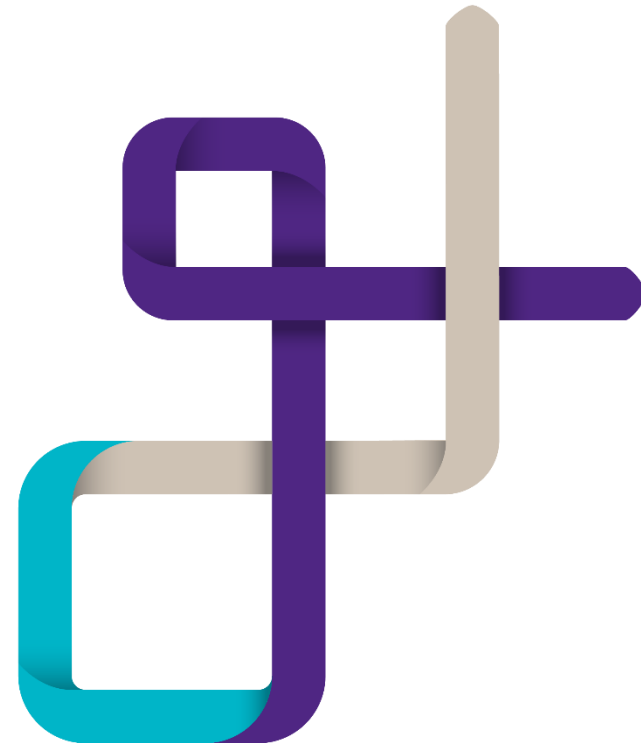


Audit Findings

Year ending 31 March 2018

North Somerset Council

19 July 2018



Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

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

Financial Statements	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July 2018. Our findings are summarised on pages 4 to 11. We have not identified any adjustments affecting the Council's financial position. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 26 July 2018, as detailed in Appendix D. These outstanding items are set out on slide 4.</p> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none">the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that North Somerset Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 12 to 15.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">report to you if we have applied any of the additional powers and duties ascribed to us under the Act; andcertify the closure of the audit	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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

Summary

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 26 July 2018, as detailed in Appendix D. These outstanding items include:

- agreement of investments to third party confirmations
- receipt of management representation letter
- review of the final set of financial statements.
- review of the narrative statement

Our approach to materiality

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

Our assessment of materiality has been adjusted to reflect the reduction in Council expenditure between 2016/17 and 2017/18. Our assessment of materiality is detailed in the table to the right.

	Council Amount (£'000)
Materiality for the financial statements	7,509
Performance materiality	5,632
Trivial matters	375
Materiality for specific transactions, balances or disclosures	A lower materiality of £10k for individual senior officer remuneration applies due to the political sensitivity of this disclosure

Going concern

Our responsibility

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

Going concern commentary

Management's assessment process

Auditor commentary

- Management have completed an assessment of going concern. This included a review of
 - current year's financial outturn compared to budget
 - levels of general fund reserves
 - liabilities
 - borrowings
 - medium term financial strategy and the reasonableness of assumptions and robustness of savings plans.
- Management have concluded that the going concern basis is appropriate for North Somerset Council.

Work performed

Auditor commentary

- We reviewed managements going concern assessment and cash flow forecasts 12 months from the date of the audit opinion. We have reviewed the latest medium term financial strategy which covers the period to 2021/22.
- We reviewed the going concern disclosures within the financial statements and have concluded that these are adequate.

Concluding comments

Auditor commentary

- We have concluded that North Somerset Council is a going concern with no material uncertainties.
-

Significant audit risks

Risks identified in our Audit Plan

The revenue cycle includes fraudulent transactions

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

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

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

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including North Somerset Council mean that all forms of fraud are seen as unacceptable.

We have not rebutted the presumption for other fees and charges only, as for North Somerset Council, we have concluded that this is a significant material balance where there are opportunities to manipulate revenue recognition. Therefore we consider this to be a significant risk for the Council.

Management override of controls

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

Management over-ride of controls is a risk requiring special audit consideration.

Commentary

Auditor commentary

For the other fees and charges revenue stream we have:

- documented our understanding of management's control over revenue recognition
- substantively tested fees and charges income to ensure recognition was valid
- substantively tested debtors to ensure recognition was valid

Our audit work did not identify any issues in respect of improper revenue recognition.

Auditor commentary

We:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness
- obtained a full listing of journal entries and identified and subsequently tested any unusual journal entries for appropriateness
- evaluated the rationale for any changes in accounting policies or significant unusual transactions or estimates.

