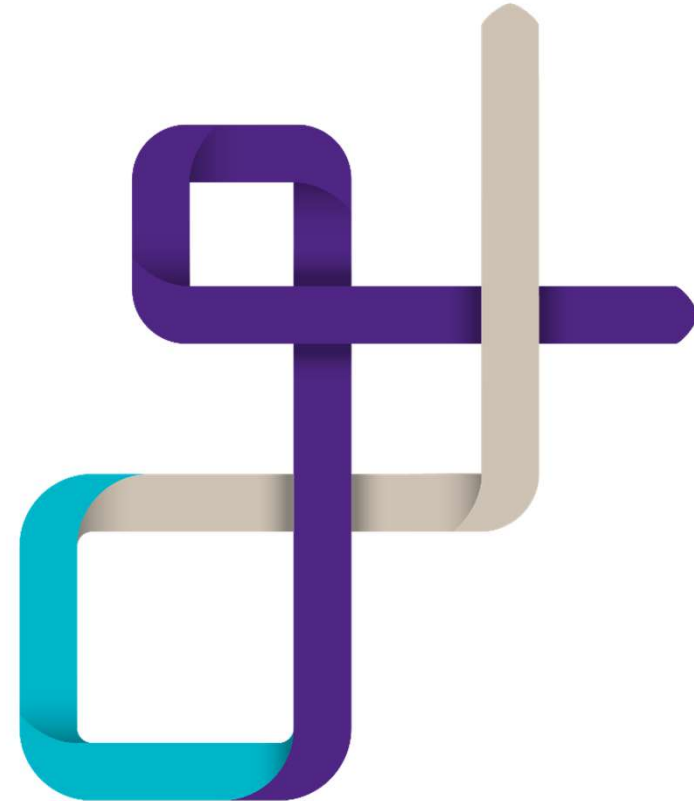


Audit Findings

Year ending 31 March 2018

Barrow Borough Council
26 July 2018



Contents



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

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Headlines

This table summarises the key issues arising from the statutory audit of Barrow Borough 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 Council's expenditure and income for the year, andhave been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised in Appendix C on pages 24 to 25. We have identified 1 adjustment to the Balance Sheet that had a nil impact on the Statement of Comprehensive Income and Expenditure. 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>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 26 July 2018, as detailed in Appendix E. These outstanding items include:</p> <ul style="list-style-type: none">receipt of management representation letterreview of the final set of financial statementscompleting our testing of journal entriescompleting our testing of employee remuneration, property plant and equipment, operating expenses, other revenues and cash. <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, post audit changes are consistent with our knowledge of your organisation and with the financial statements we have audited.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Barrow Borough 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; andcertify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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

Summary

Overview of the scope of our audit

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

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 by our specialist Business Risk Services team. Our IT work has identified one significant internal control deficiency. We have included a recommendation in relation to this in Appendix A.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

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

- receipt of management representation letter
- review of the final set of financial statements
- completing our testing of journal entries
- completing our testing of property plant and equipment, employee remuneration, operating expenses, other revenues and cash.

Summary

Our approach to materiality

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

Our Materiality calculations remain the same as reported in our audit plan.

	Council Amount (£)	
Materiality for the financial statements	970,000	2% of expenditure in the prior year accounts after adjusting for the one off gain in housing valuations recognised in the prior year following a change in the national discount factor used for housing stock valuations
Performance materiality	727,000	75% of materiality
Trivial matters	48,000	5% of materiality
Materiality for specific transactions, balances or disclosures		
Related Party Transaction	2,000	based on 2% of total related party transactions in 2016/17 audited statements
Senior Officer Remuneration	3,000	based on 2% of total senior officer remuneration in the 2016/17 audited statements.

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

The Council has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and that no material uncertainties exists.

- The Council's use of the going the concern basis of accounting is appropriate.
- The Council's assessment of going concern was communicated to us in the Audit Committee Chair's April 2018 letter.

Work performed

We discussed the financial standing of the Council and reviewed management's assessment of going concern and the assumptions and supporting information.

- No material uncertainty has been identified.
- Explicit disclosure of going concern as the basis of the preparation of the accounts is made in Note 1 a General Principles.

Concluding comments

The Council's use of going concern basis of accounting is appropriate and is explicitly referenced in the Statement of Accounts.

- Our opinion is unmodified in respect of the going concern conclusion.

