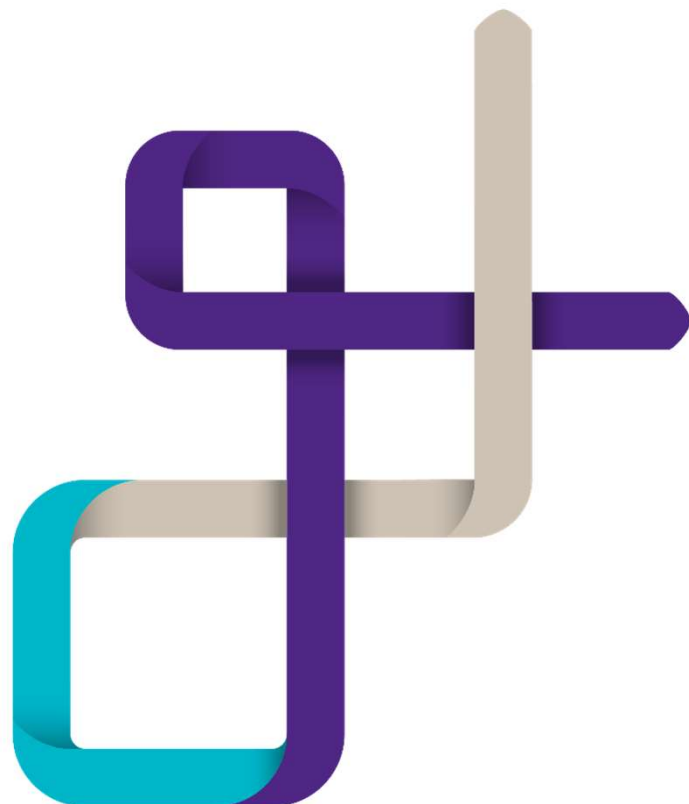


Audit Findings

Year ending 31 March 2018

Bath and North East Somerset Council

17 July 2018



Contents



**Your key Grant Thornton
team members are:**

Peter Barber

Engagement Lead

T: 0117 305 7897

E: peter.a.barber@uk.gt.com

Sophie Morgan-Bower

Manager

T: 0117 305 7757

E: sophie.j.morgan-bower@uk.gt.com

Scott Corboy

Assistant Manager

T: 0117 305 7616

E: scott.f.corboy@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	4
3. Value for money	17
4. Independence and ethics	21
Appendices	
A. Action plan	
B. Follow up of prior year recommendations	
C. Audit adjustments	
D. Fees	
E. Audit Opinion	

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. 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.

Headlines

This table summarises the key issues arising from the statutory audit of Bath and North East 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, and have 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>We commenced our post-statements onsite visit in early June and as at 9 July 2018 our audit is substantially complete. Our findings are summarised on pages 4 to 25.</p> <p>We identified a material error in relation to property, plant and equipment valuation that has resulted in a £10.516m adjustment to the Statement of Comprehensive Income and Expenditure and the Balance Sheet. In addition, we identified a small number of lower value error as a result of our work set out within the body of our report. These adjustments are, in the main, of a technical nature and do not have any impact on the outturn position for the year. We have also recommended a number of adjustments to improve the presentation of the financial statements.</p> <p>Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>The draft financial statements were presented for audit in accordance with the earlier timetable of the end of May 2018. The accounts were supported by good quality working papers and we received prompt responses to our queries.</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> <p>Subject to a small number of outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 30 July 2018, as detailed in this report.</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 Bath and North East 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 E. Our findings are summarised on pages 17 to 20.</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; and certify the closure of the audit 	<p>We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance (in the case of Bath and North East Somerset Council, the Audit Committee) 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; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risk

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 Committee meeting 30 July 2018, as detailed in Appendix E. These outstanding items include:

- Receipt of management representation letter;
- Completion of a small number of outstanding items; and
- Review of the final set of financial statements.