Our audit work did not identify any issues in respect of management override of controls.

Significant audit risks

Risks identified in our Audit Plan

Commentary

Valuation of property, plant and equipment

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

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

Auditor commentary

We:

- reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- considered the competence, expertise and objectivity of any management experts used
- discussed the basis on which the valuation is carried out and challenged the key assumptions where appropriate
- reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding
- tested revaluations made during the year to ensure they were input correctly into the Force's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Our audit work did not identify any issues in respect of property, plant and equipment valuations.

Valuation of pension fund net liability

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

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

Auditor commentary

We:

- identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement
- evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out
- undertook procedures to confirm the reasonableness of the actuarial assumptions made
- checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports
- gained assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding.

Our audit work did not identify any issues in respect of the valuation of the pension fund net liability.

Reasonably possible audit risks

Risks identified in our Audit Plan

Employee remuneration

Payroll expenditure represents a significant percentage of the Council's operating expenses.

We have identified completeness of payroll expenses as a risk requiring particular audit attention

Commentary

Auditor commentary

We:

- evaluated the accounting policy for the recognition of payroll expenditure for appropriateness
- gained an understanding of the system for accounting for payroll expenditure and evaluated the design of the associated controls
- obtained the year-end payroll reconciliation and ensure the amount in the accounts reconciled to the ledger and through to payroll reports
- performed substantive analytical procedures on payroll costs to identify anomalies or areas for further audit focus.

Our audit work has not identified any significant issues in relation to the risk identified.

Operating expenses

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

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

Auditor commentary

We:

- evaluated the accounting policy for the recognition of non-pay expenditure for appropriateness
- gained an understanding of the system for accounting for non-pay expenditure and evaluated the design of the associated controls
- reviewed a sample of non-payroll payments made post year end to ensure that they have been recorded in the appropriate year.

Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>Income from Council Tax, NDR, sale of goods and disposal of assets is recorded in the accounts when it becomes due, rather than when it is received (the accruals basis).</p> <p>Income from provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable economic benefits will flow to the Council.</p> <p>Grant income is recognised when there is reasonable assurance that the Council will comply with the conditions and the grant or contribution will be received.</p>	<ul style="list-style-type: none"> The accounting policy is appropriate and in line with the accounting framework (CIPFA Code of Practice on Local Authority Accounting). The accounting policies are adequately disclosed. 	<p>●</p> <p>Green</p>
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> Valuations of land and buildings (estimate) Fair values of financial assets and liabilities (estimate) Useful lives of PPE (estimate) Income and expenditure accruals (estimate) Valuation of pension fund net liability (estimate) Recognition of finance leases on the balance sheet (judgement) Provisions (estimate) 	<ul style="list-style-type: none"> The key estimates applied are appropriate The accounting policies are adequately disclosed From the work undertaken, the judgements and estimates made are reasonable. We identified that whilst accounting policy x states that community assets are held at depreciated historical cost, in reality some assets of this type have been revalued as disclosed in Note 24.2. A recommendation is therefore to be raised to ensure there is consistency between the accounting policy and the revaluations per Note 24.2, see the action plan at Appendix A. 	<p>●</p> <p>Green</p>

Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A standard letter of representation has been requested from the Council, which is included in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's lenders, banks and other institutions. This permission was granted and the requests were sent. The majority of these requests were returned with positive confirmation, however five requests were not responded to as at 17 July so we undertook alternative procedures, including review of original transaction and, where appropriate, subsequent repayment.
Disclosures	Our review identified a number of disclosure changes within the draft financial statements. See page 18 to 19 for further details.
Significant difficulties	All information and explanations requested from management were provided.

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.

Other responsibilities under the Code

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

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to appendix D</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
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> <ul style="list-style-type: none"> • North Somerset Council does not exceed the threshold and therefore work is not required.
Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of North Somerset Council in the audit opinion, as detailed in Appendix D.</p>

