

The Audit Findings for North Somerset Council

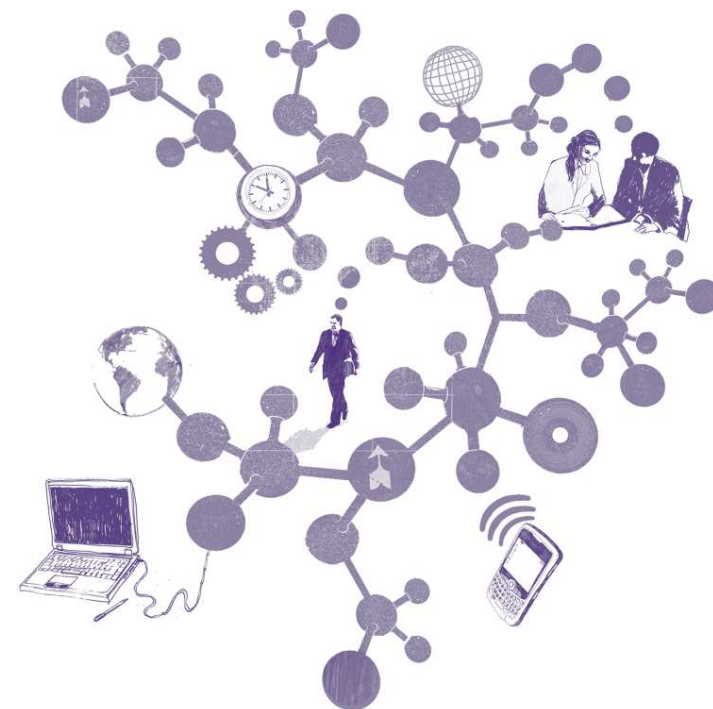
Year ended 31 March 2016

26 August 2016

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

Gail Turner-Radcliffe
Audit Manager
T 029 2034 7546
E gail.turner-radcliffe@uk.gt.com

Steve Ballard
Executive / In Charge auditor
T 07584 220 135
E steve.j.ballard@uk.gt.com



North Somerset Council
Town Hall
Walliscote Grove Road
Weston-Super-Mare
BS23 1UJ

26 August 2016

Dear Members of the Audit Committee

Audit Findings for North Somerset Council for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of North Somerset Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

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

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

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

Yours sincerely

Peter Barber
Associate Director

Chartered Accountants

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

Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	25
4. Other statutory powers and duties	30
5. Fees, non-audit services and independence	32
6. Communication of audit matters	34
Appendices	
A Action plan	37
B Audit opinion	38

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of North Somerset Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

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

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

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

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 3 March 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas and will provide a verbal update at the Audit Committee:

- third party confirmation of investment balances
- receipt of a letter of assurance from Avon Pension Fund's auditors
- review of final version of the signed financial statements including the Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion, and
- review of the Council's Whole of Government Accounts return and finalisation of our assurance statement on the return.

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

We identified one material disclosure error in the draft financial statements presented for audit, relating to a mis-statement of depreciation between headings in the Comprehensive Income and Expenditure Statement. We identified no adjustments affecting the Council's reported financial position.

As in previous years, the accounts and supporting working papers were of a good quality, although we noted more errors than in recent years. We received timely responses to our queries. The Council provided the draft financial statements and accompanying working papers at the start of our audit on 21 June, exceeding the statutory timetable by over a week.

We have identified a number of adjustments to improve the presentation of the financial statements. These amendments have been made by the Council.

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 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.

During our testing of the Annual Governance Statement, we noted no issues to bring to your attention.

Controls

Roles and responsibilities

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

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

Findings

We draw your attention in particular to a control issue identified in relation to journals posted with no description. 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 2016. We will report the outcome of this certification work through a separate report to the Audit Committee, which is due in February 2017.

