

# The Audit Findings for Barrow Borough Council

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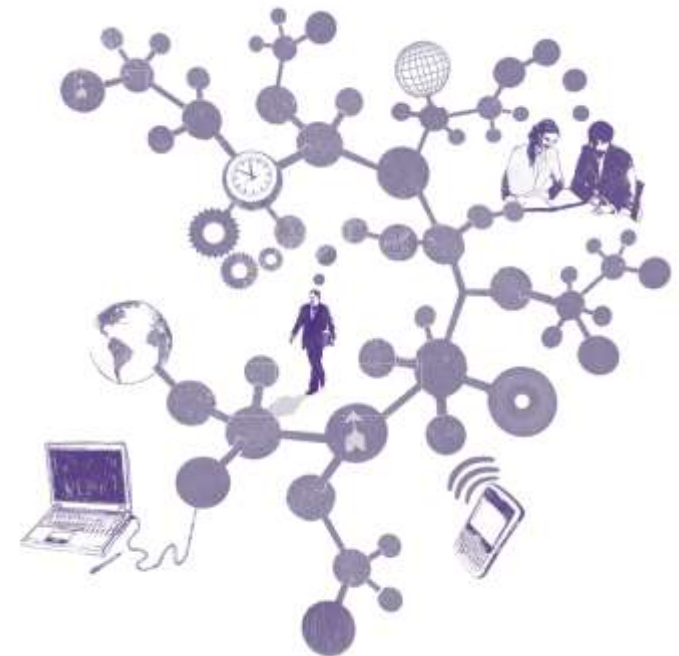
**Year ended 31 March 2017**

September 2017

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21<sup>st</sup> September 2017

Dear Sirs

**Audit Findings for Barrow Borough Council for the year ended 31 March 2017**

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance, which in the case of Barrow Borough Council is the Audit Committee, to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

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

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

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

Yours Faithfully

Gareth Kelly  
Engagement Lead

**Chartered Accountants**

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# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4
2. Audit findings	8
3. Value for Money	26
4. Fees, non-audit services and independence	32
5. Communication of audit matters	34
<b>Appendices</b>	
A Action plan	37
B Audit opinion	38

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# Section 1: Executive summary

**01. Executive summary**

**02. Audit findings**

**03. Value for Money**

**04. Fees, non audit services and independence**

**05. Communication of audit matters**

## Purpose of this report

This report highlights the key issues affecting the results of Barrow Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

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

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

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

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

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

## Introduction

As explained on page 9, at the start of our audit we updated our materiality calculation to take account of a reduction in gross expenditure in the comprehensive income and expenditure account. Aside from this, in the conduct of our audit we have not had to alter or change our audit approach, which we communicated in our Audit Plan to the Audit Committee on 23 March 2017.

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

- agreement of non-material disclosures to supporting information;
- confirmation of the balance outstanding from an organisation in receipt of a material loan from the Council;
- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- review of the final versions of the Annual Governance Statement (AGS); and
- updating our post balance sheet events review, to the date of signing the opinion; and
- providing the required submission to the National Audit Office in respect of the Council's Whole of Government Accounts (WGA) return.

We received the draft financial statements on 2<sup>nd</sup> June 2017. This was almost a month ahead of the statutory deadline for this year and this demonstrates the finance team were able to achieve its goal of closing the accounts faster. Next year the accounts will need to be submitted for audit by 31 May 2018, so this demonstrates good progress has been made. Good-quality working papers supporting the accounts were provided in accordance with the agreed timetable.

## **Key audit and financial reporting issues**

### **Financial statements opinion**

We identified two adjustments affecting the Council's reported financial position with the details recorded in section two of this report. The draft financial statements for the year ended 31 March 2017 recorded a net surplus on provision of services of £4.050m; the audited financial statements show a net surplus of £4.061M. The difference is driven by changes made to correct two non-trivial errors, one of which increased expenditure by £314,000 and the other reduced expenditure by £325,000. We have also recommended a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the Council continues to produce good-quality accounts which include all disclosures required by CIPFA and accounting standards;
- the Council has made good preparations for the change in the statutory timetable for the audit of the accounts; and
- management need to ensure that they have appropriate assurance over the adequacy of the accounting treatment for one-off or unusual items as the adjustments required this year all related to items of this nature.