Value for Money

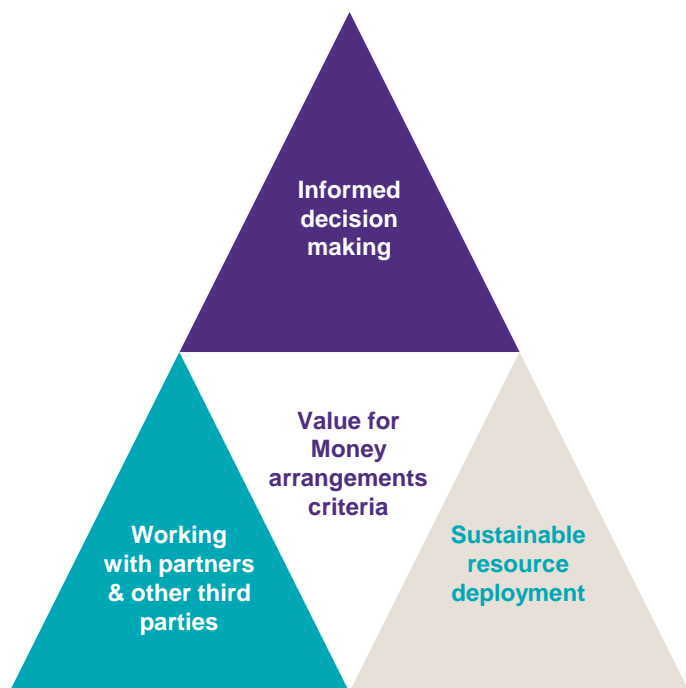
Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in February 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our External Audit Plan dated February 2018.

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.

Value for Money

Our work

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

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

- the Council's medium term financial plan and, in particular, the outturn for 2017/18 and the Council's ability to manage demand and financial pressures over the medium to long term.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 14 and 15.

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 D.

Recommendations for improvement

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

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 of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

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

Significant Risks identified in our plan	Commentary
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Future Financial Sustainability	<p>The Council set a net budget of £159.22 million for the 2017/18 financial year which was predicated on the delivery of £10.4 million of savings and included an increase in council tax of 4.75% for the year which included a 3% national adult social care levy. The final reported outturn position was an underspend of £0.81 million.</p>
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We reported in our audit plan that the on-going challenge of meeting the savings outlined by Central Government continues to put pressures on Local Government finances. The latest Medium Term Financial Plan (MTFS) identified that a further £1.9m of savings needed to be achieved in 2018-19 in addition to the £9m of savings plans already identified.

The Council continues to experience significant demand pressures particularly in children and young people and adult social care. These areas continue to be a focus for the Council, as is the case across the country. Overall the People and Communities Services directorate out-turn position was an overspend of £4.06 million. Within this, children's and young people reported a year end overspend of £2.97 million with the sustained increase in demand for social care placing further pressures on the children's and families budget and largely results from overspends in relation to looked after children and disable children's services. Adult social care reported an overspend of £1.57 million. For these demand led services, the Council uses a 'cost and volume' approach to setting the budget. Detailed cost and volume calculations are prepared to support the growth included within the budgets.

The Audit and Social Care and Children & Young People directorates were forecasting overspends in 2017/18 with both budgets under significant pressure.

The Council's revenue position in 2017/18 has benefited from a reduction in minimum revenue provision charges of £1.8 million due to the Council reviewing the policy for this and back-dating the 2016/17 revised policy. This has resulted in a release of £14 million additional revenue which the Council are spreading over a 8 year period. Of the £1.8 million benefit realised in 2017/18, £1.3 million has been used to create a financial risk reserve to manage the risks within the 2018/19 revenue budget savings plans.

The Council has a good track record of delivering against its budget despite the continued reduction in funding and the need to identify and realise significant savings each year. There is regular review and challenge at a member and officer level and robust financial management arrangements in place.

The draft accounts presented for audit reported a general fund balance of £8.64 million and non school related earmarked revenue and capital reserves of £31.54 million as at 31 March 2018. This represents a small increase in the general fund reserves from the prior year due to the favourable revenue out-turn position enabling the Council to transfer £0.96 million to general fund reserves. The level of reserves are approximately 5% of the net revenue budget and deemed to be prudent by the Council.

At the February 2018 full council, a net revenue budget of £152.67 million was approved incorporating an increase of 5.99% in Council tax including a 3% national adult social care levy.

The Council have another significant savings plan in place for 2018/19 with total required savings of £14.7 million. This includes a target of £0.850 million savings in children's placement which will be challenging given the overall spend on children's placements in the prior year and the continued rise in placements towards the end of 2017/18. The Councils track record of effectively implementing and achieving significant savings will put them in good stead, however, we recognise that this will become more challenging for the Council going forward.

