks continued

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represents a significant estimate in the financial statements.</p>	<p>We have</p> <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. We 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 to gain 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. 	<p>We have one outstanding query relating to the value of the pension fund liability assessed by the Actuary. We are seeking additional assurances as to how it was calculated.</p>
<p>Changes to the presentation of local authority financial statements CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have</p> <ul style="list-style-type: none"> documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Prior period restatement note:</p> <p>The note which analyses the old Service headings used in the 2015/16 Consolidated Income and Expenditure statement (CI&ES) in line with the Code of Practice into the new CIES format had to be amended as it did not provide sufficient detail to enable the readers to see where the costs are mapped to in the new format.</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
Employee remuneration	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Employee remuneration accruals understated (Remuneration expenses not correct) 	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> completed walkthrough of system and associated controls testing of employee remuneration expenses trend analysis of payroll expenditure by month to identify any significant variances reviewed post year end payments to ensure all expenditure is included reviewed of reconciliation of gross payroll to ledger to ensure complete 	<p>We have some testing on schools payroll to complete, otherwise we have completed our work and identified no significant matters to report.</p>
Operating expenses	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> Creditors understated or not recorded in the correct period (Operating expenses understated) 	<p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> completed walkthrough of system and associated controls testing of operating expenses reviewed unrecorded liabilities and post year end payments to ensure all liabilities identified review of accruals determine whether liabilities have been recorded in the correct period 	<p>We have completed our work and identified no significant matters to report in relation to the risk of creditors being understated or not recorded in the correct period.</p> <p>Our specific findings from our other testing of Operating expenses are reported in the audit adjustments section.</p>

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

Audit findings against other risks continued

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK&I) 570).

We reviewed management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that they are satisfactory.

Significant matters discussed with management

	Significant matter	Commentary	
1	Disposal of Thamesdown Transport Limited	<p>The Council disposed of its interest in its bus company during the financial year. Officers took independent advice that the receipt from the sale of the interest was a revenue receipt. We disagreed with this.</p> <p>The related sale of the depot was treated as a capital receipt. We agreed with this treatment.</p>	<p>Auditor view</p> <ul style="list-style-type: none"> Based on a review of the statutory capital financing regulations the sale of the interest in the business was a capital receipt. This is based on the mirror principle that if expenditure would be capital then receipts arising from the same type of expenditure would be capital. Purchase of a company would be capital. Therefore the sale receipt is a capital receipt. <p>Management response</p> <ul style="list-style-type: none"> Agreed to treat it as a capital receipt.

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	Yes	Targeted	Revenue recognition	Liaised with company auditor, review their reports and review accounting policies.	At the time of drafting the report this is still to be completed
Thamesdown Transport	No	Targeted	Revenue recognition	Undertaken direct testing for transactions and review accounting policies. This was necessitated as the Company had been sold. The Company's auditors were required to support a valuation at the point of disposal but not to give us assurance the transactions for the year.	At the time of drafting the report this is still to be completed
Common Farm	No	Analytical	N/A	Desktop review performed by GT UK	At the time of drafting the report this is still to be completed
The following are owned by the Council but not originally included in the Group					
Forward Swindon	No	Analytical	N/A	Desktop review performed by GT UK	At the time of drafting the report this is still to be completed
Chapel Farm	No	Analytical	N/A	Desktop review performed by GT UK	At the time of drafting the report this is still to be completed

Involvement in the work of component auditors

The nature, time and extent of our involvement in the work of these companies will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the company auditor's audit documentation and meeting with appropriate members of management.

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	<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. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that: <ul style="list-style-type: none"> The Authority will comply with the conditions attached to the payments, and The grants or contributions will be received. Retained Business Rates, Top-up income and Council Tax included in the Comprehensive Income and Expenditure Statement for the year will be treated as accrued income. NDR and Council Tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and the amount of revenue can be measured reliably. Revenue relating to Council Tax and general rates, is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates. 	<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. 	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include [examples only]: <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>Our comments on the valuation of the pension fund liability and the valuation of PPE are included in the previous slides covering significant risks.</p> <p>We have no other matters to report.</p>	 Green



Assessment

● Marginal accounting policy which could potentially attract attention from regulators
© 2017 Grant Thornton UK LLP | Audit Findings Report for Swindon Borough Council | 2016/17

● 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 Director of Finance, as s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	 Green
Other accounting policies	The 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

● 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 other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> We draw your attention to the draft Letter of Representation included as agenda item . A standard letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit Committee papers
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the Council's bankers and counter parties holding investments from Swindon BC. This permission was granted and the requests were sent. We are awaiting three responses.
6.	Disclosures	<ul style="list-style-type: none"> Our review found a number of omissions in the financial statements which are detailed later in the section of our Audit Findings Report.