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>1 Improper revenue recognition Under ISA 240 (UK) 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 ISA 240 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, 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 Barrow Borough Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Barrow Borough Council.</p> <p>However, we did find the Housing Rents System has not been fully reconciled to the General Ledger. We have had to carry out substantive analytical procedures to provide adequate assurance over the completeness of housing rents revenue. Appendix A provides a recommendation for the Council to address this area of control weakness.</p>
<p>2 Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness • obtained a full listing of journal entries, identified and tested large and unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual transactions. <p>We have not identified any issues which require reporting through our work on 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 non-dwelling land and buildings using a five year rolling programme. Valuations are undertaken by the Council's external valuer. Additional valuations are undertaken, above and beyond those planned as part of the five-year programme, if these are considered necessary to ensure that the carrying value of land and buildings is not materially different from current value at the Balance Sheet date.</p> <p>Council Dwellings are valued on an annual basis in accordance with Department for Communities and Local Government (DCLG) guidance.</p> <p>The valuation of land and buildings is a key estimate made by management in order to produce the financial statements. We have identified this estimate and the assumptions underpinning the estimate as a risk which requires special audit attention.</p>	<p>We have:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the preparation of the estimate, including detailed consideration of the instructions issued to the external valuer and how the scope of the valuer's work has been determined assessed the competence, expertise and objectivity of the external valuer met with the valuer to discuss the basis on which valuations have been carried out and confirmed this is consistent with our expectation based on the provisions of the CIPFA Code of Practice and relevant accounting standards identified the data provided to and/or obtained by the valuer to inform the valuation process and confirmed the appropriateness of the data used tested revaluations provided during the year to confirm these are accurately reflected in the asset register and that the associated accounting entries have been posted to reflect movements in asset values reviewed management's process for obtaining assurance in relation to those assets not subject to formal valuation during the year to confirm the process is sufficiently robust to mitigate the risk the value of assets not revalued might be materially misstated, either at the level of individual assets or in aggregate. <p>We have not identified any issues which require reporting through our work on property, plant and equipment valuations, with the exception of one issue. The Council works closely with its external valuer to make an assessment on material assets that may be subject to material movement between its carrying value to current value. There is scope for the Council to further enhance its wider controls on this by considering the use of property valuation indices to give additional assurance that the carrying value of any assets not revalued in year are not materially different to their current value.</p>
<p>4 Valuation of pension fund net liability The Council's pension fund asset and liability position as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none"> identified the controls put in place by management and the controls established by Cumbria Pension Fund to ensure that the pension fund liability is not materially misstated. We have assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. On behalf of external audit suppliers to local government, the National Audit Office has commissioned an auditor's expert to undertake a review of the actuaries engaged by local government pension funds, including the Cumbria Pension Fund. We have considered the expert's findings and followed-up on any implications for our audit undertaken procedures to confirm the reasonableness of the actuarial assumptions made, particularly if these are specific to Barrow Borough Council checked the consistency of the pension fund asset and liability position and disclosures in notes to the financial statements with the actuarial report. <p>We have not identified any issues which require reporting through our work on the pension fund net liability valuation.</p>

Significant audit risks

Risks identified in our Audit Plan

Commentary

5

Implementation of new payroll system

In April 2017, the Council implemented a new payroll system. Prior to that the Council outsourced its payroll function to a third party provider. We need to gain an understanding of the process adopted to implement the new system, including the process followed to migrate relevant standing data. We also need to confirm that appropriate controls have been incorporated into the design of the new system and that these controls have been implemented as intended by management.

We have identified the accuracy and completeness of employee remuneration expenditure as the assertions which give rise to a significant risk of material misstatement.

We have:

- made arrangements for our specialist IT audit team to undertake a review of the implementation of the payroll system, including arrangements to import/migrate relevant standing data
- obtained an understanding of the design of the new system, including the controls developed and implemented by management to prevent and/or detect a material misstatement in the financial statements;
- tested the year-end reconciliation of the payroll system to the general ledger.
- Undertaken substantive analytical procedures to obtain assurance over the accuracy of the payroll expenditure recorded in the accounts
- tested for reasonableness any accruals posted to the Council to reflect amounts due to employees but not paid at the year-end.

We have not identified any issues which require reporting through our work on the new payroll system.

Reasonably possible audit risks

Risks identified in our Audit Plan

6

Operating expenses

The Council purchases goods and services from a range of suppliers. At the year-end management uses judgement to estimate the value of goods or services consumed which have not yet been paid for so that where an invoice has not been received appropriate accruals can be reflected in the Balance Sheet. This forms part of the close-down process for both capital and revenue transactions and the use of estimates is required to enable the Council to close its ledgers promptly.

Given the use of estimation techniques, we identified completeness of non-pay expenditure as a risk requiring particular audit attention.