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 Risks identified in our plan

Commentary

Future Financial Sustainability continued

The assumptions included within the MTFS are reasonable including pay awards, superannuation, borrowing for capital programme and inflation on major contracts. The MTFS also included a number of growth assumptions. For demand led services, a further growth of £2.5 million and for Adult Social Care £4.7 million growth have been incorporated.

The latest MTFS reports a budget gap of £8.8 million between 2019/20 and 2022/23. However the latest MTFS does not incorporate the savings identified from the back dating of the minimum revenue provision. The Council are updating their MTFS to reflect the profiling of the savings which will improve the Council's financial position by £1.8 million each year covered within the current MTFS.

Given the funding reductions and continued demand pressures faced by Local Authorities, the Council are exploring options for income generation to support the financial position of the going forward. The Council purchased their first commercial investment property in March 2018 and are actively seeking to identify and acquire further investment properties.

Overall, the Council has appropriate arrangements in place for financial sustainability. However, we recognise the continued significant pressures the Council face going forward, particularly in the demand led services, and the importance of continued close in-year monitoring of budgets.

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No non-audit services were identified.

Action plan

We have identified 1 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. 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

Issue and risk

●
(Low)

- We identified that whilst accounting policy x states that community assets are held at depreciated historical cost, in reality some assets of this type have been revalued as disclosed in Note 24.2.

Recommendations

- The treatment of community asset revaluations should be reviewed to ensure there is consistency between the accounting policy and the revaluations per Note 24.2. The Council could consider updating the accounting policy or reclassifying the relevant assets.

Management response

- The council will undertake a review of community assets held to ensure consistent classification and also update the accounting policy to reflect revaluation activities.

Controls

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

Audit Adjustments

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

Impact of adjusted misstatements

No adjustments to the draft accounts have been identified during the audit process.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Disclosure	We suggested a number of minor disclosure amendments and potential improvements to management in relation to presentational changes to the draft accounts.	The financial statements should be updated to reflect auditor proposed presentational changes.	✓
Disclosure	We identified that a number of the financial instruments had been disclosed as being at level 2 for fair value, when they had actually been measured at level 1 or were exempt from the fair value disclosure requirements.	The financial instruments note should be updated to correctly reflect the fair value levels of financial instruments.	✓
Disclosure	We identified that the audit fees note included the incorrect prior year comparators.	The prior year amounts in the audit fees note should agree to the amounts per the prior year audited financial statements.	✓
Misclassification	Within the financial instruments note we identified that the provision for accumulated absences had been included in the list of removed items under 'Payments/Receipts in Advance'. Whilst it is correct to remove this balance, it should be disclosed under its own line as it is not a payment or receipt in advance.	The financial instruments note should be updated to include a line for the provision for accumulated absences.	✓

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 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	Impact on total net expenditure £'000	Reason for not adjusting
1 Within our review of non-payroll payments made post year end, we identified one transaction (value £33,109) which related to 2017/18 but had not been accrued for at year-end. We extrapolated this value over our testing population which gave a total error of £1,083k.	£1,083	-£1,083	£1,083	<ul style="list-style-type: none"> Although we accept the extrapolation methodology applied by the audit team we do not believe it necessary to adjust the council's accounts by this sum. Not only is this value below our materiality threshold but our own review has shown this transaction to be an isolated incident. We will provide additional guidance to budget managers for the future and will also ensure that the finance staff continue to review spending during cut-off periods up until the agreed closure of accounts timescales
Overall impact	£1,083	-£1,083	£1,083	

Impact of prior year unadjusted misstatements

No adjustments were identified during the prior year audit which were not made within the final set of 2016/17 financial statements.

Fees

We confirm below our final fees charged for the audit. No non-audit services were provided.

Audit Fees

	Proposed fee	Final fee
Council Audit	£111,975	£111,975
Housing Benefit Subsidy Certification	£13,962	£13,962
Total audit fees (excluding VAT)	£125,937	£125,937

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	
• Certification of Teachers Pension	£4,100
	£4,100

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Somerset Council (the 'Authority') for the year ended 31 March 2018 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:
 give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
 have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
 have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the Head of Finance and Property's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
 the Head of Finance and Property has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Head of Finance and Property is responsible for the other information. The other information comprises the information included in the Financial Report 2017-18 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Financial Report 2017-18 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Head of Finance and Property and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance and Property. 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 2017/18, which give a true and fair view, and for such internal control as the Head of Finance and Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance and Property is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Signature – to be added

Barrie Morris
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
2 Glass Wharf, Temple Quay, Bristol, BS2 0EL

Date – to be added



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