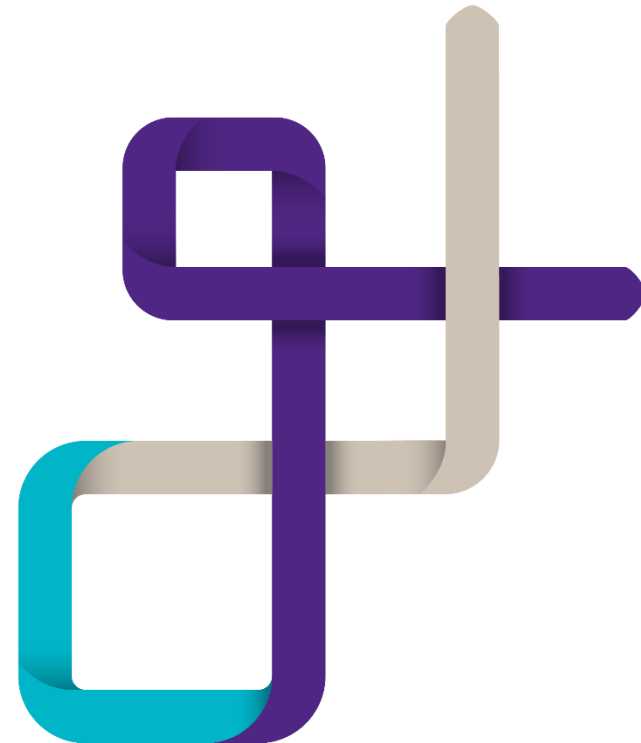


Audit Findings

Year ending 31 March 2018

Gravesham Council
June 2018



Contents



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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 for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key issues arising from the statutory audit of Gravesham Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June. Our findings are summarised on pages 5 to 10. We have not identified any significant adjustments to the financial statements. Several minor adjustments were noted and actioned by the council. One extrapolated error was not adjusted – however this is of insignificant value. Audit adjustments are detailed in Appendix A.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2018, as detailed in Appendix C. These outstanding items include:</p> <ul style="list-style-type: none">- Completion of Welfare benefit module testing- responses to planning review of the draft statement of accounts;- Internal quality control reviews;- Whole of Government Accounts work;- Review of the final financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded Gravesham Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 5 to 10.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">report to you if we have applied any of the additional powers and duties ascribed to us under the Act; andcertify the closure of the audit	<p>We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with the Audit Committee.

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

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- Full scope audit of all the council by the group engagement team
- An evaluation of the Council's internal controls environment including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2018, as detailed in Appendix C.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We have determined materiality (the financial statements materiality determined at the planning stage of the audit) to be 2% of your prior year gross expenditure excluding the impact of HRA revaluations. We design our procedures to detect errors in specific accounts at a lower level of precision. We consider Cash to be material by nature and so cash and cash equivalent balances will be subject to a materiality level of £500k.

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- 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 Gravesham Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Gravesham Council.

2

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

- Our audit work included, but was not restricted to:
 - gaining an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness ;
 - obtaining a full listing of journal entries, identifying and testing unusual journal entries for appropriateness; and
 - evaluating the rationale for any changes in accounting policies or significant unusual transactions.

Findings

Our audit work has not identified any issues in respect of management override of controls at this stage of our testing.

Significant audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of property, plant and equipment

The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

Auditor commentary

We have:

- Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- Considered the competence, expertise and objectivity of any management experts used;
- Discussed with the valuer the basis on which the valuation is carried out and challenge of the key assumptions;
- Reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding;
- Tested revaluations made during the year to ensure they are input correctly into the Council's asset register.
- 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.

Findings

We have identified a £144k difference between the accounts and the valuation documents for Heritage Assets. We agree these values to insurance schedules which have recently been renegotiated. This has resulted in the new, £144k higher, valuation being included in the accounts, however the insurance schedule from the provider is not available for us to verify this. This will remain unadjusted as is below the threshold for required adjustments (£1,196k).

Our audit work has not identified any other issues in respect of the valuation of property, plant and equipment at this stage of our testing.

4

Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

Auditor commentary

We have:

- Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We have assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement
- Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We have gained an understanding of the basis on which the valuation is carried out
- Undertaken procedures to confirm the reasonableness of the actuarial assumptions made.
- Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

Findings

Our audit work has not identified any issues in respect of the valuation of pension fund net liability at this stage of our testing.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

5

Employee remuneration

Payroll expenditure represents a significant percentage (20%) of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and passes through a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for payroll expenditure and evaluated the design of the associated controls;
- We have performed a substantive analytical review of payroll
- Tested the year end reconciliation of payroll expenditure recorded in the general ledger to subsidiary system.