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

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

### **Other financial statement responsibilities**

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We confirm that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice. We agreed changes to the AGS to streamline the document and ensure control weaknesses relating to procurement highlighted by internal audit were adequately disclosed, together with an appropriate action plan.

## **Controls**

### **Roles and responsibilities**

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

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

### **Findings**

We draw your attention in particular to control issues identified in relation to:

- improvements to the configuration of the main accounting system to strengthen the Council's IT control environment

Further details are provided within section two of this report.

## **Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources for 2016/17.

Our work this year concentrated on the progress that has been made to implement the Council's budget strategy and the arrangements in place to revisit the financial plans to reflect changing government policy impacting on the housing function. We found the Council had arrangements in place to address the related financial pressures in both areas but further work will be required over the following 12 months to address the challenges faced by the Council.

Details of our work on Value for Money are set out in section three of this report.

## **Other statutory powers and duties**

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

## **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to the Audit Committee in March 2018.

## **The way forward**

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

We have made six recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Resources and the finance team.

## **Acknowledgement**

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

**Grant Thornton UK LLP**  
September 2017

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## Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters



# Materiality

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

As we reported in our audit plan, we determined overall materiality to be £1,038,000, being 2% of gross revenue expenditure. We have considered whether this level remained appropriate during the course of the audit. We identified that gross revenue expenditure had reduced significantly as a consequence of the reversal of prior year impairments relating to Council dwellings. Consequently, we re-calculated materiality based on gross revenue expenditure in the draft financial statements and determined that materiality should be reduced to £895,000. We have confirmed that the amendments to the accounts detailed in this report did not further reduce gross revenue expenditure so no further changes to materiality were required as a result of these adjustments.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £44,000. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	The Council conducts its business using public funds. The Related Party disclosures ensures that the Council discloses in full any transactions that have occurred with related parties. This ensures that the Council is open about who it does business with and counters any allegations or suspicion of nepotism on the part of management or TCWG.	£20,000 (Individual misstatements will also be evaluated with reference to how material they are to the other party)
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

# Audit findings against significant risks

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

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

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

## Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>Valuation of property, plant and equipment</b></p> <p>The Council revalues its non-housing assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p> <p>In accordance with the relevant guidance, Council dwellings are revalued annually.</p>	<ul style="list-style-type: none"> <li>• Review of management's processes and assumptions for the calculation of the estimate.</li> <li>• Review of the competence, expertise and objectivity of any management experts used.</li> <li>• Review of the instructions issued to valuation experts and the scope of their work.</li> <li>• Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>• Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these assets held at carrying value are not materially different to current value.</li> <li>• Testing of a judgemental sample of revaluations made during the year to ensure they are input correctly into the Council's asset register.</li> </ul>	<p>The Council recognised significant upward valuations in this year's financial statements, which are largely driven by:</p> <ul style="list-style-type: none"> <li>• a significant increase in the value of Council dwellings with the average property value increasing from £23,217 to £27,569.</li> <li>• the Council's rolling programme of valuations including valuation of the leisure centre and the forum which are two significant assets – the Council's valuer assessed that in total the Forum and the Leisure Centre had increased in value by £3M since they were last valued five years ago.</li> </ul> <p>We liaised with the valuer, as management's expert, to obtain further information regarding the basis of the valuations provided. This information enabled us to conclude that assumptions and modelling underpinning the valuations is reasonable. Tracing a sample of valuations back to the Balance Sheet provided assurance that the correct information had been entered in the asset register. However, when accounting for upward revaluations on Council Dwellings management had overstated by £314,000 the amount that could be credited to net cost of services. Management have agreed to adjust for this error as set out in more detail on page 21 of this report.</p> <p>Five non-housing assets account for £36m (57%) of the Council's property, plant and equipment carried at current value on the Balance Sheet. Under the existing arrangement, these assets are only revalued every five years. Management should consider whether more frequent valuations are required to ensure the value of these assets is fairly stated at each balance sheet date.</p>

## Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund net liability, as reflected in its balance sheet represents a significant estimate in the financial statements.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• We reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. This provided an understanding of the basis on which the valuation is carried out.</li> <li>• We undertook procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• We 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.</li> </ul>	<p>Our audit work has not identified any issues in respect of the risk identified.</p>

# Audit findings against other risks

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

Transaction cycle and risk	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Employee remuneration</b> Employee remuneration accruals understated</p> <p>Remuneration expenses not correct</p>	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle;</li> <li>undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding;</li> <li>analytical procedures to identify any discrepancies in monthly payrolls and consideration of whether payroll expenditure is in line with our expectations based on supporting evidence; and</li> <li>tested the reconciliation between the payroll system and the amounts recorded in the general ledger and financial statements.</li> </ul>	<p>Our audit work has not identified any issues in respect of the risk identified.</p>
<p><b>Operating expenses</b> Creditors understated or not recorded in the correct period</p> <p>Operating expenses understated</p>	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle;</li> <li>undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; and</li> <li>tested a sample of post year-end payments to ensure "cut-off" is correct (i.e. that they are recorded in the right period).</li> </ul>	<p>Our audit work has not identified any issues in respect of the risk identified.</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

# Audit findings against other risks (continued)

Transaction cycle and Risk	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Welfare benefit expenditure</b></p> <p>Welfare benefit expenditure improperly computed</p>	<p>Welfare benefit expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified welfare benefit expenditure as a risk requiring particular audit attention:</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle;</li> <li>undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding;</li> <li>tested a sample of payments to housing benefit claimants to confirm the amount due has been calculated accurately and in accordance with relevant regulations; and</li> <li>tested the reconciliation between the benefits system and the amounts recorded in the financial statements.</li> </ul>	<p>Our audit work has not identified any issues in respect of the risk identified.</p>
<p><b>Changes to the presentation of local authority financial statements</b></p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented and evaluated the process for recording the required financial reporting changes to the 2016/17 financial statements;</li> <li>reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure;</li> <li>reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS);</li> <li>tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES;</li> <li>tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger;</li> <li>tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; and</li> <li>reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	<p>Overall, our work has confirmed management has prepared the comprehensive income and expenditure statement in accordance with CIPFA guidance. To aid interpretation of the accounts, management have also produced the expenditure and funding analysis, as required by CIPFA.</p> <p>However, we have agreed the following minor presentational changes to the accounts to ensure compliance with relevant guidance and accounting standards:</p> <ul style="list-style-type: none"> <li>the prior period restatement is included as a note to the accounts; in the draft accounts the restatement was incorporated into the narrative report; and</li> <li>the expenditure and funding analysis has been disclosed as a note to the accounts as in the draft accounts this was presented as a primary statement.</li> </ul> <p>Currently, the Council's internal reporting focusses on the variance between actual performance and the budget estimates. We have agreed with management that in future internal reporting will be aligned with the format of expenditure and funding analysis to make clearer the link between the outturn and the position reported in the accounts.</p>