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	<ul style="list-style-type: none"> 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. As the Council exceeds the specified group reporting threshold of £350m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. There is currently a national problem locking the data collection tool the NAO required to be submitted. The work is scheduled to be completed before the Audit Committee meeting in September.
9.	Audit evidence and explanations	<ul style="list-style-type: none"> All information and explanations requested from management was provided.
10.	Significant difficulties	<ul style="list-style-type: none"> We did not encounter any significant difficulties during the audit. We note the deadline for completing the accounts, auditing them and Committee approval is coming forward next year to July 31st.
11.	Other matters	<ul style="list-style-type: none"> There are no other matters we need to report to you.

Internal controls

	Assessment	Issue and risk	Recommendations
1.	 Amber	<p>IT controls: Segregation of Duties</p> <p>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.</p> <p>We performed a review of the access rights, known as responsibilities, assigned to users within Oracle E-Business Suite. Some action was taken following our 2015/16 review and recently following our 2016/17 review further progress has been made, specifically that the number of users who can override segregation of duties has reduced. The following high-risk segregation of duties conflicts still remain</p> <ul style="list-style-type: none"> • staff who can enter an invoice and change the Masterfile, 5 staff, (78 last year) • staff who can record receipt of income and access the bank reconciliation system 2 staff (5 last year) <p>Management has responded to our detailed report and this will be followed up by Internal Audit.</p>	<ul style="list-style-type: none"> • Access rights be restricted to prevent override of segregation of duties
2.	 Amber	<p>IT controls: administrator access</p> <ul style="list-style-type: none"> • we noted the continued use of generic accounts, which provide administrators with additional access for system maintenance. Best practice is that such accounts should not have additional responsibilities allocated to them, as this could enable a user to perform end to end transactions overriding the division of duties. <p>Management has responded to our detailed report and this will be followed up by Internal Audit.</p>	<ul style="list-style-type: none"> • Responsibilities' relating to business process should not be assigned to the system administrators.

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.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	X	<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"> No action has been taken. We have extended our review to take account of this weakness.
2.	✓	<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"> All new staff sign contracts electronically. We have agreed that for older contracts we will rely on confirming NI numbers and reviewing information on employee files.
3.	X	<p>IT controls: segregation of duties</p> <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"> We have raised similar issues this year, see previous slide.
4.	X	<p>IT controls: administrator access</p> <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"> We identified similar issues this 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
1	Creditors included £7.2m net of timing differences relating to payments through the bank Creditors have reduced by £7.2m with a corresponding adjustment to the cash balance on the Balance Sheet	Nil	7,200 (7,200)	Nil
2	Provision for debtor impairment When testing the provisions we noted an element of £0.761m, could not be supported. It is historical in nature and it has been written back to reserves.	0.761	0.761	

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	1,300	Capital Adjustment Account	A number of amendments were required due to incorrect disposal and depreciation write-back figures being included in respect of the sale of Thamesdown Transport Limited. The net overall affect on the account was £1.3m.
2 Disclosure	5,000	Narrative Report	A number of amendments were made to the Narrative Report to ensure consistency with the rest of the accounts. The largest one was to change the movement on the pension liability from £19m to £14m.
3 Disclosure	1,398	Note explaining fair value of loans	The note originally incorrectly omitted £1.398m of loans and receivables.
4 Disclosure	1,800	Note 10 Grant Income	Grant Revenue Credited to Services: shown in Note 10 is overstated by £1.8m because it includes revenue that wasn't actually grant revenue.
5 Disclosure	16,030	Note 27 to the cash flow statement	Interest received was changed by £2.708m to £2.812m and interest paid was changed by £13.322m to £16.497m. Amendments were also done to the cash flow to correctly record adjustments for non cash movements including impairment and write-back back of depreciation.
6 Disclosure	1,278	Expenditure and Funding Analysis	The amount disclosed for net expenditure on the service heading resources was incorrect and changed to agree to the Outturn report submitted to Cabinet with compensating adjustments to other headings. The Expenditure and Funding Analysis was included in the Notes to the Accounts as it is not considered a main statement.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

Background

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

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

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

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

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

Risk assessment

We carried out an initial risk assessment in March 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 16 March 2017.