Findings

Our audit work has not identified any other issues in respect of the completeness of payroll expenditure equipment at this stage of our testing.

6

Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage (80%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

Auditor commentary

We have undertaken the following work in relation to this risk:




- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- Unrecorded liabilities testing to assess whether transactions are recorded in the correct period.
- Tested the year end reconciliation of operating expenditure recorded in the general ledger to the subsidiary system

Findings




During our substantive sample testing for cut-off of operating expenditure we noted two errors in our sample population resulting in a cumulative error of £2,138. Extrapolated over the whole population this error shows an estimated total population error of £258k, which is in excess of our reporting threshold but below the level at which an adjustment must be made. Given that the total value is an extrapolation rather than a specific adjustment related to identifiable items, and its contextually low value, we agree that this is not to be adjusted in the accounts.

Our audit work has not identified any other issues in respect of the completeness of operating expenditure equipment at this stage of our testing.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.	<ul style="list-style-type: none"> The revenue recognition policy is in line with the CIPFA 2017/18 Accounting Code. The authority use accruals based accounting recognising revenue when 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. 	 Green
Judgements and estimates	Key estimates and judgements include: <ul style="list-style-type: none"> – Useful life of PPE – Revaluations – Impairments – Accruals – Valuation of pension fund net liability 	<ul style="list-style-type: none"> The valuation of property, plant and equipment and the valuation of pension fund net liability have been considered in detail as a significant risk. There were no issues with the appropriateness of respective policies and assumptions used in the estimate. under relevant accounting framework We did not identify any further issues in relation to any of the other areas of estimate and judgement reflected within the financial statements. 	 Green
Other critical policies		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 be open to challenge by 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	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	We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	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	A standard letter of representation has been requested from the Council.
5	Confirmation requests from third parties	We requested from management permission to send requests to banking institutions to confirm deposits or investments held. This permission was granted and the requests were sent in January 2018, all requests were returned with positive confirmation, confirming balances as at 31 st March 2018.
6	Disclosures	Our review found no material omissions in the financial statements
7	Audit evidence and explanations	All information and explanations requested from management was provided.
8	Significant difficulties	No significant difficulties noted.

Other responsibilities under the Code

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

Issue	Commentary
1 Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unqualified opinion in this respect – refer to appendix C</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of 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 other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matter.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>We have not yet completed our work on the Whole of Government Accounts.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Gravesham Council on completion of the whole of government accounts work.</p>

Value for Money

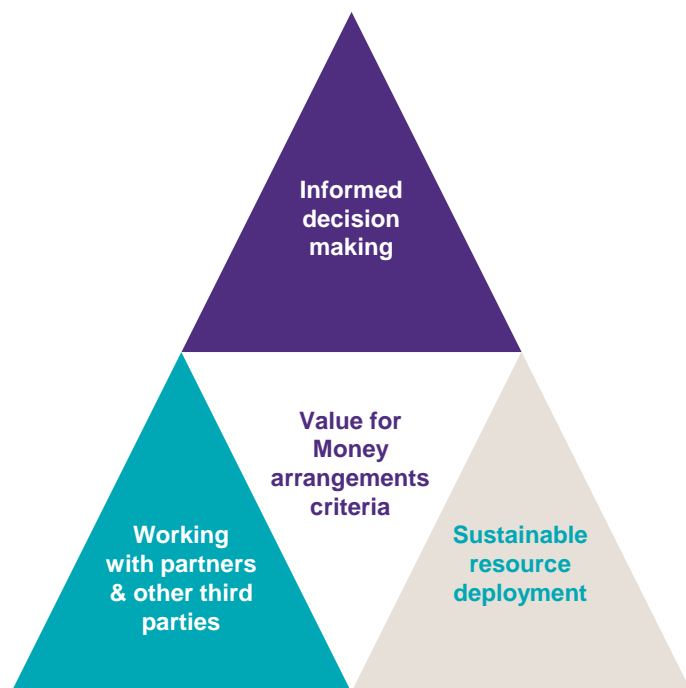
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance 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.”

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



Risk assessment

We carried out an initial risk assessment in February 2018 and did not identify any 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 February 2018.

We have continued our review of relevant documents up to the date of giving our report.