# New issues and risks identified during the course of the audit

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

	Issue	Commentary
1.	<p><b>New Waste and Recycling Contract</b></p> <p>The Council completed a tendering exercise in the 2016/17 financial year to appoint a new contractor to provide its waste collection service. The contract was signed at the end of March and the contract commenced from 1 April 2017.</p> <p>Our experience working with other local authorities indicated that waste collection contracts can give rise to complex accounting considerations. In particular, there is a need to assess whether the contract provides the Council with control over the vehicles the contractor uses to provide the service.</p>	<p>Accounting standards provide a framework for assessing whether contracts contain a lease. Management identified the contract it had signed with the new contractor conveyed a right to control the vehicles used by the contractor to fulfil the contract. When preparing the draft accounts, management determined that its interest in the vehicles was equivalent to an operating lease.</p> <p>When the Council is party to an operating lease, the leased asset is not accounted for on the Council's Balance Sheet. This is on the basis that the balance of risk and reward associated with owning the asset has not transferred to the Council. We challenged management's assessment that the arrangement constituted an operating lease on the basis that the length of the new waste contract is seven years, which is similar to the typical useful economic life of refuse collection vehicles. Management revisited its assessment and determined that the arrangement was a finance lease. We agreed an amendment with the Council to re-classify the lease. This amendment reduced the value of the future operating leases commitment disclosed in the accounts by £1.428m. The Council will account for the finance lease from 1 April 2017 in line with the date the contract commenced.</p> <p>We also agreed an additional disclosure to the capital commitments note to make users of the statements aware of the contract the Council had entered into as at 31 March 2017.</p>

# Accounting policies, estimates and judgements


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

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>The Council's income recognition policy reflects that activity is accounted for in the year it takes place, not simply when cash payments are made. In respect of revenue, the Council's accounting policies state that:</p> <ul style="list-style-type: none"> <li>• Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to them.</li> <li>• Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</li> <li>• As the billing authority, Barrow Borough Council accounts for its own share of the council tax and business rates transactions in the Balance Sheet (and the Comprehensive Income and Expenditure Account) and its share of the collection fund balance is held in the Collection Fund Adjustment Account. The precepting authorities' share of the council tax for business rate transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those bodies.</li> </ul>	The Council's accounting policy is in line with the requirements of CIPFA code and is adequately disclosed in the accounts.	 <b>GREEN</b>
<b>Going concern</b>	The Director of Resources, in her role as the Section 151 officer, has completed an assessment which asserts that she has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment. We are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	 <b>GREEN</b>






# Accounting policies, estimates and judgements (continued)

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

Accounting area	Summary of policy	Comments	Assessment
<p><b>Judgements and estimates</b></p>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>– Useful life of Property, Plant and Equipment (PPE)</li> <li>– Revaluations of PPE</li> <li>– Impairments of PPE</li> <li>– Valuation of pension fund net liability</li> <li>– Provision for NNDR appeals.</li> </ul> </li> </ul>	<p>We have considered the Council's arrangements in each of these areas. We were satisfied the judgements made by management were appropriately supported and where estimates had been used a robust process had been adopted to arrive at the estimate. Our detailed work on the estimates for the pension liability and the valuation of PPE are set out on page 11.</p> <p>In accordance with relevant accounting standards, the Council includes in its balance sheet a provision reflecting its assessment of its exposure to business rate appeals. This is based on appeals submitted to the Valuation Office Agency at 31 March 2017, by businesses within the Borough. The Council undertakes a regular detailed review to determine the amount which should be held in a provision in respect of appeals submitted where a decision had not been taken by the Valuation Office Agency at the year-end. We identified a minor, but non-trivial discrepancy, whereby some older, but still valid, appeals had been excluded from the provision calculation in error. On account of immateriality, no adjustment has been made but management has agreed to revisit next year the basis on which the working paper is prepared.</p> <p>We have also examined documentation showing appeals settled after the year-end. We were satisfied the value of the provision as at 31 March 2017 is appropriately supported.</p>	<p style="text-align: center;">   <b>GREEN</b> </p>

## Assessment

-  [GREEN] Accounting policy appropriate and disclosures sufficient
-  [AMBER] Accounting policy appropriate but scope for improved disclosure
-  [RED] Marginal accounting policy which could potentially attract attention from regulators