Our approach to materiality

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

Materiality calculations have been adjusted to reflect the final set of financial statements received on 31 May 2018. We detail in the table below our assessment of materiality for B&NES Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£7,524,000	This equates to 2% of your 2017/18 gross expenditure for the year.
Performance materiality	£5,267,000	This equates to 70% of Materiality. 75% is the maximum which we are able to apply and we have decreased the TE to 70% to reflect the change in senior finance staff.
Trivial matters	£376,000	ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.
Materiality for specific transactions, balances or disclosures	2%	Senior Officers' Remuneration and Members Allowances are balances which require a lower materiality due to the sensitive nature of these balances.

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

Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditor commentary

- The disclosures in the accounts are considered appropriate.
- We have reviewed the Council's budget forecast and associated sensitivity analysis for the 2 year period to 31 March 2020, which exceeds 12 months from the date of signing (to 30 July 2019).
- We have reviewed the Council's financial plans for 2018/19 including the requirement to achieve savings, and the associated sensitivity analysis.

Work performed

We have reviewed the Section 151 Officer's assessment, including the three year plan and associated sensitivity analyses. We have reviewed the associated disclosures in the financial statements.

Auditor commentary

- Management set out their consideration of the appropriateness of the adoption of going concern assumption in a specific report provided to the auditor in June 2018. In this report the s151 officer confirmed her view that the Council is a going concern. **Subsequently the s151 Officer has also confirmed there are no material uncertainties that would require disclosure, under ISA 570. We concur with this view subject to receipt of this confirmation.**
- Disclosures in the financial statements relating to material uncertainties are appropriate and sufficient.

Concluding comments

We are satisfied that the Going Concern basis is appropriate for the 2017/18 financial statements.

Auditor commentary

- Our audit opinion will be unmodified in respect of Going Concern.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	<p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For Bath and North East Somerset Council, we have concluded that the greatest risk of material misstatement relates to the occurrence of other fees and charges and the existence of associated receivables.</p> <p>We identified improper revenue recognition of “Other Fees and Charges” as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>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 non-fees and charges income streams, because:</p> <ul style="list-style-type: none"> • 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 B&NES Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for B&NES Council.</p> <p>For “Other fees and charges”, where the risk of fraud arising from revenue recognition has not been rebutted, we have performed the following work:</p> <ul style="list-style-type: none"> • Completed a walkthrough of management’s controls over Other Revenue recognition to document our understanding of management’s controls over revenue recognition; • Reviewed and tested revenue recognition policies; and • Tested material revenue streams. <p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2	<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have performed the following work in respect of this risk:</p> <ul style="list-style-type: none"> • 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, identified and tested unusual journal entries for appropriateness; and • Evaluate the rationale for any changes in accounting policies or significant unusual transactions. • Carried out a review of accounting estimates, judgements and decisions made by management • Reviewed any unusual significant transactions <p>Our audit work has not identified any issues in respect of management override of controls.</p>

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>3 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.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>Auditor commentary</p> <p>We have performed the following work in respect of this risk:</p> <ul style="list-style-type: none"> • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Held discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • 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 Council's asset register • Evaluated 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. <p>Our audit work has identified the following issues in respect of valuation of property, plant and equipment:</p> <ul style="list-style-type: none"> • As part of the valuation of land and buildings, the Council undertakes a review of various indices to ascertain if there has been any significant change in value that would result in the cumulative current value of these assets at the year end being materially different to the carrying value at the date of valuation. The calculations indicated that property, plant and equipment is understated by £5.164m and investment property is understated by £5.352m. As the total increase is material, the Council has decided to amend the accounts to reflect the increased values, thus ensuring a materially accurate year end carrying value. The valuation on which the figures in the accounts are based was undertaken in accordance with RICS requirements. However, the use of indices to arrive at the carrying value means that the Council has adopted a valuation method which is not consistent with the Code on Local Authority Accounting. • We also identified that the upwards and downwards revaluation figures disclosed on the CIES were both overstated by £6.072m due to the inclusion of Vehicle, Plant and Equipment additions. The accounts have been amended to remove these values. These changes have no impact on the financial position of the Council at year end.

