



# The Audit Findings for Cannock Chase District Council

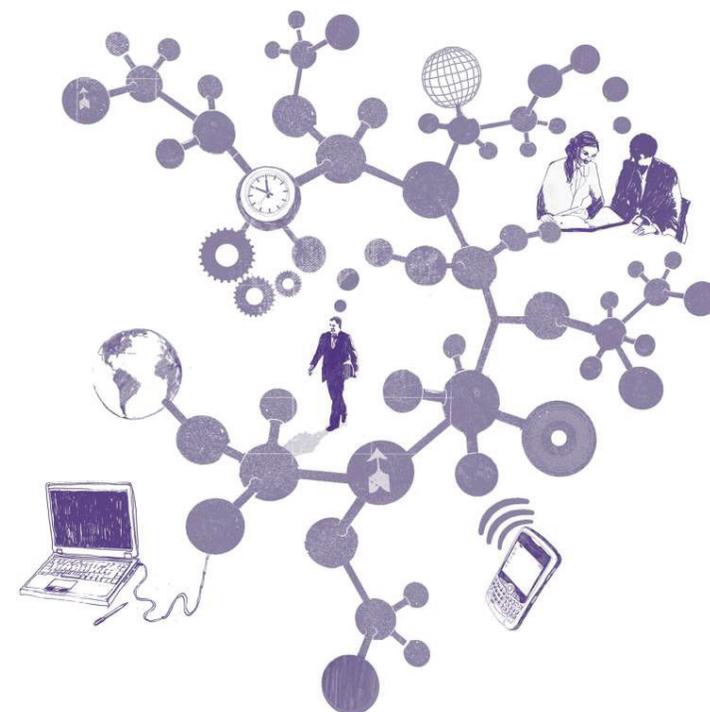
**Year ended 31 March 2017**

19 September 2017

**Richard Percival**  
Engagement Lead  
T 0121 232 5434  
E [Richard.d.Percival@uk.gt.com](mailto:Richard.d.Percival@uk.gt.com)

**Jim McLarnon**  
Manager  
T 0121 232 5219  
E [James.a.mclarnon@uk.gt.com](mailto:James.a.mclarnon@uk.gt.com)

**Michael Butler**  
Audit in-charge  
T 0121 232 5250  
E [Michael.d.butler@uk.gt.com](mailto:Michael.d.butler@uk.gt.com)





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Cannock Chase District Council  
Civic Centre  
Beecroft Road, Cannock  
WS11 1 BG

Grant Thornton UK LLP  
The Colmore Building  
Colmore Circus Queensway  
Birmingham  
B4 6AT  
T +44 (0)121 212 4000  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

19 September 2017

Dear Members of the Audit and Governance Committee

**Audit Findings for Cannock Chase District 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 Cannock Chase District Council, the Audit and Governance 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 management.

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,

Richard Percival

Engagement Lead

**Chartered Accountants**

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## **Section 1:** Executive summary

**01. Executive summary**

**02. Audit findings**

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

**05. Communication of audit matters**

## Purpose of this report

This report highlights the key issues affecting the results of Cannock Chase District Council ('the Council') and the preparation of the 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 Council 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 21 March 2017.

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

- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- completion of the Whole of Government Accounts Assurance Statement

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 not identified any adjustments affecting the Council's reported financial position. The draft financial statements for the year ended 31 March 2017 recorded net expenditure of £8,854k which remains unchanged. The adjustments we recommended as a result of our audit are included in the final version of the financial statements. We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

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

- The accounts were prepared by the end of May which will be the statutory deadline for 2017/18.
- The quality of the draft financial statements was good and the finance team supported the audit process well.
- The quality of working papers provided were strong which created efficiencies throughout the audit.

Overall we think that the Council is responding effectively to the challenge of earlier closedown and is well placed to meet the revised statutory deadline.

There were some issues that we bring to your attention in this report. These include:

- The prior period adjustment disclosures in note 53 do not comply fully with the with the CIPFA Code of Practice on Local Authority Accounting
- The housing stock valuation was not supported by an appropriately certified report by the valuer
- Consideration of asset estimation uncertainty in property plant and equipment that was not revalued in year was not sufficient
- The earmarked General Fund Business Rate Reserve was misstated in the draft accounts.

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

### Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the 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 draw your attention in particular to control issues identified in relation to the Council's IT systems, which relate to weaknesses in access controls and the lack of an up to date IT security policy.