# 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.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously considered and discussed the risk of fraud with the Audit Committee and we have received a written response to our enquiries from the Chair of the Audit Committee.</li> <li>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.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.</li> <li>We have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to the Council's bankers, the institutions with which the Council had investments at the year-end and two organisations the Council had granted loans to. This permission was granted and the requests were sent.</li> <li>With one exception, the necessary confirmations have been received.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>We have agreed a small number of changes to disclosures in the accounts. These are set out on page 24.</li> </ul>

## Other communication requirements continued

	Issue	Commentary
7.	<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; and/or</li> <li>• the information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or is otherwise misleading.</li> </ul> <p>There are no matters to report.</p>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• However, the Council is below the thresholds set by the NAO so we are not required to undertake any detailed audit procedures on the 2016/17 consolidation pack.</li> </ul>

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	X	Our IT audit team undertook a programme of work to review the configuration of the Council's main accounting system and the controls established within that system to prevent and/or detect access.	<ul style="list-style-type: none"> <li>• Our IT audit team undertook a follow-up review earlier this year. Some progress has been made to address the findings included in the previous year's audit findings report. However, at the time of our review the Council had only partially implemented some of our key recommendations. In particular:</li> <li>• acknowledged segregation of duties conflicts had not been formally documented to demonstrate these had been agreed by management ;</li> <li>• default passwords were still used on some default accounts;</li> <li>• a system weakness which could facilitate management override within the system had not been addressed; and</li> <li>• there had been limited progress to implement audit-logging.</li> </ul> <p>We understand that some work has been ongoing to address the recommendations made by our IT auditors. We will consider the progress made as part of next year's audit.</p>

## Assessment

✓ Action completed

X Not yet addressed

# Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed 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	Balance Sheet	Impact on total net expenditure
<p>1 <b>Depreciation adjustment debited to Income and Expenditure following reversal of impairments</b></p> <p>There was a significant gain in the value of Council dwellings. Accounting standards require the Council to reverse any impairments charged previously to the income and expenditure account. However, the amount credited to the income and expenditure account has to be offset by an adjustment reflecting the additional depreciation which would have been charged had the impairment not been recognised. Management failed to post this adjustment when preparing the accounts.</p>	<p>HRA Expenditure understated by £314,000</p> <p>Surplus on Revaluation of Assets understated by £314,000</p>	<p>No impact</p>	<p>Surplus on Provision of Services overstated by £314,000</p> <p>Other Comprehensive Income understated by £314,000</p>
<p>2 <b>Treatment of amounts paid to Cumbria County Council in respect of Barrow Island works</b></p> <p>The Council made a payment to Cumbria County Council under the terms of a Section 278 agreement. The payment was a deposit which Cumbria County Council would use to cover the cost of any inspections of the project due in line with their responsibilities as the Highways Authority and to also cover the cost of rectifying any damage to the highway caused by the project. This payment should have been recognised as part of debtors in the Balance Sheet but had been treated as revenue funded from capital under statute (REFCUS)</p>	<p>Regeneration and Built Environment Expenditure overstated by £325,000</p>	<p>Current Assets – Debtors understated by £325,000</p>	<p>Surplus on Provision of Services understated by £325,000</p>

## Adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure
<p><b>3 Treatment of Public Health England Grant</b></p> <p>The Council had recognised a grant of £483,000 in non-specific grant income. The grant should have been matched to the REFUS expenditure of £183,000 incurred during the year with the balance of £300,000 being carried as a capital grant unapplied in the Balance Sheet and not as originally forming part of earmarked reserve in the draft accounts.</p>	<p>Resources Directorate - Gross Income understated by £183,000</p> <p>Taxation and Non-Specific Grants overstated by £183,000</p>	<p>Earmarked Reserves overstated by £300,000</p> <p>Capital Grants Unapplied understated by £300,000</p>	<p>No impact</p>

## Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Reason for not adjusting
1 Detailed review of the basis of the provision for appeals against the rateable values provided by the Valuation Office Agency identified that the provision was understated by £81,000. Increases in the provision are accounted for as part of the Collection Fund and the Council recognises its share of 40% as shown in its primary statements.	Taxation and Other Non-Specific Income (Business Rate Retention) overstated by £32,000	Long Term Liabilities – Provisions understated by £32,000	The adjustments are clearly immaterial
<b>Overall impact</b>	<b>£32,000</b>	<b>£32,000</b>	

