

The Audit Findings Report for North Somerset Council

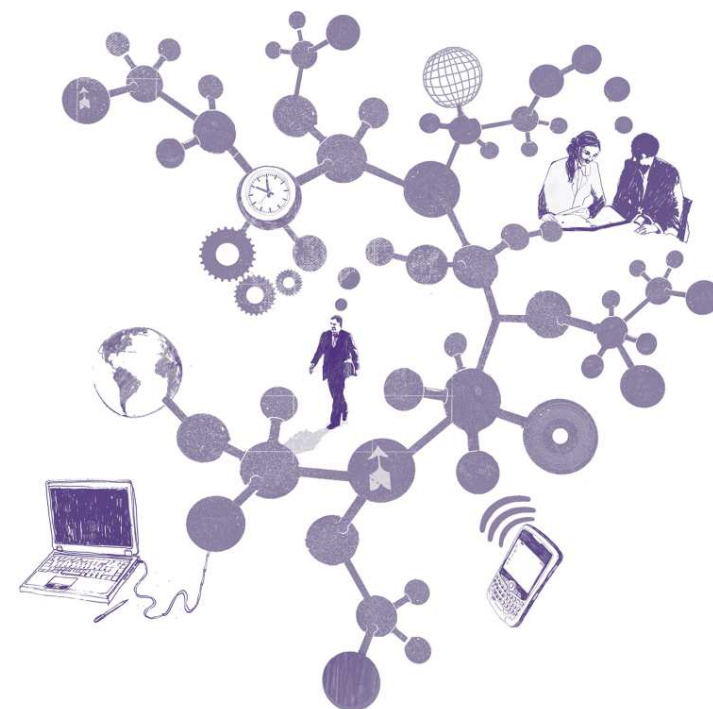
Year ended 31 March 2014

2 September 2014

Peter Barber
Associate Director
T 0117 305 7897
E peter.a.barber@uk.gt.com

Karen Beckingham
Manager
T 0117 305 7895
E karen.a.beckingham@uk.gt.com

Steve Ballard
Executive
T 0117 305 78958
E steve.j.ballard@uk.gt.com



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. 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.

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of North Somerset Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income 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 reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

We communicated our planned audit approach to you in our Audit Plan on 5 June 2014. Since this Plan was issued, we revised our planned tests on welfare expenditure. We also updated our risk assessment to remove Council Tax support cases from our list of other risks of material misstatement

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

- we have minor queries on journals, grants, other revenues, property, plant and equipment, housing benefit and operating expenditure
- pensions figure outstanding for Note 31
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion and

- agreement of audit amendments and certification of the Council's Whole of Government Accounts return.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements by 30 September 2014.

We have identified no material errors in the accounts.

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). We have identified a number of minor adjustments to improve the presentation of the financial statements. These amendments have been made by the Council.

As in previous years, the accounts and supporting working papers were of a good quality. We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Further details are set out in section 2 of this report.

Value for Money (VfM) conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we plan to give an unqualified VfM conclusion by 30 September 2014.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We have substantially completed our work on the Whole of Government Accounts return. The draft return submitted for audit did not include entries re highways infrastructure. These was subsequently corrected by management and do not affect the financial statements.

Controls

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

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

Findings

Our work has not identified any significant control weaknesses. However, scope now exists to strengthen the governance and financial control arrangements over the S256 agreement with North Somerset CCG.

Further details are provided within section 2 of this report.

The way forward

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

We have made a small number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Head of Financial Management and the finance team.

Acknowledgment

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 2014

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 5 June 2014.