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

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

Significant qualitative aspects

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

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

- The overall arrangements the Council has in place for developing plans
- Arrangements in place in the year of audit, 2016/17

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

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 identified when planning the audit	Work to address	Findings and conclusions
Financial Planning The Council is currently forecasting that it will overspend its 2016/17 revenue budget by £6.5m. For 2017/18 budget savings of £7.5m have been assessed and a contingency of £4.1m has been established to cover non-delivery. There is a risk that the savings plans for both years will not be delivered as planned.	To support our work to give our conclusion on the Council's arrangements for planning finances we will review how the Council has built up its savings plans and risk assessed the prospects for delivering them.	<p>Savings are developed and monitored for each area through the Transformation Programme. The Council has recently appointed a new Programme Management Officer to coordinate arrangements. There is also a Transformation Board for each key area supported by a Head of Finance for that area. Savings and transformation plans are developed linked to the Council's key themes of growing the economy, going local and building resilience.</p> <p>When setting the 2017/18 Budget in February 2017 savings plans were risk assessed. Finance officers had detailed discussions with service managers and project leads, reviewed implementation plans and took a view at a point in time about the level of risk. This was based on relevant factors such as the likely timing of implementing IT infrastructure, when new contracts could be in place, and the take up schemes. Those savings plans where officers felt there was a higher degree of risk were highlighted in the Budget report to Members. High risk savings plans included those to make savings from; digitisation, procurement, headcount reduction and small scale housing development. A provision of £4.1m was included in the 2017/18 budget to cover this risk.</p> <p>Officers have continued to monitor risks. Current projections for 2017/18 show a projected overall year end overspend of £2.4m if the provision of £4.1m is released to cover pressures.</p> <p>Overall the Council has standardised the way savings are monitored across the Council. Savings are incorporated into the budget and monitored through budget reporting, but also there is now a standard spreadsheet showing specifically progress against savings which is monitored monthly by officers for all areas, with reporting by exception to Members.</p> <p>Overall processes support the Medium Term Financial Strategy covering the period to 2019/20 which is underpinned by an analysis of risks eg to funding and spending pressures.</p> <p>Based on our work we concluded that the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions were satisfactory.</p>

Key findings continued

Significant risk	Work to address	Findings and conclusions
Adult Social Care In common with many other councils nationally Swindon's Adult Social Care Services are under considerable pressure. It is projected currently the Service will overspend its budget by £4.6m this year. There is a risk demand cannot be managed and the service cannot be funded in the medium term.	We will review: <ul style="list-style-type: none"> - actions to contain the current overspend, - longer term actions to manage demand and to transform services. 	<p>The 2016/17 Adult Social Care budget of £60.4m was overspent by £5m. Demand pressures around Older People and Learning Disability transition cases were the main reason for the additional spend. In addition the Council only delivered savings of £3.9m against a target of £6.1m.</p> <p>The Council has a number of projects aimed at helping social care clients to increase their independence and move to lower levels of care. These are managed through the Council's Transformation Programme with Adult Social Care being one of six key areas of focus.</p> <p>As part of the 2017/18 budget setting process, officers did a detailed exercise to rebased the Adult Social Care budget. This involved looking at the costs of residential care providers. The outcome of this was to increase the Adult Social Care Budget to £70m and build this in to the medium term financial strategy. Against this it is currently projecting a small overspend of £151k related to increased demand from young people. The 2017/18 budget includes savings plans of £2.6m. All the actions to achieve these were identified. The current projection, July 2017, is that £2m of the total savings have been achieved and officers project all £2.6m will be realised.</p> <p>The Council continues to face budget pressures. Looking ahead to 2018/19 a further £2.7m of savings need to be identified.</p> <p>Based on our work we concluded that the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions were satisfactory.</p>

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Any other matters

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

Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

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

	Issue	Commentary
1.	Public interest report	<ul style="list-style-type: none">• We 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

- 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

Independence and ethics

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. The firm, its partners, senior managers, managers have complied with the Financial Reporting Council's Ethical Standard and the Auditing Practices Board Ethical Standards as applicable and 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 requirement of the Financial Reporting Council's Ethical Standard
- We have received confirmation that Deloitte's are independent in respect of the Group Companies they audit

We confirm below our final fees charged for the audit and fees for other services charged from the beginning of the financial year to the date of this report.