## Misclassifications and disclosure changes

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

Adjustment type	Value	Account balance	Impact on the financial statements
1 Misclassification	£1,428,000	Note 16 - Operating Leases	As noted earlier in this report on page 15, our testing identified that the Council had incorrectly concluded that the new waste contract included an operating lease. Given that we have agreed with management that the lease is actually a finance lease, an adjustment has been made to remove the amounts relating to the operating lease from Note 16.
2 Misclassification	£1,000,000	Balance Sheet	The Authority has a loan which is due for repayment in the 2017/18 financial year. This had been disclosed as part of long-term borrowing in error. We agreed an adjustment to classify this balance as short-term borrowing.
3 Disclosure	N/A	Note 13 – Property, Plant and Equipment – Capital Commitments	In light of the issue set out above, at our request management have added a disclosure to the capital commitments notes to indicate that as a consequence of signing the new waste contract the Council is committed to the acquisition of new vehicles which the contractor will use to fulfil the contract.
4 Disclosure	Various	Prior Period Adjustment Disclosure	As noted earlier in this report on page 14, we have agreed with management that information regarding the restatement of prior year comparators as part of the ‘Telling the Story’ changes should be disclosed as a note to the account rather than as part of the narrative report.



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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

## Background

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

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

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 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.*

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

## Risk assessment

We carried out an initial risk assessment in March 2017 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 Audit Plan, which we presented to the Audit Committee at its meeting on 23 March 2017.

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

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

### **Significant qualitative aspects**

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

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

- the progress made to implement the changes in service provision set out in the budget strategy approved in July 2016; and
- the plans in place to ensure the Council's housing function is on a stable footing given changes in government policy.

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 29 to 30.

### **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.

Appendix B outlines our audit report, which includes our unqualified opinion on the Council's VfM arrangements.

### **Recommendations for improvement**

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

- ensuring there is sufficient consideration by senior management of key assumptions made by external consultants before these are incorporated into Council strategy;
- establishing an appropriate timetable for taking a decision regarding future delivery of the revenues and benefits service. The timetable should provide sufficient time for members and officers to consider all plausible options for service delivery;
- building into the Council's medium-term financial plan for the Housing Revenue Account sufficient provision for expected increases in depreciation charges following the recent increase in the value of Council dwellings; and
- ensuring the Council's forward-programme of planned maintenance on Council dwellings makes adequate provision for any additional degradation linked to the Council's coastal climate.