We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

Since our Audit Plan was issued, we revised our planned tests on welfare expenditure. We also updated our risk assessment to remove Council Tax support cases from our list of other risks of material misstatement

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion by 30 September 2014. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • Review and testing of revenue recognition policies. • Testing of material revenue streams. • Review of unusual significant transactions. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Testing of journal entries • Review of unusual significant transactions • Review of assurances from the Audit Committee and Management in relation to fraud, law and regulations 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • reconciled the operating expenses figure in the Comprehensive Income and Expenditure Statement (and supporting notes) to the general ledger and the subsidiary accounts system • reviewed for unrecorded liabilities through, for example, review of payments made after the year end • reviewed the significant accruals to ensure calculated on a reasonable basis. 	Our audit work has not identified any significant issues.
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • reconciled the payroll figure in the Comprehensive Income and Expenditure Statement (and supporting notes) to the general ledger and payroll subsidiary system • undertaken a trend analysis of monthly payroll data, to identify and unusual variances on which additional audit procedures may be required • reviewed payroll accrual processes and substantive testing of any significant payroll creditors • reviewed pensions disclosures and agreement to underlying evidence for completeness and accuracy • reviewed senior managers remuneration, salary banding and exit packages disclosures, for completeness and accuracy. 	Our audit work has not identified any significant issues .

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
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>Revised testing approach</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • reviewed the reconciliation of benefit expenditure per the final subsidy claim to the general ledger and to the benefits system • undertaken testing of the Council's arrangements for the preparation of the subsidy claim, and a sample of benefit claims to ensure benefit entitlement has been correctly calculated, and is adequately supported by evidence. <p>Audit Plan update</p> <ul style="list-style-type: none"> • We have excluded Council Tax support cases from our list of areas we consider to be at risk of material misstatement. 	Our audit work has not identified any significant issues.
Property, plant & equipment	PPE activity not valid	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • compared capital additions to the capital programme, and considered variances identified. • undertaken sample testing of capital expenditure (including PPE additions and REFCUS) to source documentation to ensure asset expenditure is valid to capitalise, and has been depreciated appropriately. 	Our audit work has not identified any significant issues.



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
<p>Property, plant & equipment</p>	<p>PPE activity not valid (continued)</p>	<ul style="list-style-type: none"> • Reviewed the appropriateness of the Council's policy for capitalising non-enhancing expenditure. • Reviewed the Council's accounting treatment for any significant non-enhancing capital expenditure and determine whether it has been appropriately accounted for through the Comprehensive Income and Expenditure Statement. • Reviewed of Capital Expenditure and Financing disclosures. • Tested any individually significant disposals, and review to ensure correctly accounted for. 	<p>Our audit work has not identified any significant issues .</p>
<p>Property, plant & equipment</p>	<p>Revaluation measurement not correct</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • assessed the qualifications of the Council's in-house valuers and reviewed the assumptions on which the valuations are based. • For assets revalued during the period, we have agreed revaluations and impairments to the valuer's valuations, and determined whether the accounting for the revaluation has been appropriate. • For assets that were not revalued during the period, we reviewed the work undertaken by officers to confirm that valuations held in the accounts remain materially correct. 	<p>Our audit work has not identified any significant issues.</p>

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Council has set out its policy for revenue and funding in the accounting policies reported in the financial statements	<ul style="list-style-type: none"> The accounting policy is appropriate and complies with Code of Practice on Local Authority Accounting (the Code). Income is not an area that requires significant judgement or estimation. The disclosure of the accounting policy is adequate. 	 Green
Judgements and estimates	Key estimates and judgements include: <ul style="list-style-type: none"> useful life of capital equipment PPE revaluations and impairments accounting for schools non-current assets. pension fund valuations and settlements provisions 	The estimates and judgements made by management are in line with the Code's expectations.	 Green



Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & 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
Judgements and estimates – Property, Plant and Equipment	<p>North Somerset's accounts</p> <ul style="list-style-type: none"> Pages 39-40 of the accounts set out the authority's rolling programme of revaluations. This approach is similar to many other authorities and we are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014. <p>Compliance with the Code</p> <ul style="list-style-type: none"> In our view this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value all items within a class of property, plant and equipment simultaneously. This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that: <ul style="list-style-type: none"> the revaluation of the class of assets is completed within a '<i>short period</i>' the revaluations are kept up to date 	<ul style="list-style-type: none"> In our view, we would normally expect this '<i>short period</i>' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year. Officers have judged that the Council's asset base is too large to revalue all assets in any one year. For assets not valued in the year, sufficient assurance has been gained from the Council's in-house valuer that Property, Plant and Equipment valuations held in the accounts remain materially correct. 	 Green
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention Minor omissions were reported to management during the course of the audit. 	 Green

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

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

Impact of adjusted misstatements

There were no adjusted misstatements impacting on the primary statements or the reported financial position.