Further details are provided within section two of this report.

**Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

**Other statutory powers and duties**

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

**Grant certification**

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

**Post audit actions**

The 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 with the Deputy Managing Director.

Our recommendations are set out in the action plan at Appendix A. These include management responses and implementation dates.

**Acknowledgement**

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

**Grant Thornton UK LLP**  
**September 2017**

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## **Section 2:** *Audit findings*

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

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# 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 £1,291k (being 1.8% 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 £64,550. This remains the same as reported in our audit plan.

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

Balance/transaction/disclosure	Explanation	Materiality level
Senior officers remuneration	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000 (Individual mis-statements will be assessed individually, with due regard given to the nature of the error and its potential impact on the materiality of the other party).

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><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Cannock Chase District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Cannock Chase District Council, mean that all forms of fraud are seen as unacceptable</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• reviewed the control environment for preparation and authorisation of journal entries</li> <li>• reviewed journal entry processes and selected unusual journal entries for testing back to supporting documentation</li> <li>• reviewed accounting estimates, judgements and decisions made by management</li> <li>• reviewed unusual significant transactions.</li> </ul>	<p>It was established from review of our sample of entries selected for testing that a total of 1 journal out of 53 tested was not appropriately authorised. While we have gained assurance that the accounting treatment and purpose of the entry in question was appropriate, on this occasion the controls in place have not been implemented effectively.</p> <p>Our audit work has not identified any evidence of management over-ride of controls. In particular the testing of journal controls and testing of journal entries has not identified any significant issues.</p>
<p><b>Going Concern</b></p> <p>The Council is facing significant financial challenges and forecast a significant deficit position for 2016/17.</p> <p>This raises doubts over the completeness and adequacy of the going concern disclosures in the accounts, particularly in relation to material uncertainty.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• reviewed management's assessment of going concern assumptions and supporting information, e.g. 2017/18 and 2018/19 budgets and cash flow forecasts and associated sensitivity analysis</li> <li>• considered the need for disclosures on material uncertainties in the financial statements.</li> </ul>	<p>We have concluded that management's assessment of going concern assumptions is reasonable.</p> <p>Our audit work has not identified any material uncertainties in respect of going concern disclosures.</p>

## Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a highly significant estimate in the financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated, assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement</li> <li>reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation</li> <li>gained an understanding of the basis on which the IAS 19 valuation was carried out and undertook procedures to confirm the reasonableness of the actuarial assumptions made</li> <li>reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work has not identified any issues in respect of the valuation of the Council's pension fund net liability.</p>
<p><b>Changes to the presentation of local authority financial statements</b></p> <p>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"> <li>documented and evaluated the process for the recording of the required financial reporting changes to the 2016/17 financial statements.</li> <li>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.</li> <li>reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS).</li> <li>tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES.</li> <li>tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger.</li> <li>tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements.</li> <li>reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	<p>The draft financial statements did not include a prior period adjustment note to explain the changes to the analysis of 2015/16 income and expenditure in the CIES. Note 53 now provides an overall explanation for the change in disclosure. This note does not fully comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting, as it does not quantify the impact on each line of the CIES.</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 other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Employee remuneration</b>	<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>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>tested the reconciliation between the payroll system and the general ledger</li> <li>completed payroll trend analysis comparing costs to the prior period and movements in year</li> <li>performed detailed testing of individuals monthly payroll costs</li> </ul>	<p>Our audit work has not identified any issues.</p>
<b>Operating expenses</b>	<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>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>performed testing of payments made after the year end to ensure that liabilities have been recorded in the correct period</li> <li>undertaken sample testing of operating expenditure transactions to source documentation to ensure the appropriate accounting treatment</li> </ul>	<p>At the audit planning stage, we identified an issue regarding a Business Levy payment. An amount of £564k was incorrectly paid to Staffordshire County Council by the Council which was due from Stafford Borough Council.</p> <p>Further testing was undertaken to ensure the amount had been correctly accounted for as at 31 March 2017 and to understand the processes that have been put in place subsequently to prevent any similar errors occurring.</p> <p>We are satisfied that the Council have appropriately addressed this issue and that controls in place are functioning effectively. Our audit work has not identified any further matters.</p>