The way forward

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

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

Acknowledgement

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

Grant Thornton UK LLP
August 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

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

As we reported in our audit plan, we determined overall materiality to be £8.9 million (being 2% of the previous year's gross revenue expenditure) . We have considered whether this level remained appropriate during the course of the audit and have revised our overall materiality to £9.1 million (being 2% of the current year's gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £0.45 million. 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
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k
Disclosures of members allowances in the notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at North Somerset Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including North Somerset Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<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 • Review of accounting estimates, judgements and decisions made by management • Testing of journal entries • Review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management over-ride of controls. The findings of our review of journal controls and testing of journal entries has identified one issue, see the Internal Controls section of this report for further details.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of property, plant and equipment and Investment property</p> <p>The Council revalues its PPE assets on a rolling basis with assets revalued at least every five years . The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include Investment property in its financial statements at fair value, as defined by IFRS13. The basis on which fair value is defined for investment property is different to that used in previous years.</p> <p>This represents a significant change in the basis for estimation of these balances in the financial statements.</p> <p>There are also extensive disclosure requirements under IFRS 13 which the Council needs to comply with.</p>	<ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of related estimates. • We identified the controls put in place by management to ensure that the carrying values of property, plant and equipment, and investment property, were not materially different from fair value at the year end. We also assessed whether these controls were implemented as expected, and whether they were sufficient to mitigate the risk of material mis-statement. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Review and challenge the reasonableness of the proposed revaluations, including reference to national trends • Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. • Review of the disclosures made by the Council in its financial statements to ensure they are in accordance with the requirements of the CIPFA Code of Practice and IFRS 13. • We reviewed Investment properties to ensure that they were all revalued during the year 	<p>Our audit work has not identified any significant issues in relation to property, plant and equipment or Investment properties</p>

Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
4.	<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<ul style="list-style-type: none"> • Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated. • Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements. • Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • Undertook procedures to confirm the reasonableness of the actuarial assumptions made. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
5.	<p>Accounting for the Better Care Fund (BCF)</p> <p>The accounts are due to include new, material pooled budget disclosure, and underlying transactions re BCF. Judgement is required in assessing the required accounting treatment.</p> <p>Risks identified include:</p> <ul style="list-style-type: none"> • Has the Council entered into appropriate arrangements to account for BCF monies? • Does the Council have appropriate processes in place to obtain the information it needs to reflect the correct transactions, balances and disclosures in its accounts? • Are the judgements made by the Council in assessing it's control over the funds reasonable, and hence has it adopted the correct accounting treatment in the accounts? • Do BCF transactions, balances, and disclosures in the accounts agree to underlying evidence? 	<ul style="list-style-type: none"> • We identified the controls put in place by management to ensure that the BCF accounting entries and disclosures were not materially misstated. We assessed whether these controls were implemented as expected, and whether they were sufficient to mitigate the risk of material misstatement. • We reviewed to ensure signed s75 agreements in place for all BCF transactions covered by pooled budget accounting. • We reviewed the Council's processes for obtaining the information it needs to reflect the correct transactions, balances and disclosures in its accounts. • We reviewed the reasonableness of the Council's judgements in assessing the Council's control over the funds, and hence adopted the correct accounting treatment in the accounts • We reviewed to ensure that BCF transactions, balances, and disclosures in the accounts agree to underlying evidence. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</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
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</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 were in line with our documented understanding • Reconciled the operating expenses figure in the Comprehensive Income and Expenditure Statement (and supporting notes) to the general ledger and the subsidiary creditor payments system • Review of year end Creditors control account reconciliations • Review for unrecorded liabilities through, for example, review of payments made after the year end. • Gained an understanding of the year end accruals process, and sample testing of accruals to ensure calculated on a reasonable basis. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks continued




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Employee remuneration</p>	<p>Employee remuneration accruals understated (Remuneration expenses 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 were in line with our documented understanding • reconciled the payroll figure in the Comprehensive Income and Expenditure Statement (and supporting notes) to the general ledger and payroll subsidiary system • undertook a trend analysis of monthly payroll data, to identify any unusual variances on which additional audit procedures may be required • reviewed pension disclosures and agreement to underlying evidence for completeness and accuracy • reviewed senior managers remuneration, salary banding and exit packages disclosures, for completeness and accuracy. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</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
Revenue recognition	The Council has set out its policy for revenue and funding in the accounting policies reported in the financial statements	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 • allowance for bad and doubtful debts • provisions. 	The estimates and judgements made by management are in line with the Code's expectations, except where separately considered below.	 Green