Misclassifications & 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	N/A	Various	Notes subject to Prior Period Adjustments have been amended to clearly be identified as "As Restated" and the re-statement is now clearly identified as a Prior Period Adjustment.
2 Disclosure	N/A	Note 22.2 Other remuneration	Banding for the Chief Exec has been corrected from band of £140,000 - £144,999 to £145,000 - £149,999
3 Disclosure	o/s	Pensions schemes - Note 31	Note amended to include a 'best employer estimate of contributions expected to be paid to the plan in the next accounting period'
4 Disclosure	510	Leases - Note 34	The gross value of assets which were held for use in operating leases disclosed as £14.723m have been amended to £15.233m.

Misclassifications & disclosure changes – Whole of Government Accounts

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final Whole of Government Accounts return.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	N/A	Highways infrastructure	Highways infrastructure data was not included in the draft submitted for audit.

Unadjusted misstatements

There were no unadjusted misstatements.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

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

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1	●	<p>S256 Agreements</p> <p>In conjunction with management we have identified a number of weaknesses over the S256 governance arrangements with the Council. There is a lack of transparency over:</p> <ul style="list-style-type: none"> • treatment of accrued income and expenditure relating to current and prior years • elements of the agreement funded by NHS England • lack of clarity on invoice narrative and supporting evidence. 	<ul style="list-style-type: none"> • The Council and the CCG should review the overall governance and financial management arrangements in respect of the S256 agreement.

Assessment

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

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> 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
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed Our review of members declaration of interests forms indicates that declarations have not been received for 2/61 Councillors. There is a risk that related party transactions may have occurred but not been disclosed in the accounts.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings - Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work highlighted that in a period of austerity, the Council has to date managed its finances effectively. The Council has set a balanced budget for 2014/15 and will need to deliver savings of £11.5 million. This will be a significant achievement, given that it expects to have achieved some £63 million in savings by the end of 2014/15.

Beyond 2014/15 the position becomes far more challenging. A further £38m of savings will be needed in the period 2015/16 – 2017/18. Of this, some £22 million is yet to be identified. The Council is working its partners to close the financial gap and has launched an ambitious transformation programme.

As part of our work on financial resilience, we have also considered:

- significant risks reported in the Council's Annual Governance Statement
- spend on services compared with other similar local authorities
- progress in areas reported to you in 2012/13.

We have summarised our findings below.

Adult Social Services – Financial Governance (S256 Agreements)

The Council has reported a significant risk in its Annual Governance Statement (AGS) in respect of the controls over joint and pooled funds with NHS North Somerset Clinical Commissioning Group (CCG). Further detail is included on page 18 of this report

Both the Council and the CCG recognise that the joint arrangements need strengthening. In particular, financial governance arrangements need to be improved and will become even more important as the Better Care Fund agenda moves forward.

Value for Money

Value for Money profiles

The Audit Commission provides comparative benchmarking information to assist Councils in identifying areas for review. We have highlighted the following areas for consideration:

- spend on council tax benefits and housing benefits per head is in the highest 5%
- spend on environmental services per head is in the highest 10%
- spend on housing services per head is in the highest third.

Follow-up 2012/13 recommendations

Last year we recommended improvement to the way that financial savings and sickness absence is reported. We are pleased to report that the Council has made good progress. We understand that further enhancements to the budget monitor are currently under consideration.

We have out on page 24 our assessment of each risk area reviewed using a red, amber or green (RAG) rating.

Key findings - challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies. We concluded that overall arrangements are sound.