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Property, plant and equipment</b>	<p>The Council are required to ensure that the carrying amount of assets held are not materially different to their fair value at the balance sheet date</p> <p>We identified revaluation of land and buildings in the financial statements as a risk requiring particular audit attention</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• carried out substantive testing of assets revalued during the financial period to ensure the appropriate accounting treatment</li> <li>• reviewed the methodology applied to the revaluation of Council dwellings and compared this to national index information</li> <li>• performed a review of assets not revalued during the year to ensure that they are not being carried on the balance sheet at an amount materially different to fair value</li> </ul>	<p>We found that that:</p> <ul style="list-style-type: none"> <li>• the valuation of Rugeley Leisure Centre is overstated in the accounts by £508k due to an arithmetic error in the valuation report.</li> <li>• there had not been an adequate consideration of the potential estimation uncertainty in the carrying value of assets not revalued. Further work was carried out by the Council and the external valuer which concluded that there was a potential understatement of £1,513k</li> <li>• The housing stock valuation is not supported by a formal valuer's report summarising the instructions given to the valuer, how potential conflicts of interest have been dealt with, the guidance applied in carrying out the valuation (and any departures from it), the basis of valuation and in particular how the beacon principle has been applied, any other matters that may impact on the valuation (particularly consideration of vacant possession). No signed and dated certification is provided by the valuer.</li> </ul>

"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)

## 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).

The Council had previously identified as part of the 2016/17 budget process that it faced an ongoing deficit of approximately £1.6 million, which potentially increases to £2.3 million if the opening of the Mill Green retail park is delayed. In light of this we reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that this is appropriate in 2016/17.

The primary grounds for this are the financial recovery plan and medium term financial strategy. The Council's options for saving per the financial recovery plan were set out under eight categories for consultation. At the meeting of the Cabinet on 15 December 2016 following the period of the consultation an extensive range of options were approved. These were supplemented by new recommendations made by Members, the public, employees and other stakeholders. These were incorporated in to the base budget for 2017/18 to 2019/20. Some options scored very low on the savings assessment metrics and were therefore withdrawn from the process by the Council.

We have assessed the assumptions made around the savings options proposed and the implementation of these savings, along with the use of working balances (to a level that is still above the lowest threshold of reserves). These will enable the Council to deliver a balanced budget in 2016/17, 2017/18 and 2018/19.

We will continue to monitor the financial position of the Council and how this impacts on the going concern assumption in the future.

## Significant matters discussed with management

	Significant matter	Commentary
1.	Programme for revaluation of property, plant and equipment and assets not revalued in the period.	<p>We discussed the potential misstatement of asset values not revalued.</p> <p>Following our challenge management estimated that values are understated by up to £1,005k, including the impact of the £508k overstatement of Rugeley Leisure Centre. They concluded that this understatement is not material to the Council's accounts.</p> <p>We concluded that this was not a material issue for the audit of the accounts.</p>
2.	Inclusion of a prior period adjustment disclosure in compliance with the CIPFA Code of Practice	<p>We discussed the omission of a prior period adjustment relating to the restatement of 2015/16 income and expenditure.</p> <p>Management agreed to include a prior period adjustment note (note 53). It was decided that the work involved in disaggregating the original 2015/16 income and expenditure figures and re-analysing them in the note was disproportionate to the benefit this provided to the reader of the accounts.</p> <p>We concluded that this was a reasonable approach, although have noted that it means that the requirement of the CIPFA Code on Local Authority Accounting has not been fully complied with.</p>
3.	Business Rates earmarked reserve negative balance.	<p>We discussed the inclusion of a debit balance of £1,783k on the Business Rate Reserve.</p> <p>Following our raising this issue management found that the balance had been misstated due to error. The purpose of this non-statutory reserve is to reflect the impact of the timing differences on the Council's share of collection fund business rate surpluses and deficits. The carrying balance should have been £446k credit and has been adjusted in the revised version of the financial statements.</p> <p>We concluded that this adjustment was appropriate to amend the error identified by management.</p>
4.	Housing Revenue Account – former tenant arrears	<p>During the course of our audit we noted that former tenant arrears total £1,025k for which a provision of £0.974 million exists. Our discussions with management confirmed that Council Policy is not to write off debt until all potential collection methods have been exhausted however there is a significant proportion of this debt £0.409 million which is highly unlikely to be collectable due to the debt being 6 years old or greater. A large proportion of this debt has been brought forward from the previous Housing System (Navision) and will create a bottleneck in the Management Information system.</p> <p>We concluded that there is a need for management to critically review this balance and undertake housekeeping by writing off old debt that is highly unlikely to be collectable and focusing attention on current and collectable arrears.</p>