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

**Key findings**

Significant risk	Work to address	Findings and conclusions
<p><b>Budget Strategy</b></p> <p>In our 2015-16 Audit Findings Report we noted that the Council had developed a budget strategy in September 2016 and that significant detailed work would need to be undertaken by officers and members to realise the savings associated with the re-provision of the leisure and the revenues and benefit service.</p>	<p>We assessed the Council's arrangements with those officers responsible for developing and implementing the detailed plans required to deliver the necessary savings. We will assess whether sufficient progress is being made with the plans to realise the strategy.</p>	<p>The Council has made progress to implement the savings schemes set out in the Budget Strategy. Two of the savings schemes represent approximately £1.25m of the total savings of £2.37m per year which the Council need to deliver and our work focussed on these. A Delivery Plan for the implementation of the strategy was considered by the Executive Committee in November 2016. We set out below our understanding of the current position in relation to the two major savings schemes and our assessment of the arrangements currently in place.</p> <p><b><u>Leisure Contract</u></b></p> <p>The Council has been working with external consultants to take forward the procurement of an outsourcing partner to deliver leisure services in the Borough. At the time of preparing the Budget Strategy, the Council had identified that savings of around £470,000 per annum could be delivered through outsourcing the Forum and the leisure centre under a new contract which is due to be in place by 1 April 2018.</p> <p>Prior to going out to tender, the Council commissioned an early market engagement exercise which provided some assurance that the market would come forward with a bid to provide services at the Forum and the leisure centre. This indicates that appropriate arrangements were in place to inform the approach set out in the Budget Strategy. However, our review of the relevant documentation suggests there was only limited evidence that there was market appetite for running the services provided by the Forum on terms that would be acceptable to the Council.</p> <p>The original plans have now been revised following further work so that the outsourcing exercise is confined to the leisure centre. The timing has also changed: due to an existing contract for the provision of fitness and gym facilities on the leisure centre site a decision was taken to postpone the commencement date for the new contract to 1 August 2018.</p> <p>Officers have provided assurance that the savings targeted in the approved budget strategy can still be achieved even though the Council now only intends to outsource the running of the leisure centre. The Council is confident that the market will come forward with a proposal to run the service where any payment due from the Council to the outsourcing partner is significantly less than the current cost of running the facility. This reflects an expectation that an outsourcing partner will be able to generate more income and have lower overheads than the existing arrangements.</p> <p>More detailed projections have been produced to support the revised estimate linked to the outsourcing of the leisure centre. However, officers recognise that there is still some uncertainty that a provider will come forward with a proposal on terms that will be sufficient to ensure the Council can deliver the required savings. Alongside any savings generated from the leisure centre outsourcing, management has confirmed that they intend to find additional savings through making changes to the way in which services are delivered at Forum. Management understands that they the Council may still need to find savings in other areas to achieve the reduction in net expenditure set out in the Budget Strategy.</p> <p><b><u>Revenues and Benefits Contract</u></b></p> <p>The Council's existing arrangements for the provision of the revenues and benefits service expire on 30 September 2018. Management has indicated that they intend to provide Members with the opportunity to consider a range of options in relation to future service provision. Management has explained that their focus in the period to 31 March 2017 has been on the leisure outsourcing. Management need to ensure there is sufficient flexibility built into the timetable to enable a full range of options to be considered and that the expiry date of the existing contract does not restrict the best value for money options available.</p>

**Key findings (continued)**

Significant risk	Work to address	Findings and conclusions
<p><b>Provision of Council-owned housing</b></p> <p>Recent changes in government policy has negatively impacted on the 30-year business plans local authorities were required to produce when they took on additional housing debt as part of the re-financing of Council housing in 2011/12. These changes pose a risk to the sustainable provision of Council-owned housing if they are not addressed.</p>	<p>We assessed the Council's arrangements with those officers responsible for developing and implementing the detailed plans required to deliver the necessary savings. We will assess whether sufficient progress is being made with the plans to realise the strategy.</p>	<p>Management recognise the pressure presented by changes in government policy. The Council has prepared a detailed projection for the Housing Revenue Account ('HRA') which models the impact of the reduction in rents imposed by the central government and the continuation of the existing trend whereby increasing numbers of Council tenants are taking advantage of the opportunity to purchase their Council property under the terms of the right to buy scheme.</p> <p>To balance the 2017-18 HRA budget management established a Housing Service Review Group and savings totalling £268,000 were agreed of which the majority relates to a reduction in the voluntary provision for repayment of debt. Looking ahead to 2018-19, management has forecast that if further remedial action is not taken the deficit on the HRA will be £300,000 in 2018-19 and around £500,000 each year from 2019/20 onwards. We understand the aforementioned working group has been tasked with identifying further savings, as well as changes to the service which could increase income. There is a recognition amongst senior managers at the Council and Members that the sustainability of the service depends on management continuing to bring forward changes which reduce the cost of running the service.</p> <p>Maintenance represents the main cost associated with the housing function. The Council has worked hard to ensure that all bar four of its properties meet the government's decent homes standard. There has also been extensive work undertaken to review maintenance contracts to ensure these meet the Council's requirements and provide value for money. In January 2017, the Council identified that further planned maintenance was required to rectify problems with the roofs and the damp insulation on some properties in the Borough. These works had not been identified as part of a condition survey in 2014 and the need to undertake the work became apparent after repairs to the affected properties were required. We understand that in both cases the coastal climate experienced by the Borough has had a significant impact so it will be important that, when planning likely planned maintenance, the Council takes account of any components within its Council dwellings which might require renewal or replacement sooner due to factors associated with the local climate.</p> <p>New accounting arrangements affecting the HRA come into effect from the 2017-18 financial year. This is because the five-year transitional period introduced after the major self-financing reforms introduced in 2012-13 has ended. Under the new arrangements, depreciation is charged to the Housing Revenue Account and there is no longer any provision for an adjustment to be made to cap the amount charged to the HRA at an amount equal to the amount set aside to fund major repairs as part of the Council's business plan. The Council needs to ensure its medium term financial plan for the HRA takes account of the consequence of these changes as the impact could be significant. This is because the value of the Council's dwellings has increased in recent years due to trends in the local market and changes in guidance issued to valuers. Increases in the value of Council dwellings lead to an increase in the depreciation charge.</p>