In our Audit Plan, we also agreed to track progress in the a number of areas. Our risk assessment is shown below.

Area of focus	Significant risks for the 2013/14 VFM conclusion	Comments
Savings plans	No	The Council has managed its finances effectively and delivered significant savings.
Safeguarding children and vulnerable adults	No	The North Somerset Safeguarding Children Board and Adult Social Services are satisfied that appropriate actions have been taken to reduce the risk of significant issues occurring again.
The joint local transport plan (Rapid Transport Project)	No	<u>Ashton Vale and Temple Meads project</u> This project is being delivered by Bristol City Council. A gateway review was conducted to confirm business cases and benefits plans. The review made a number of essential and critical recommendations for the project board to address
Local Council Tax Scheme	No	Internal Audit assessed arrangements as effective.
City Deal	No	No significant impact for 2013/14.

Value for Money

Audit Plan update continued.

Area of focus	Significant risks for the 2013/14 VFM conclusion	Comments
Better Care Fund (BCF)	No	<p>The BCF plan and arrangements underpinning it (including governance and financial arrangements) continue to evolve and will continue to do so during 2014/15.</p> <p>Partners involved in the plan acknowledge a number of risks to its success including:</p> <ul style="list-style-type: none"> • concerns over the possible shortfall of funds • risks that changes in care models could destabilise the acute sector • financial pressures in the whole health and social care community. <p>A revised submission is planned for September 2014. This will require NHS providers to sign up to the plan.</p>

Additional risks identified

Internal Audit found that improvements are required to the way that the organisation measures performance and improve the data quality for key corporate performance indicators. A service review of business intelligence is currently underway, and this will take into account the recommendations made.

We have set out on page 24 our assessment of each risk area reviewed using a red, amber or green (RAG) rating.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	Adequate arrangements	Green
Strategic financial planning	Adequate arrangements	Green
Financial governance	It is recognised by the Council and CCG that the joint arrangements and financial governance need to be strengthened in light of the Better Care Fund agenda. See page 23.	Amber
Financial control	Adequate arrangements	Green
Prioritising resources	Adequate arrangements	Green
Improving efficiency & productivity	Internal Audit found that improvements are required to the way that the organisation measures performance. See page 23.	Amber

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	148,230	149,300
Grant certification	22,200	**18,616
Total audit fees	170,430	167,916

*** Fee Variations - business rates** - 'There is additional fee of £1,070 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for a unitary council.

**Certification Fees

(i) The Audit Commission revised the certification fees after the Audit Plan was issued. The revised fee was reported in our Certification Work Plan.

(ii) Our certification work is still on-going. The final fee will be reported to the Audit Committee later in the year as part of the annual certification report..

Fees for other services

Service	Fees £
Provision of due diligence work in relation to the proposed Snowdome project	9,750

Independence and ethics

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

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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. 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 Audit Commission and includes nationally prescribed and locally determined work. 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.

	Audit Plan	Audit Findings
Our communication plan		
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		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

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

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>S256 Agreements</p> <p>The Council and the CCG should review the overall governance and financial management arrangements in respect of the S256 agreement.</p>	●	Accepted. The Council is currently undertaking the review of the overall governance and financial management arrangements in respect of shared finances across the NHS and Local Government in respect of Adult Social Care.	Head of Internal Audit and Head of Financial Management. Implementation by December 2014
2	<p>Related Party Transactions</p> <p>All members should return a declarations of interest form.</p>	●	The Council made a significant effort to get a complete return. However, despite a number of reminders, two members failed to return their declaration of interest forms, and therefore the records are not wholly complete	N / A. The final accounts should detail that two returns were not received.

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH SOMERSET COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of North Somerset Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and 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 2013/14.

This report is made solely to the members of North Somerset Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Head of Financial Management and auditor

As explained more fully in the Statement of the Responsibilities, the Head of Financial Management 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword 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:

- give a true and fair view of the financial position of North Somerset Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2014.

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 had put in place proper arrangements to secure 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 published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, North Somerset Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of North Somerset Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Peter Barber
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

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