# 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
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Revenue and capital transactions are accounted for on an accruals basis where above the de-minimus thresholds</li> <li>Government grants and other contributions are recognised where reasonable assurance has been gained that the Council will comply with relevant terms and conditions and it is likely the amounts will be received</li> <li>Income receivable from the sale of good and rendering of services is recognised in line with the relevant conditions</li> <li>Collection fund income is recognised on an accruals basis</li> </ul>	<ul style="list-style-type: none"> <li>The accounting policies are appropriate under relevant accounting framework i.e. CIPFA Code of Practice</li> <li>The accounting policy for revenue recognition has been adequately disclosed in the notes to the accounts</li> <li>The accounting policies adopted are consistent when benchmarked against other similar Local Government bodies</li> </ul>	 Green
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements in the accounts included:               <ul style="list-style-type: none"> <li>Pensions liability</li> <li>Provision for business appeals</li> <li>Bad Debts</li> </ul> </li> </ul>	We discussed the significance of these items, both in terms of value and the extent of judgement and disclosure. We are satisfied with what has been disclosed in relation to critical judgements and significant estimates.	 Green
<b>Going concern</b>	The s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. The Council continues 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

## 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.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation request(s) to various banking providers, other financial institutions with whom an investment deposit is held and various lenders. This permission was granted and the requests were sent. We have received responses to all the request issued.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas</li> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold and thus we simply complete a return and send it to the NAO.</p>

# Internal controls

	Assessment	Issue and risk	Recommendations
1.		<p><b>Use of generic system administrator account in Open Revenues</b></p> <p>This condition poses the following risk to the organisation:</p> <p>Generic accounts violate the principle of accountability, where all actions performed in a system can be linked to a named individual</p>	<p>The access rights of those users who perform the reporting functions should be reviewed to enable them to perform these tasks under their own named accounts.</p> <p><b>Management Response:</b> We understand the concern raised, however due to the number of users who could run controls within Open Revenues and the need for these controls to be accessed easily by a number of users – the report user is an acceptable way of achieving this. The report user is not used for reports or system jobs which in anyway update Open Revenues and access to it is limited to two users within the Systems and Control team.</p>
2.		<p><b>Security administration rights granted to those performing financial reporting processes or controls</b></p> <p>This condition poses the following risks to the organisation:</p> <p>Bypass of system-enforced internal control mechanisms through inappropriate use of administrative functionality by making unauthorised changes to system configuration parameters, creation of unauthorised accounts, making unauthorised updates to their own account's privileges, or deletion of audit logs or disabling logging mechanisms.</p>	<p>The responsibility of administering security within Consilium Total should be transferred to IT system administrators who do not perform financial reporting processes or controls.</p> <p>All security administration rights within Sun Systems granted to personnel performing financial reporting processes and controls should be revoked.</p> <p>Alternatively, management should implement a formal / documented monitoring process designed to detect misuse of administrative functionality by personnel responsible for performing financial reporting processes or controls.</p> <p><b>Management Response:</b> Responsibility for user administration with the exception of unlocking and changing passwords will be mainly restricted to the systems team. It is our intention to create audit reports of changes to user roles and responsibilities in order to provide additional reassurance.</p>

**Assessment**  
 Significant deficiency – risk of significant misstatement  
 Deficiency – risk of inconsequential misstatement

"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 (continued)

	Assessment	Issue and risk	Recommendations
3.		<p><b>Absence of an up to date IT security policy</b></p> <p>This condition poses the following risk to the organisation:</p> <p>Without a comprehensive IT Security Policy in place which has been approved by senior management there is a risk that a culture of information security awareness will not be effectively embedded within the Council.</p>	<p>A revised IT Security Policy should be finalised and approved by the relevant management body within the Council.</p> <p>The roll-out of the new policy should be supported by appropriate processes to ensure that staff are aware of both the contents of the Policy and their obligations which are contained within it.</p> <p><b>Management Response:</b> Addendum issued to IT security policy</p>
4.		<p><b>Weak logical access control within Consilium Total</b></p> <p>The password parameters for Consilium Total require users to create a password with at least six characters. This is below the recommended minimum length of eight characters.</p> <p>This condition poses the following risks to the organisation:</p> <p>Compromise of user accounts through password guessing or cracking; and/or Misuse of Consilium Total system accounts leading to loss of accountability of actions performed</p>	<p>Minimum length of passwords within Consilium Total should be changed to eight or higher characters.</p> <p>This requirement should also be documented in the appropriate policies and distributed to all staff.</p> <p><b>Management response:</b> The password length has now been increased to eight characters with a mixture of upper and lower case with effect from March 2017.</p>