On the 27 March, Senior officers made us aware of a potential development proposal being considered by the Council. The proposal involves St George’s Shopping Centre, Western Quarter and Eastern Quarter. In respect of the St George’s Shopping Centre, the Council would retain the freehold of the development site and grant a long term lease (50 years) to the developer. Proposals for the development of Eastern Quarter and Western Quarter are still being considered. Given the long term nature of the proposal and our lack of understanding of the Council’s arrangements, we undertook some work to understand the proposals.

Key Considerations

AGN 03 requires us to disclose our views on significant qualitative aspects of your arrangements for delivering economy, efficiency and effectiveness. In arriving at our conclusion, our main considerations were:

- Over recent years the Council has managed its finances well developing a 10 year medium term financial plan to help identify and mitigate threats to its financial health. To address shortfalls in funding the Council has been undertaking a Bridging the Gap programme formed of service reviews of all its services, combined with other initiatives such as a property acquisition strategy, shared services, budget challenge and fees and charges review. The council have set a balanced budget for 2018/19, having reflected £1.9million of activity to address the budget gap identified in the Medium Term Financial Strategy prepared in 2016. The Council’s medium term financial plan has identified that further activity totalling £2million is required by 2020/21, with £1million to be delivered from furtherance of the Bridging the Gap programme. The council will be seeking to identify ways to deliver the residual £1m during 2018/19.
- You work appropriately with your partners and your strategic plans clearly identifies your commitment to supporting these partnerships.
- Your framework of governance arrangements continue to operate with the corporate risk register updated and considered appropriately. Your strategic and operational planning framework has arrangements directly linked to address the key risks from this register.

Value for Money

- We met with Senior officers in May with Grant Thornton specialists from our Real Estates team and Government and Infrastructure Team. Officers shared a briefing of the development proposals and through discussions we challenged the arrangements drawing on our knowledge of similar proposals elsewhere. We concluded based on the discussion and without the benefit of a detailed document review, that the Council has engaged appropriate specialist advice, is carrying out due diligence and has taken account of expected risks.

Overall conclusion

Based on the work we performed, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

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.

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	Findings	Conclusion
1	Management override of controls	None	
2	Valuation of property, plant and equipment	We have identified a £144k difference between the accounts and the valuation documents for Heritage Assets. We agree these values to insurance schedules which have recently been renegotiated. This has resulted in the new, £144k higher, valuation being included in the accounts, however the insurance schedule from the provider is not available for us to verify this. This will remain unadjusted as is below the threshold for required adjustments (£1,196k).	<p>Auditor view</p> <ul style="list-style-type: none"> This error has resulted to unavailability of evidence. Going forward the council should maintain up to date insurance schedules for all Heritage Assets. This error is not significant enough to warrant adjustment. <p>Management response</p> <ul style="list-style-type: none"> The council will ensure that for future statements, the insurance valuations used to prepare the accounts are those relating to the value of these assets during the year to which the statement relates, rather than the valuations to be used for renewal purposes on 30 June in the forthcoming year.
3	Valuation of pension fund net liability	None	

Independence and ethics

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	1,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,500 in comparison to the total fee for the audit of £53,294 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Housing Benefit Certification	14,526	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,526 in comparison to the total fee for the audit of £53,294 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. This fee is set by PSAA. These factors mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
N/A			

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There are no significant adjusted misstatements.

Misclassification 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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Disclosure only	Various	<ul style="list-style-type: none"> We have agreed a number of other minor disclosure changes including typos, formatting presentational adjustments. 	✓

Impact of unadjusted misstatements

No material misstatements have been identified. Throughout our testing we have identified several minor errors which have not been adjusted due to their insignificant value.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Reason for not adjusting
1 Heritage Assets		£144k	<ul style="list-style-type: none"> Non material value
2 Under Accrual of Operating Expenditure	£258k		<ul style="list-style-type: none"> Non material value Extrapolated error rather than transactionally identifiable issue, therefore unable to accurately adjust.
Overall impact	£258k	£144k	

Fees

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

Audit Fees

	Proposed fee	Final fee
Council Audit	£53,294	£53,294
Grant Certification	£14,526	£14,526
Total audit fees (excluding VAT)	£67,820	£67,820

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

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'.

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	£1,500
• Certification of Housing capital receipts grant	
	£1,500

Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GRAVEHSAM BOROUGH COUNCIL AUDIT COMMITTEE

We have audited the financial statements of the Gravesham Borough Council (the "Authority") for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund Account 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 2017/18.

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 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 2017/18, 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 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, 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 2018 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 2017/18 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 the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Audit opinion

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

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.

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 2018

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 2018

Certificate

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

[Signature]

Darren Wells
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
30 Finsbury Square
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[Date]



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