Assessment



-  (Red) Marginal accounting policy which could potentially attract attention from regulators
-  (Amber) Accounting policy appropriate but scope for improved disclosure
-  (Green) Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements and estimates- land and buildings not revalued in the year</p>	<p>The Council carries out a rolling valuation programme that ensures all property, plant and equipment required to be measured at fair value is revalued sufficiently regularly to ensure that the carrying amount is not materially different from the fair value at the year end and as a minimum every five years.</p> <p>The Council has not revalued all assets within the land and buildings class of asset in the year and the valuations which were performed were at 1 April 2015. In order to consider whether asset values are materially correct at 31 March 2016 officers have considered the impact national indices would have and their applicability to the local market, as well as changes in asset values in draft revaluations being performed for 2015/16 at 1 April 2015.</p>	<p>Officers concluded that land and buildings were not materially misstated. We reviewed nationally available indices and documentation provided by the Council's valuer. Based on our assessment of this information we have concurred with the Council.</p> <p>£2,675k of Land and buildings has been included in PPE asset values at historic cost, rather than at a revalued amount. Hence there is a potential uncertainty over whether an impairment or revaluation gain should be recognised in the accounts for the valuation of these properties. We have obtained sufficient assurance that PPE assets are not materially under-stated.</p> <p>Recommendation We recommended that the Council should ensure that all land and buildings is revalued in line with its accounting policy such that it is revalued sufficiently regularly to ensure that their carrying value is not materially different from their fair value, as a minimum of every five years.</p>	<p style="text-align: center;">● Amber</p>
<p>Estimates – provision for bad debts</p>	<p>The provision for bad debts in relation to council tax and NNDR reflects an expected recovery based on the recovery stage of the debt. However the rates provided are not based on evidenced historic collection rates for each stage of recovery.</p>	<p>We are satisfied that the provision is not materially understated. However, as noted in last year's report, there remains scope to enhance the documentation supporting the estimation of the provision made.</p> <p>Recommendation Evidence to support historic collection rates at each recovery stage should be provided as part of the Council's calculation of its provision for council tax and NNDR bad debts.</p>	<p style="text-align: center;">● Amber</p>

Assessment

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	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

Other communication requirements

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

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

Other communication requirements continued



	Issue	Commentary
7.	Matters on which we report by exception	<ul style="list-style-type: none"> • We are required to report on a number of matters by exception in a number of areas: <p>We have not identified any issues we would be required to report by exception in the following areas</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £350 million we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <ul style="list-style-type: none"> • Note that work is not yet completed and the planned timescale for the work is September 2016.

Internal controls

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



Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for valuation of PPE, valuation of the Pensions net liability, accounting for the Better Care Fund, and the completeness of Employee Remuneration and Operating Expenses, as set out on pages 11 to 15 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 Amber	Journal entry controls Testing of journals raised during the year identified 30 journals, excluding system generated journals, entered with no narrative description. Officers were already aware of this issue, and have taken initial taken to address the weakness, including user training.	<ul style="list-style-type: none"> Officers should continue to provide user training to officers entering journals, and review other arrangements to ensure that narrative descriptions are included on all journals.
2.	 Amber	Related Party Transactions Our testing of related party transactions noted that one senior manager return had not been obtained due to the Officer in question leaving the Council on 31 st March 2016.	<ul style="list-style-type: none"> Officers should ensure that related party declarations are received and any outstanding are followed up on a timely basis.