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

### Assessment

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

## Adjusted misstatements

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 Misstatement of General Fund Earmarked Business Rate Reserve.			
Usable Reserves – Earmarked General Fund Reserves			
Unusable Reserves - Collection Fund Adjustment Account	Nil	2,229 Cr	Nil
	Nil	2,229 Dr	Nil
This restatement also impacts on the Movement in Reserves Statement, restating the General Fund Balance, Earmarked General Fund Reserves and Unusable Reserves columns. There is no net impact on General Fund Balances.			

## Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. It should be noted that adjustment 2 is only a potential adjustment based on estimates and as such no actual figure currently exists. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1 Overstatement of Property, Plant and Equipment – Other Land and Buildings due to incorrect casting of external valuer information.	508	(508)	Due to a robust review undertaken of the local authorities revaluation process (in its entirety) with regards to material uncertainty the Council have decided not to adjust and will incorporate this asset (which is individually significant) in to its revaluation process in 2017/18.
2 Understatement of Property, Plant and Equipment – Other Land and Buildings due to impact of change in values on assets not revalued	(1,513)	1,513	Due to a robust review undertaken of the local authorities revaluation process (in its entirety) with regards to material uncertainty the Council have decided not to adjust.
<b>Overall impact</b>	<b>£1,005</b>	<b>(£1,005)</b>	

We have also identified an extrapolated error of £204k in relation to the overpayment of housing benefits expenditure. This estimate is based on a small sample of the population tested and is indicative only. The overpayments identified by our testing are not recoverable from the Department for Work and Pensions (DWP).

## 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	-	Narrative Report	A number of changes have been made to the expenditure and income graphs included within the narrative report. These have been updated to ensure consistency with the expenditure funding analysis and restated figures accordingly.
2 Disclosure	-£832 -£476	Note 19 – Financial Instruments Financial assets carried at contract amounts Financial liabilities carried at contract amounts	Restated to eliminate statutory debt that should not be included in these items. Prior year comparatives have also been adjusted. Financial assets carried at contract amounts were £2,250k (2015/16 £3,089k) and have been restated as £1,688k (2015/16 £1,938k). Financial liabilities carried at contract amounts were £4,080k (2015/16 £3,812k) and have been restated as £3,604k (2015/16 £3,315k).
3 Disclosure	+£22	Note 40 – Leases	Minimum lease payments in 2016/17 were misstated at £227k and have been changed to £249k.
4 Disclosure	-	Note 35 and 42 - Termination Benefits and Exit Packages - Cannock	It was established that £15k of redundancy related costs had been omitted from the disclosure and therefore amended from £263k to £283k accordingly
5 Disclosure	-	-	A number of minor presentational amendments including grammatical and typing errors have been made to the narrative report, accounting policies, financial statements and notes to the accounts.

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

## Background

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

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

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 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 January 2017 and identified a significant risk 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 21 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 risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- How the Council had reacted in light to significant changes in its financial landscape and in particular the closure of Rugeley Power Station
- The decision making process and communication of the financial recovery plan and the impact of this on other key outputs such as the medium term financial plan and annual budget
- Overall arrangements in place at the Council to oversee the organisation through a prolonged period of challenge

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work on page 26.

### **Overall conclusion**

Based on the work we performed to address the significant risk, 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.