**Significant difficulties in undertaking our work**

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

**Significant matters discussed with management**

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

**Any other matters**

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

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## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non audit services and independence**

05. Communication of audit matters

We confirm below our final fees charged for the audit and confirm as at 8 September there were no fees for the provision of non-audit services.

## Fees

	Proposed fee £	Final fee £
Council audit	51,119	51,119
Grant certification	13,733	13,733
<b>Total audit fees (excluding VAT)</b>	<b>64,852</b>	<b>64,852</b>

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

### Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

## Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. This did not identify any non-audit services being provided to the Council.



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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication to those charged with governance

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

This document, the Audit Findings Report, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

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# Appendices

**A. Action Plan**

**B. Audit Opinion**

# Appendix A: Action plan

## Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	Align in-year financial reporting to the format of the Expenditure and Funding Analysis within the Statement of Accounts.	Low	Accepted, the divisions and presentation within the Statement will be the format used in quarterly reporting.	Implementation September 2017 Director of Resources and Accountancy Services Manager
2	Consider commissioning revaluations of significant non-housing assets on a more frequent basis.	Medium	Accepted, we will consider the frequency of the significant non-housing asset valuations.	Implementation October 2017 Accountancy Services Manager and Asset Accountant
3	Implement the outstanding IT audit recommendations relating to the configuration of the Oracle main accounting system.	Medium	Accepted, the outstanding recommendations will be progressed with our external support provider.	Implementation December 2017 Financial Services Manager and IT Manager
4	Ensure the timetable for decision making on the future provision of the revenues and benefits service is sufficient to ensure a full options appraisal can be undertaken.	Medium	Accepted	Implementation October 2017 Director of Resources
5	Update the medium-term financial plan for the Housing Revenue Account (HRA) to reflect any increase in capital charges due to borne by the HRA from 2017-18 onwards.	Low	Accepted	Implementation October 2017 Director of Resources and Service Accountant
6	Review the schedule of planned maintenance to ensure there is adequate consideration of maintenance which might need to be brought forward due to the Borough's coastal climate.	Low	Accepted, this affects a small number of properties within the stock and materials will be a consideration for planned maintenance in future.	Implementation September 2017 Assistant Director (Housing)

## Controls

- High – Significant effect on control system and/or value for money arrangements
- Medium – Effect on control system and/or value for money arrangements
- Low – Best practice

# Appendix B: Audit opinion

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARROW BOROUGH COUNCIL

We have audited the financial statements of Barrow Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

### Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of Responsibilities, the Director of Resources 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources

and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

### Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

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

**Respective responsibilities of the Authority and auditor**

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

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

**Scope of the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper 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 criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**Certificate**

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

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

110 Queen Street  
Glasgow  
G1 3BX

**DATE TO BE ADDED ON CONCLUSION OF AUDIT**



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