Fees

	Proposed fee £	Final fee £
Council audit	128,278	133,278
Grant certification Housing Benefit (HB)	13,500	TBC
Total audit fees (excluding VAT)	141,778	TBC

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA), except that additional work was done in respect of Thamesdown Transport this year. This work was to provide assurance on the transactions in the Group for 2016/17 for the Company up to the point it was sold. In previous years this assurance has been provided by the Company's own auditors. This latter fee is subject to approval by Public Sector Audit Appointments.

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'.

Our final fee for HB work will be confirmed on completion of the work in November and will be subject to sign off by PSAA.

Fees for other services

Service	Fees £
Audit related services:	
• Teacher's Pension Agency Reporting Accountant's return	4,200
• Pooled capital receipts return	2,200
• Homes and Communities Agency Return	2,500
Non-audit services	0

Independence and other services

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks

	Service provided to	Fees	Threat identified	Safeguards
Council audit	Swindon Borough Council	133, 278	• None	N/A
Housing benefit grant certification	Swindon Borough Council	13,500	• None	N/A
Audit related services	Swindon Borough Council	8,900	• None	N/A

- None of the above services were provided on a contingent fee basis.
- For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Swindon BC. The table summarises all non-audit services which were identified.
- The fees reconcile to the financial statements.

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

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.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, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
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

A. Action Plan

B. Audit Opinion

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	Accounts close We note the deadline for completing the accounts, auditing them and Committee approval is coming forward next year to July 31 st . For the current year it is 30 September. The Council needs to ensure processes for preparing the accounts, producing working papers and responding to audit queries continue to be reviewed such that the Council can meet the revised Statutory timetable.	Red	The draft accounts for 2016/17 were produced and signed in line with the earlier deadline of 31 May, a year ahead of the statutory requirement to do so. We will work with the Council's auditors to identify how the audit process can be streamlined, including greater use of the interim audit period and working paper improvements, to ensure that the 31 July deadline can be met.	July 2018 Director of Finance
2	PPE uplift The adjustments made to uplift assets from the valuation date to the balance sheet date should be reversed out next year to maintain the integrity of the underlying asset valuations. Arrangements should ensure there are robust controls over when everything was last valued.	Amber	The process will be reviewed in 2017/18 to ensure ongoing consistency of treatment, for both original entries and reversals, and for both in-year and prior year asset adjustments.	December 2017 Finance Manager
3	PPE Valuations Valuations should be done at 31 December in future years.	Red	Agreed.	March 2018 Head of Property Assets
2	IT controls <ul style="list-style-type: none"> Access rights be restricted to prevent override of segregation of duties Responsibilities' relating to business process should not be assigned to the system administrators. 	Amber	Access rights have been removed where possible and officers have ensured reconciliations are in place to address remaining risks. The oracle team now perform a cash reconciliation as well as the finance team. Capita have advised the Council it is not possible to completely remove system administrators access to business process. The Council is planning to test this further and has introduced controls to put 'end dates' on user access so that such access can be monitored.	On-going

Controls

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

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
	Journals All journals above £1.6m should be authorised in line with Council Policy.	Red	An updated policy is being implemented during 2017/18 that will make better use of the Financial System to record and document segregation of journal creation and authorising/posting. Journals posted prior to new policy implementation will be subject to separate review of authorisation confirmations.	October 2017 Finance Manager

Controls

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

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 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement 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 2016/17.

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 Authority's 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.

Note: For local authorities the presentation of group financial statements is that group financial statements follow in their entirety after authority financial statements.

Guidance: Delete if no HRA statement

Guidance: The CIPFA Code makes it clear that the new EFA is a note to the financial statements, so please ensure it is clearly labelled as a note to the accounts in the financial statements or it will not be covered by the audit opinion.

Guidance: The primary statements are shown in the CIPFA Code in paragraph 3.4.2.17. The Expenditure and Funding Analysis note is new in 2016-17 and if shown separately other than in the notes should be labelled as a note in the heading.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, the Group Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any Guidance: ensure the title you use here is in line with that used in the statement of responsibilities within the accounts

Guidance: ensure you consistently use a capital or lower case g for group throughout the report and that this is consistent with the terminology used by the client in the accounts. For illustration purposes we have opted for upper case in this template 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 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 Group Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the 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: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**Respective responsibilities of the Authority and auditor**

The Authority is responsible for putting in place proper arrangements for securing 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 for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. 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 for securing economy, efficiency and effectiveness in its use of 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 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

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

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

September 2017



© 2017 Grant Thornton UK LLP. All rights served.

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

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

grant-thornton.co.uk