Significant audit risks

Risks identified in our Audit Plan		Commentary
4	Valuation of investment properties The Council revalues its investment properties on an annual basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.	Auditor commentary We have performed the following work in respect of this risk: <ul style="list-style-type: none">• Reviewed management's processes and assumptions for the calculation of the estimate.• Reviewed the competence, expertise and objectivity of any management experts used.• Reviewed the instructions issued to valuation experts and the scope of their work• Held discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions.• 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 Council's asset register• Evaluated 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.
	We identified the valuation of investment property revaluations as a risk requiring special audit consideration.	With the exception of the issue identified in relation to indexation movements which has been outlined under risk 3 above, our audit work has not identified any issues in respect of valuation of investment properties.

Significant audit risks

Risks identified in our Audit Plan		Commentary
5	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.	Auditor commentary We have performed the following work in respect of this risk: <ul style="list-style-type: none">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 were sufficient to mitigate the risk of material misstatement;Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation.Gained an understanding of the basis on which the IAS19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.Reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary In addition we have reviewed the accounting treatment of the upfront payment of £9.862m paid across to the pension fund in 2017/18.
	We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.	Our audit work has not identified any issues in respect of the Pension Fund net liability.

Reasonably possible audit risks


Risks identified in our Audit Plan	Commentary
<p>6 Employee remuneration Payroll expenditure represents a significant percentage of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>Auditor commentary</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 • Undertook a walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Agreed the year-end payroll reconciliation and ensured amount in accounts can be reconciled to the ledger and through to payroll reports. • Agreed payroll related accruals to supporting documents and reviewed any estimates for reasonableness. <p>Our audit work has not identified any issues in respect of operating expenditure.</p>
<p>7 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.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • Gained an understanding of the Council's system for accounting for non-pay expenditure and evaluated the design of the associated controls; • Documented the accruals process and the controls management have put in place. Challenged key underlying assumptions, the appropriateness of the source of data used and the basis for calculations. • Reviewed a sample of non-pay payments made post year end to ensure that they have been charged to the appropriate financial period. <p>Our audit work has not identified any issues in respect of operating expenditure.</p>

Internal Controls

We considered and walked through the internal controls for the significant and other risks identified as set out on page 6 to page 10 above.

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

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

Assessment	Issue and risk	Recommendations
1.  Deficiency	<p>Lack of formal reviews of information security policies and procedures</p> <p>A suite of IT Security Policies are provided to the Council's staff through publication on the staff intranet. We have been provided with a number of policies and note that the policies provided, which are available on the intranet, are out of date.</p> <p>The policies we have been provided with are out of date and identify Mouchel as the IT service provider and have no formal document management embedded in them for example:</p> <ul style="list-style-type: none"> • date of issue • date of review • document owner <p>We were informed during our review in 2015 that a new suite of policies and intranet page were being developed and were being reviewed and approved by senior management. It appears, based on the documentation provided, that these new policies and processes have not been implemented.</p> <p>We note that there is a legal notice at system sign in, however, this does not identify any security policy requirements other than a user must be a BANES employee or an authorised user.</p> <p>There is a risk that staff breach organisational, legislative or regulatory requirements by not understanding what their responsibilities are. Also, that staff who do breach security requirements cannot be held accountable through lack of enforceable arrangements to inform them of the responsibilities by Council management.</p>	<p>Auditor commentary</p> <ul style="list-style-type: none"> • We recommend that senior management review the arrangements to inform staff of IT security requirements within the Council. • All IT security policies need to be reviewed, updated, and reissued. • A senior responsible owner should be nominated to take responsibility for and coordinate the reissue of the Information security policies and procedures. • A mandatory training programme should be considered to ensure all Council staff are aware of the IT security responsibilities, which should be monitored to ensure compliance and be held on an annual basis. • Induction processes should include IT security training. • All staff should be required to regularly agree to abide by the policies. • Policies should be reviewed at least every three years or when significant changes to the IT environment have occurred and reissued. • Appropriate document management marking should be employed. <p>Management Response:</p> <ul style="list-style-type: none"> • We will review current arrangements and produce an action plan to update our policies and procedures by the end of September 2018

Assessment

-  Significant deficiency
-  Deficiency – risk of inconsequential misstatement

Internal Controls

We considered and walked through the internal controls for the significant and other risks identified as set out on page 6 to page 10 above.