### **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.

**Key findings**

We set out below our key findings against the significant risk we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Financial Sustainability</b> The Council is facing some significant financial challenges over the short to medium term and a great deal of uncertainty exists in relation to future income and funding streams.</p> <p>As such, the Council implemented a financial recovery plan which was approved by Cabinet on 22 September 2016</p>	<p>We reviewed the Council’s arrangements in place for identifying, agreeing and monitoring its financial recovery plan and savings plans, as well as the way in which key findings are communicated to the Cabinet and the Audit and Governance Committee. As part of this, we obtained and reviewed the Council’s medium term financial plan and considered whether the assumptions embedded within the plan are reasonable and achievable.</p> <p>We also assessed the Council’s arrangements for making informed decisions by reviewing the governance arrangements that are currently in place.</p>	<p>The Council is clearly dealing with a major financial challenge resulting from the loss of business rate income from Rugeley Power Station. Although the closure of the power station was anticipated, the early timing of this was not. Our review of the Financial Recovery Plan (FRP) process found that the Council is responding effectively to this challenge, including ensuring public engagement in the savings planning process.</p> <p>We found that the Council followed a reasonable protocol in the communication and implementation of the FRP. This included:</p> <ul style="list-style-type: none"> <li>• Ensuring that Cabinet was kept informed throughout 2016 and taking detailed papers to each meeting for members to consider</li> <li>• Liaising with central government to seek transitional funding to mitigate the impact of the power station closure, although the Council was subsequently informed no transitional funding was available</li> <li>• Consultation with the public and other stakeholders on the proposals included in the FRP.</li> </ul> <p>We reviewed the assumptions underlying the FRP and Medium Term Financial Plan (MTFP) and concluded that the Council has reasonable measures in place to deliver a balanced budget and financial sustainability until 2019/20. This requires the delivery of savings totalling £1.588 million and the use of £1.260 million revenue balances.</p> <p>The governance arrangements for the Council’s financial planning are consistent with our expectations for a district council. In practice, we are satisfied that these arrangements operate effectively which is also the view of the Local Government Association Peer Review completed in September 2016.</p>

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

01. Executive summary

02. Audit findings

03. Value for Money

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

05. Communication of audit matters

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

### Fees

	Proposed fee £	Final fee £
Council audit	52,109	52,109
Grant certification	7,740	TBC
<b>Total audit fees (excluding VAT)</b>	<b>59,849</b>	<b>TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

### 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'.

### 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 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.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified.

### Fees for other services

Service	Fees £
Audit certification – Pooling of Housing Capital Receipts (indicative fee)	2,500

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## Section 5: Communication of audit matters

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters**

# Communication to those charged with governance

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.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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

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

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

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, 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	✓	✓

# Appendices

**A. Action Plan**

**B. Audit Opinion**

# A. Action plan

## Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	<b>PPE valuations, accuracy</b> – ensure adequate checking is completed on the arithmetic accuracy of valuation reports	Red	Agreed.	Immediately – Capital Accountant
2	<b>PPE valuations, completeness</b> – ensure that the potential impact of changes in values is considered for the carrying value of assets not revalued and restate their values if material.	Red	Revised asset valuation plan to be implemented, balancing the cost of asset valuation with potential misstatements of carrying values.	November 2017 – Capital Accountant
3	<b>Journal authorisation</b> – ensure that all journals are appropriately authorised.	Amber	Agreed	Immediately – Chief Accountant
4	<b>Housing Stock valuation</b> – ensure that the Housing Stock valuation is supported by a certified valuer's report providing details on relevant matters including summarising the instructions given to the valuer, how potential conflicts of interest have been dealt with, the guidance applied in carrying out the valuation (and any departures from it), the basis of valuation and in particular how the beacon principle has been applied, any other matters that may impact on the valuation (particularly consideration of vacant possession).	Amber	The procedure for Housing Stock Valuation to be reviewed by the Head of Housing, Head of Economic Development and Chief Accountant.	November 2017 – Head of Finance
5	<b>Internal control, IT issues</b> – ensure that the agreed actions are implemented to mitigate the internal control risks identified relating to IT.	Amber	Agreed – see responses as contained on pages 18 and 19 RE Internal Controls.	See above – Head of Finance
6	<b>Housing debt, former tenant arrears</b> – critically review former tenant areas and write-off balances against the bad debt provision that are highly unlikely to be collectable.	Green	Agreed – housekeeping and data cleansing to be undertaken as a priority.	October 2017 – Head of Housing

### Controls

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

## B: Audit opinion

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

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANNOCK CHASE DISTRICT COUNCIL**

We have audited the financial statements of Cannock Chase District 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 Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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.

#### **Respective responsibilities of the Deputy Managing Director and auditor**

As explained more fully in the Statement of Responsibilities, the Deputy Managing Director 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's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Managing Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion: the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its 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, 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.

Signature

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

The Colmore Building  
20 Colmore Circus  
Birmingham  
B4 6AT



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