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

-  (Red) Significant deficiency – risk of significant misstatement
-  (Amber) Deficiency – risk of inconsequential misstatement

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. The Audit 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 Our sample testing of year end Debtors found one item relating to income which should be recognised in 2016/17, and not as a debtor at the end of the current year. The error value of £95k was extrapolated, using our audit software, over the year end debtor balance giving an estimated over-statement of the year end debtors balance of £3,880k.	3,880	(3,880)	Extrapolated error from sample testing
2 Our sample testing of PPE revaluations identified one item where valuations were transposed in error on extraction from the underlying valuer's schedules. There was no impact on overall PPE asset valuation. The error relates to accounting for losses on revaluation. Assessed as Understatement of Revaluation loss taken to Revaluation Reserve by £240k, over-statement of charge to CIES by £297k. Extrapolated errors estimated at £526k under-statement of Revaluation loss taken to the Revaluation Reserve, and £377k over-statement of Revaluation Loss charged to the CIES. Assurance was therefore gained that the impact of the error was not material.	526 (377)	(526) 377	Extrapolated error from sample testing
3 The Council has not accounted for schools transferring to academy status in line with relevant guidance. Mis-classification in the CIES, with the 'Losses on the disposal of non-current assets' in Note 5 - 'Other operating Income' over-stated, and 'Loss on loss of control of schools transferring to Academy status' in Note 6 - Financing and Investment Income and Expenditure', by £6,769k.		6,769 (6,769)	Officers proposing not to amend in the current year, but will take this guidance into account in future years.

Unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
4 The Council's Fixed Asset Register software does not reflect the full impact of the revaluation of an investment property within that category when it has previously been categorised as a PPE during the same year. Hence entries relating to these assets are reflected within the Investment property note in full, although disclosure informs the apportionment between PPE and Investment property elements. There is no impact on balances carried forward or income and expenditure. The maximum value of the apportionment of the revalued amount transferred between the PPE and Investment property categories was £846k.	-	-	Entries reflect treatment in the Fixed Asset Register
Overall impact	£4,029	(£4,029)	

Adjusted misstatements

No adjustments affected the reported position in the draft financial statements have been identified during the audit process.

Impact of uncorrected misstatements in the prior year

No uncorrected misstatements were reported in the prior years which impact on the current year's accounts.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	9,933	Expenditure on the face of the Comprehensive income and Expenditure Statement	Amendment to correct mis-classification between 'Culture & Related Services' and 'Highways & Transport Services' expenditure on the face of the CIES, due to depreciation being mis-coded.
2 Misclassification	5,209	Note 7 - Taxation and Non Specific Grant Income	Amendment to correct mis-classification between Council Tax and NNDR income.
3 Disclosure	N/A	Referencing on the Balance Sheet	Agreed amendments to update references on the face of the Balance Sheet.
4 Disclosure	N/A	Note 17 – Events after the reporting date	Agreed additional disclosure to highlight that the referendum result to leave the EU has the potential to impact significantly on the Council's future income streams and that the impact on the Council could not yet be quantified.
5 Disclosure	N/A	Fair value disclosures in Note 29	Agreed amendment to more prominently disclose a change in the method of calculation of the fair value of PWLB borrowing.
6 Disclosure	N/A	Various disclosures	A small number of other non-significant changes have been made to the financial statements to improve their presentation and readability.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

Background

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

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

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

Risk assessment

We carried out an initial risk assessment in March 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated 3 March 2016.

Strategic Financial Planning - In February 2016 the Council revised its Medium Term Financial Plan (MTFP) in light of the settlement figure announced on 17 December 2015 as this left the Council with an increased funding gap. The revised MTFP highlights a balanced budget for 2016/17, but a savings target of £8.6 million. In addition, the Council have updated the Corporate Plan to sit alongside the revised MTFP and highlights numerous projects and initiatives the Council wish to undertake. The Council therefore continues to face challenges in securing the funding, achieving the savings and delivering a balanced budget.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

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

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

Significant qualitative aspects

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

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

- Processes put in place to identify and implement programmes and projects to address and reduce the ongoing budget deficit as outlined in the Medium Term Financial Plan
- The robustness of assumptions made in calculating savings and whether these were realistically deliverable.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

1. that the FSB and CMT continue to receive budget monitoring reports and appropriately challenge the officers
2. Members should receive training on how to appropriately challenge officers and that this challenge is publicly recorded.
3. Members be made aware of their duties and fully comply with the requirements of the Constitution.
4. the Council consider providing training for those involved in the budget setting process to ensure that they understand the importance of setting realistic budgets

Management's response to these can be found in the Action Plan at Appendix A.