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

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

Assessment	Issue and risk	Recommendations
2. ● Deficiency	Notification of Leavers to Northgate Administrators The HR department automatically provide both IT Service Desk and the Finance systems administration function with details of all terminations of employment to enable them to remove users in a timely manner from the systems they control access to. However, we have been informed that the Northgate system administrators do not receive this notification. The Northgate system administrators do review user access on a quarterly basis, but a leaver notification would improve this control system. There is a risk that user accounts remain open for up to three months which could, if the password is known allow an unauthorised user to access the account and make erroneous changes.	Auditor commentary <ul style="list-style-type: none">We recommend that HR management include the Northgate administrators in their starter and leaver notifications that are provided to other functions in the organisation. Management Response: <ul style="list-style-type: none">This has already been actioned.

Assessment




- Significant deficiency
- Deficiency – risk of inconsequential misstatement

Other issues




This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

	Issue	Commentary	
1	Group accounts The Council has a wholly owned subsidiary, Aequus Developments Limited (ADL), which was incorporated in March 2016. In 2016/17 the company was not consolidated. Activity at ADL has increased significantly in 2017/18; The Council have considered whether Group Accounts will be produced in 2017/18.	<ul style="list-style-type: none"> The Council's view is that the Group activities are not of a material level that justifies the production of Group Accounts for 2017/18. Management set out their consideration of the need to produce group accounts in light of the increased activity at ADL; concluding that no Group accounts were required in 2017/18 due to the size of activities in relation to the Council's accounts. The Council will continue to monitor this position on an annual basis to see if the position changes. 	Auditor view <ul style="list-style-type: none"> We have reviewed the Group structure of the Council; We have obtained an copy of the Group materiality document to be prepared by the Council; We have reviewed the Council's assessment of the qualitative and quantitative materiality of the Council's subsidiaries in relation to the Council's operations. The Group activities are below the auditor's materiality threshold in totality for each category of assets, liabilities, income and expenditure. We have considered the intercompany loans as part of our audit work and have not identified any issues in respect of this risk. <p>Having considered the Council's assessment we concur with the Council's view that consolidated accounts are not required for 2017/18.</p>
2	Lender Option Borrower Options (LOBOs) The Council has a number of LOBOs (a type of longer term borrowing where the lender can change terms), and this area is subject to increased attention by auditors due to the complexities valuing these in a more complex form.	<ul style="list-style-type: none"> We have considered the LOBOs held by the Council, including the accounting treatment of these, and whether the Council hold any non-standard LOBOs which may result in material changes to the values in the accounts. 	Auditor view <ul style="list-style-type: none"> We have not identified any non-standard LOBOs held by the Council. We have not identified any significant issues with the accounting treatment of the standard LOBOs held by the Council.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. There is a separate policy for NNDR and Council Tax as well as general revenue. 	The various accounting policies are considered to be reasonable and in line with the CIPFA Code.	
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include : <ul style="list-style-type: none"> Revaluations Impairments Accruals Valuation of pension fund net liability 	<p>Our conclusions on the valuation of property, plant and equipment, investment properties and the pension fund net liability are set out on page 6 to 10. We have proposed 3 adjustments in respect of the valuation of property, plant and equipment, and investment properties.</p> <p>Other estimates and judgements have been considered in the audit process, and no other issues have been identified.</p>	
Other critical policies	<ul style="list-style-type: none"> 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.	

Assessment

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

Other communication requirements

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

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We discussed matters in relation to fraud in our communications with management and Those Charged with Governance. We have not been made aware of any significant 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"> We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	<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 the bodies with which the Council hold investment, cash and debt balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. We requested from management permission to send confirmation requests to the pension fund auditor. This permission was granted and the requests were sent. We have received the final response from the pension fund auditor and have not identified any issues in respect of the Pension Fund net liability.
6	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements. A number of minor disclosure changes were proposed throughout the statement of accounts, the Annual Governance Statement, and the Narrative Report.
7	Audit evidence and explanations	<ul style="list-style-type: none"> All information and explanations requested from management was provided.
8	Significant difficulties	<ul style="list-style-type: none"> We did not experience any significant difficulties during the course of the 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
① Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>Minor inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unqualified opinion in this respect – refer to appendix E</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>Minor amendments and improvements have been identified but have been adequately rectified by management.</p>
③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> We note that work is not required as the Council does not exceed the threshold of £500m for assets (excluding PPE); liabilities (excluding Pension); income or expenditure. <p>We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Bath and North East Somerset Council in the audit opinion, as detailed in Appendix E.</p>

Value for Money

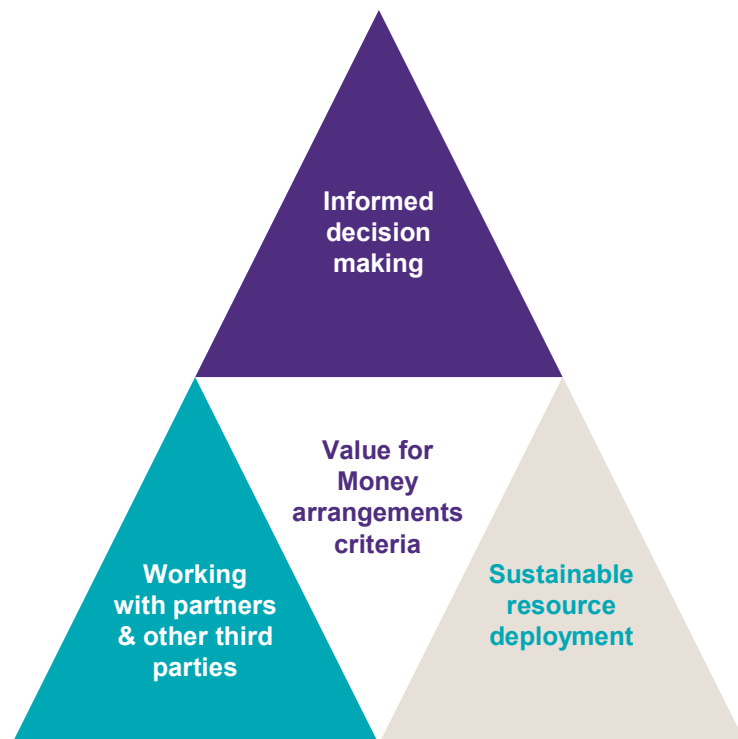
Background to our VFM approach

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 December to February 2018, and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated January 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.

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

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 19 to 20.

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 E.

Recommendations for improvement

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

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment.