Key findings

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

Significant risk	Work to address	Findings and conclusions
<p>Strategic Financial Planning</p> <p>In February 2016 the Council revised its Medium Term Financial Plan (MTFP) in light of the settlement figure announced on 17 December 2015 as this left the Council with an increased funding gap. The revised MTFP highlights a balanced budget for 2016/17, but a savings target of £8.6 million. In addition, the Council have updated the Corporate Plan to sit alongside the revised MTFP and highlights numerous projects and initiatives the Council wish to undertake. The Council therefore continues to face challenges in securing the funding, achieving the savings and delivering a balanced budget.</p>	<p>We reviewed the Councils progress on delivering the 2015/16 savings plan and the extent to which 2016/17 savings plan is achievable. We also reviewed the assumptions behind the MTFP and the work that the Council is doing to close the funding gap.</p>	<p>The Council delivered £14 million out of the £15.5 million savings planned for 2015/16. This shows a strong performance considering that this is not the first year that the Council has been required to make savings. The remaining £1.5 million will be rolled forward into future saving plans. At 31 March 2016, there was an overspend by the Council against its final budget. Larger overspends in Children's and Young People and Adult Social Care were offset by underspends in other Directorates and the use of Contingency Budgets resulting in approximately an £800k overspend in total.</p> <p>The Council recognises that there are significant pressures on delivering the £8.5 million savings plan for 2016/17, mainly due to significant increases in the cost and volume of Learning Disabled clients and delays in implementing some of the planned mitigations. The 2016/17 savings plan is therefore being monitored by the Financial Strategy Board (FSB) and the Corporate Management Team (CMT) and both of these groups receive monthly monitoring against budgets. We would therefore recommend that the FSB and CMT continue to receive budget monitoring reports and appropriately challenge the officers. From reviewing the public minutes, there appears to be no challenge of Officers regarding the month 12 overspend at the Scrutiny Panels, Executive or Full Council meetings. We would therefore recommend that the Members should receive training on how to appropriately challenge officers and that this challenge is publicly recorded. As part of our review over the public records, we noted that the Adult Scrutiny Panel has not taken an Annual Report to Full Council since January 2015. This is in breach of the Constitution, which states that Scrutiny Panels should take an Annual Report at least once a year. We would therefore recommend that members be made aware of their duties and fully comply with the requirements of the Constitution.</p>

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	Work to address	Findings and conclusions
<p>Strategic Financial Planning (cont)</p> <p>In February 2016 the Council revised its Medium Term Financial Plan (MTFP) in light of the settlement figure announced on 17 December 2015 as this left the Council with an increased funding gap. The revised MTFP highlights a balanced budget for 2016/17, but a savings target of £8.6 million. In addition, the Council have updated the Corporate Plan to sit alongside the revised MTFP and highlights numerous projects and initiatives the Council wish to undertake. The Council therefore continues to face challenges in securing the funding, achieving the savings and delivering a balanced budget.</p>	<p>We reviewed the Councils progress on delivering the 2015/16 savings plan and the extent to which 2016/17 savings plan is achievable. We also reviewed the assumptions behind the MTFP and the work that the Council is doing to close the funding gap.</p>	<p>The assumptions behind the MTFP appear to be reasonable, with the Council moving to a Cost and Volume basis where applicable. This data, whilst estimated initially based on past experience, will become more robust as the data is updated each quarter and patterns and trends can be determined. We do have concerns over the robustness of some of the data, particularly within Adult Social Care and Children's Services as initial actual data appears to be showing significant variances against budget. We would therefore recommend that the Council consider providing training for those involved in the budget setting process to ensure that they understand the importance of setting realistic budgets.</p> <p>The current MTFP still has a gap in future years. We have noted that the Head of Finance and Property and his team are working on proposals to close the future funding gap, which are currently in initial stages. Feasibility work is being undertaken on proposals to determine which options are viable and will deliver the savings that the Council needs. All Directorates are involved in the process and this is being overseen by the CMT.</p> <p>We have also noted that where appropriate, costs have been included within the budgets for items included within the Corporate Plan.</p> <p>Our overall conclusion on strategic financial planning is positive and is consistent with that of the draft Corporate Peer Challenge Report, which will be published by the Council in the near future.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</p>