Significant risk	Findings	Conclusion
<p>1 Medium Term Financial Plan</p> <p>In our audit plan dated January 2018, we highlighted the following risk.</p> <p>The ongoing challenge of meeting the savings outlined by Central Government continue to put pressures on Local Government finances. Bath and North East Somerset Council had a budget gap of £(48.99)m over the five years to 2022/23 which was significant.</p> <p>Over the two years to 2019/20, the budget gap was £(30.96)m. In January 2018, £14.80m of savings have been identified but a further £16.16m savings were required over the period. This included a significant gap of £12.77m to find in 2018/19.</p> <p>The 2017/18 outturn was forecast to be £3.8m over budget for the full year. In the short term the Council has one off reserves that can be used to mitigate these pressures but the longer term implications are challenging. The continued pressure from Adult and Children's services resulted in overspends annually and further enforced the need to identify alternative methods of achieving the Council's financial position for the future.</p>	<ul style="list-style-type: none"> • The 2017/18 outturn is £1.1m over budget for the full year. In the short term the Council has one off reserves that can be used to mitigate these pressures but the longer term implications are challenging. The continued pressure from Adult and Children's services has resulted in overspends annually and further enforces the need to identify alternative methods of achieving the Council's financial position for the future. • We have reviewed the actions taken to identify savings and how these have been challenged and consider the plans to identify further savings. • We have reviewed monitoring arrangements, including the robustness of the Council's Medium Term Financial Plan, the delivery of the 2017/18 budget, and the action taken when plans are not being delivered. • The original budget was set at £112.89m and this was subsequently revised to £115.675m in February 2018 to reflect the Council's Efficiency Strategy, approved in November 2017. • The forecast outturn position was an over-budget position of £3.396m; at year end 2017/18 the position is now a net revenue over-budget position of £1.255m after allowing for proposed carry forwards. This is less than 1% of the Council's spend in the year; and it has been mitigated by the release of £0.93m Transition Fund Grant reserves; and £0.325m of the Strategic Risk Provision (specifically set up for reduced savings delivery). • The 2017/18 approved budget included the requirement for the delivery of £14.5m of savings. The final outturn position included achievement of £11.9m or 82% of the savings target. The non-delivery and delay of £2.6m of savings has contributed to the outturn position; however again this is very low in the context of the Council's overall spend. • The Council has made significant progress in identifying £26.8m of savings over the next two years, as part of the budget setting process. Total savings identified over two years are £26.8m with a further £1.9m to find in 2019/20. A further £12.1m needs to be identified in 2020/21 to 2021/22. This gap is being worked on by management. • We reviewed specific key savings plans as part of our work. Savings plans appear well-defined and robust. We also carried out a high-level overview of the budget monitoring process for 2017/18, and a high-level overview of the revenue budget setting process for 2018/19; the Council appears to have robust processes in place for monitoring the budget including a Savings Tracker which is regularly taken to Cabinet and is reviewed by the Section 151 Officer. • Each Directorate at the Council prepared a detailed Directorate plan covering the 2018/198 FY with specific proposals for the following 2 years to 2019/20. Plans were prepared on the basis of 2017/18 as a starting point, taking into account anticipated cost pressures and anticipated government funding (settlement). • Councillors were briefed on proposals throughout the process. Plans were reported to Policy and Development Scrutiny Panels (PDS) for challenge. 	<p>Auditor view</p> <ul style="list-style-type: none"> • There are no significant issues arising from our consideration of the significant risk. • We make one minor recommendation in relation to closing the savings gap of £1.9m in the next two years; • We also make a minor recommendation with regards to the 17/18 overspend against budget.

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment.

Significant risk	Findings	Conclusion
<p>1 Medium Term Financial Plan</p> <p>In our audit plan dated January 2018, we highlighted the following risk.</p> <p>The ongoing challenge of meeting the savings outlined by Central Government continue to put pressures on Local Government finances. Bath and North East Somerset Council had a budget gap of £(48.99)m over the five years to 2022/23 which was significant.</p> <p>Over the two years to 2019/20, the budget gap was £(30.96)m. In January 2018, £14.80m of savings have been identified but a further £16.16m savings were required over the period. This included a significant gap of £12.77m to find in 2018/19.</p> <p>The 2017/18 outturn was forecast to be £3.8m over budget for the full year. In the short term the Council has one off reserves that can be used to mitigate these pressures but the longer term implications are challenging. The continued pressure from Adult and Children's services resulted in overspends annually and further enforced the need to identify alternative methods of achieving the Council's financial position for the future.</p>	<ul style="list-style-type: none"> The monitoring process appears reasonable and adequate. The Council produces a detailed Savings Tracker for all key savings plans which is presented to the Senior Management Team on a monthly basis, and slippage can be targeted appropriately. The Council has a reasonably strong track record of delivering balanced budgets and identifying required savings. As in previous years, the areas with most pressure in the budget are Adult and Children's' social care. Savings plans for 2018/19 appear well defined. We considered the four largest savings plans in detail; each plan has a well-defined business case, appear realistic based on current year savings, and include appropriate consultation with stakeholders (where relevant). We also carried out a review of the MTFP assumptions for 2018/19 and 2019/20, which appear reasonable. The Council has unearmarked reserves of £12.5m (£12.3m after allowing for carry forwards) in the General Fund as at 31 March 2018 (£12.7m at 31 March 2017). This is in line with the s151 Officer's assessment as at February 2018 that the level of reserves is adequate (within a required range of £11.9m to £13.1m). We concur with this assessment. The Council has £29.9m (£29.4m in previous year) of corporate earmarked reserves as at 31 March 2018, a level consistent with what we see at other similar councils. We raise two minor recommendations in relation to the 2017/18 outturn position and the future savings gap of £1.9m. <p>Overall, the Council has proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.</p>	<p>Management response</p> <ul style="list-style-type: none"> Budgets have been rebased in 2018/19 adding a net budget growth of £3.9m for ASC and £3.1m for Children's services. The over budget position improved significantly through agreed management actions in 2017/18 which reduced the overspend from £5.1m earlier in the year to £1.1m by the year-end. A thorough review of the budget was carried out with a rebasing of Adult Social Care and Children's services budgets to reflect actual spending in these areas. The Medium Term Financial Strategy is currently being updated to outline plans for the savings gap for the next two year's. The current budget gap of £1.9m in 2019/20, £6.8m in 2020/21 and beyond do not include any increases in council tax other than for the Adult Social Care precept in 19/20.

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 D

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. The following non-audit services were identified.

Service	£	Threats	Safeguards
Audit related			
Reporting Accountant's report on Regional Growth Fund	TBC	Self-Interest (because this may be a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low (2016/17 fee: £3,390) in comparison to the total fee for the audit of £123,832 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension return	£4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low (2016/17 fee: £4,200) in comparison to the total fee for the audit of £123,832 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
CFO Insights subscription	£nil	Self-Interest (because this is a recurring fee)	We have provided subscription services only; any decisions are made independently by the Council. The work is undertaken by a team independent to the audit team. The subscription ended during 2017/18.




The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

Action plan

We have identified 3 recommendations 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	Recommendations
1		<ul style="list-style-type: none"> Over the two years to 2019/20, the Council has a savings gap of £1.9m. 	<ul style="list-style-type: none"> The Council should continue to work towards closing the savings gap of £1.9m within the next twelve months. <p>Management response</p> <ul style="list-style-type: none"> The £1.9m for 2019/20 will be addressed as part of the refresh of Medium Term Financial Strategy and the overall budget setting process for next year. The Council set a balanced budget for 2018/19.
2		<ul style="list-style-type: none"> At year end 2017/18 the position is now a net revenue over-budget position of £1.255m after allowing for proposed carry forwards. This is less than 1% of the Council's spend in the year; and it has been mitigated by the release of £0.93m Transition Fund Grant reserves; and £0.325m of the Strategic Risk Provision (specifically set up for reduced savings delivery). 	<ul style="list-style-type: none"> We recommend that management continue to monitor the use of reserves when budget setting to ensure that into the medium term dependency on reserves is reduced. <p>Management response</p> <ul style="list-style-type: none"> The Transitional Grant was added to the final Local Government Settlement to assist LA's with the gap between identifying and delivering savings and the Strategic Risk Provision set up by the Authority specifically to meet any shortfall in savings plans and these were utilised without having to call on other reserves. The budget for 2018/19 was rebased to reflect the service areas that were overspending (ASC and Children's services) where an increase in external demand factors could be demonstrated. Reserve levels have been estimated as part of budget planning to 2021/22 to ensure they are sufficient to meet the Council's needs. These will be monitored and refreshed as part of the annual MTFS and budget setting process. A Smoothing and Financial Planning Reserve was set up for 2018/19 specifically to deal with the timing of savings delivery within the budget. There should therefore only be planned use of reserves or for meeting new financial risks as they arise.
3		<ul style="list-style-type: none"> A number of IT deficiencies were identified as part of our 2017/18 IT review. 	<p>The Council should implement the recommendations arising from our IT review as set out on page 11 to page 12.</p> <p>Management response</p> <ul style="list-style-type: none"> Agreed.