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Any other matters

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

Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Other statutory powers and duties

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

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

Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

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

Fees

	Proposed fee £	Final fee £
Council audit	111,975	111,975
Grant certification	13,962	*13,962
Total audit fees (excluding VAT)	125,947	125,947

* Fee remains indicative until work is agreed and completed

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'.

Fees for other services

Service	Fees £
Audit related services:	
• Grant certification – Teachers Pensions Return	*4,200
• Grant certification – Transport claim re South Bristol Link	*4,200

Independence and ethics

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

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

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Communication to those charged with governance

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

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

Respective responsibilities

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

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure that all land and buildings is revalued in line with its accounting policy such that it is revalued sufficiently regularly to ensure that their carrying value is not materially different from their fair value, as a minimum of every five years.	Medium	Accepted - The Head of Finance & Property has a rolling 5 year plan which is updated annually to take into account changes following actions such as new acquisitions, capital programme works, asset under construction completions and impairment assessments. This programme will also be reviewed to include any assets currently held at historic cost.	Head of Finance & Property July – October 2016
2	Evidence to support historic collection rates at each recovery stage should be provided as part of the Council's calculation of its provision for council tax and NNDR bad debts.	Low	Accepted - Whilst the Council's bad debt calculations for council tax and business rates are robust and aligned to write-offs actioned in-year, it would be beneficial to evidence collection rates at each recovery stage. However this information cannot currently be obtained from the Northgate I-world system and so the Council is investigating the possibilities of requesting a new report to be written.	Head of Support Services December 2016
3	Officers should continue to provide user training to officers entering journals, and review other arrangements to ensure that narrative descriptions are included on all journals.	Medium	Accepted – the Head of Finance & Property notes the requirements for all journals to reflect appropriate narrative descriptions and re-fresher training and guidance has been provided.	Head of Finance & Property July 2016 / on-going
4	Officers should ensure that related party declarations are received and any outstanding are followed up on a timely basis.	Low	Accepted – the Council has made improvements in this area over recent years and sends out timely reminders as a matter of course. The one instance in 2015/16 occurred following a cessation of employment prior to the end of the financial year.	N/A

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
5	That the FSB and CMT continue to receive budget monitoring reports and appropriately challenge the officers	Low	Accepted – a budget monitoring timetable has been agreed for the current financial year which incorporates input and challenge for both FSB and CMT.	Head of Finance & Property On-going
6	Members should receive training on how to appropriately challenge officers and that this challenge is publicly recorded.	Low	Accepted – member training sessions were provided in July 2015 and were well attended and received, it is anticipated that the financial aspects of these will be refreshed in the Autumn of 2016 to align with the budget scrutiny timescales.	Head of Finance & Property Autumn 2016
7	Members be made aware of their duties and fully comply with the requirements of the Constitution.	Medium	Accepted – this will be incorporated into the actions above	Head of Finance & Property Autumn 2016
8	The Council consider providing training for those involved in the budget setting process to ensure that they understand the importance of setting realistic budgets	Low	Accepted – the Council has already started to deliver a training programme for all nominated budget managers, this programme will include both strategic responsibilities outlined within the constitution such as budget setting and monitoring, as well as operational training using the Agresso financial management system.	Head of Finance & Property August 2016 / on-going

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

We have audited the financial statements of North Somerset Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and Property and auditor

As explained more fully in the Statement of the Head of Finance and Property Responsibilities, the Head of Finance and Property is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 2016 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement 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: a Framework' published by CIPFA/SOLACE in June 2007; or we issue a report in the public interest under section 24 of the Act; or we make a written recommendation to the Authority under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

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

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

[Date] September 2016



© 2016 Grant Thornton UK LLP. All rights served.

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

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

grant-thornton.co.uk