Controls

-  High – Significant effect on control system or significant risk
-  Medium – Effect on control system or medium risk
-  Low – Best practice or low risk

Follow up of prior year recommendations

We identified the following issues in the audit of Bath and North East Somerset Council's 2016/17 financial statements, which resulted in 1 recommendation being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	<ul style="list-style-type: none">Review the toolkit for the cash flow statement so that all entries in the calculations are fully understood. Specifically, ensure that non-cash movements in control accounts workings are understood.	No ongoing issues noted for 2017/18 with regards to this issue.

Assessment

- ✓ Action completed
- X Not yet addressed

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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1 Property plant and equipment valuation Adjustment required to reflect movement in value since valuation undertaken.	5,164	5,164	5,164
2 Investment property valuation Adjustment required to reflect movement in value since valuation undertaken.	5,352	5,352	5,352
3 Surplus/deficit on revaluation of non-current assets Both lines on the CIES overstated by £6,702k due to the inclusion of vehicle, plant and equipment movements	6,702 (6,702)	0	Nil net impact
Overall impact	£10,516	£10,516	£10,516

Audit Adjustments - continued

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 change	Detail	Auditor recommendations	Adjusted?
1 Note 2 – Accounting standards that have been issued but have not yet been adopted	The draft accounts included references to IAS12 and IAS7 which are not applicable to B&NES	References to IAS12 and IAS7 to be removed.	✓
2 Note 30 – Senior officer remuneration	The Council disclosed that £364,673 was accrued for the compensation for loss of office and pension strain on fund costs payable to two post holders.	The costs associated with loss of office should be applied to the relevant senior officer.	✓
3 Note 33 – External audit costs	Fees payable for other services during the year was overstated in the draft accounts by £1k.	Fees payable for other services during the year should be disclosed as £4k.	✓
4 Note 38 – Finance Leases – Authority as Lessor	The Finance Lease note does not disclose details of properties leased by the Council.	The Finance Lease note should be expanded to provide more information to users of the accounts.	✓
5 Other minor amendments	Minor amendments were made throughout the accounts to correct casting, prior year figures, and to correct internal consistency within the statement of accounts.	Minor amendments should be made to improve accuracy and correct minor errors.	✓
6 Annual Governance Statement	A number of minor improvements to align the Annual Governance Statement with the CIPFA "Delivering Good Governance" guidance were proposed.	Minor amendments should be made align the AGS with CIPFA's guidance.	✓

Fees

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

Audit Fees

	Proposed fee	Final fee
Council Audit	£123,832	£123,832
Grant Certification	£16,760	£TBC
Total audit fees (excluding VAT)	£140,592	£TBC

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 (£)
Audit related services:	
• Teachers Pension	£4,200
• Regional Growth Fund	£TBC
Non-audit services:	
• CFO Insights subscription	£nil
	£TBC

Audit opinion

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

Independent auditor's report to the members of Bath and North East Somerset Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bath and North East Somerset Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves 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 Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance 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 Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts 2017/18 set out on pages 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 Statement of Accounts, the Narrative Report, and the Annual Governance Statement 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 Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities For The Accounts set out on page 104, 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 Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Director of Finance 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 Director of Finance 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.

OR

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts 2017/18. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2018. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[ENGAGEMENT LEAD NAME]

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

2 Glass Wharf

Bristol

BS2 0EL

[Date]