Commentary

We have:

- gained an understanding of the Council's process for initiating, processing, recording and reporting accounts payable invoices and other types of non-pay expenditure incurred
- tested the year-end reconciliation of the accounts payable system to the general ledger
- assessed the accruals process established by management and considered whether it is sufficiently comprehensive to ensure year-end accruals are not materially misstated
- tested a sample of year end accruals and creditor balances in the year-end balance sheet to confirm these accurately reflect year-end liabilities
- tested a sample of payments made in April 2018 to confirm the associated invoices have been accounted for in the correct financial year.


We have not identified any issues which require reporting through our work on Operating Expenses.

Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
1 Significant events or transactions that occurred during the year	No issues to report.
2 Business conditions affecting the council, and business plans and strategies that may affect the risks of material misstatement	No issues to report.
3 Concerns about management's consultations with other accountants on accounting or auditing matters	No issues to report.
4 Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	We were re-appointed as auditors of Barrow Borough Council for five years from 2018/19. We issued our fee letters for 2018/19 on the 17 th April 2018.
5 Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No issues to report.



Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<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"> • 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. • Revenue from the provision of services is recognised when the Council 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. • 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. 	The Council's accounting policy is in line with the requirements of CIPFA code and is adequately disclosed in the accounts.	 GREEN




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

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> – Useful life of Property, Plant and Equipment (PPE) – Revaluations of PPE – Impairments of PPE – Valuation of pension fund net liability 	<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 8.</p>	 GREEN
Other critical policies		<p>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.</p>	 GREEN

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	We have previously discussed the risk of fraud with the Audit Committee We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	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	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	A standard letter of representation has been requested from the Council.
⑤ Confirmation requests from third parties	We obtained direct confirmations for loans, investments, and bank accounts. This permission was granted by management and the requests were sent.
⑥ Disclosures	Our review found no material omissions in the financial statements
⑦ Audit evidence and explanations	All information and explanations requested from management was provided
⑧ Significant difficulties	No significant difficulties were encountered during the course of our audit.

Other responsibilities under the Code

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

Issue	Commentary
<p>1 Other information</p>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Statement is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified but a number of omissions on the AGS have been adequately rectified by management, including a statement on how the Council:</p> <ul style="list-style-type: none"> • Complies with its locally adopted code by adding a link to it within the AGS. • Ensures compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. • Develops and communicates a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning. • Reviews the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality. • Measures the performance of services and related projects and ensures that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money. • Defines and documents the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the Council and partnership arrangements. • Ensures that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). • Ensures effective arrangements are in place for the discharge of the monitoring officer function. • Ensures effective arrangements are in place for the discharge of the head of paid service function. • Ensures effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014). • Ensures that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010). • Ensures that the Council provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

Issue	Commentary
<p>1 Other information (continued)</p>	<p>The Narrative Report was produced to a reasonable compliance standard. However, we did recommend some changes to enhance the readability of it as a standalone Narrative Report, which management has implemented, namely on adding:</p> <ul style="list-style-type: none"> • Key responsibilities towards its local community and the principal services it provides to meet those responsibilities. • Core values, culture and ethics that underpin its actions and decision making processes. • Key relationships with other parties for effective service delivery. • A cross reference to the Annual Governance Statement, directing readers to an overview of the Council's governance arrangements in year. • Details on the organisation of the Council. • Information on its operational model in terms of inputs, outputs, operational activities of the Council's key services and outcomes and how it allocated and consumed resources during the year in order to achieve its objectives. • The performance of the Council in the financial year and its position at the end of the year to complement the financial statements, • Significant future opportunities to develop services and details of the future outlook for the Council and its risks and uncertainties. • Cross-reference to the outturn provided in the Expenditure and Funding Analysis. • Disclosing that materiality has been applied to support the basis of preparation and presentation of the Statement of Accounts. • Information on its value for money in terms of "financial performance and economy, efficiency and effectiveness in its use of resources over the financial year". <p>We plan to issue an unqualified opinion in this respect, as outlined in Appendix E.</p>
<p>2 Matters on which we report by exception</p>	<p>We are required to report on a number of matters by exception, if:</p> <ul style="list-style-type: none"> • the Annual Governance Statement post audit 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. • we have applied any of our statutory powers or duties. <p>We have nothing to report on these matters</p>
<p>3 Specified procedures for Whole of Government Accounts</p>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold.</p>
<p>4 Certification of the closure of the audit</p>	<p>We intend to certify the closure of the 2017/18 audit of Barrow Borough Council in the audit opinion, as detailed in Appendix E.</p>

Value for Money

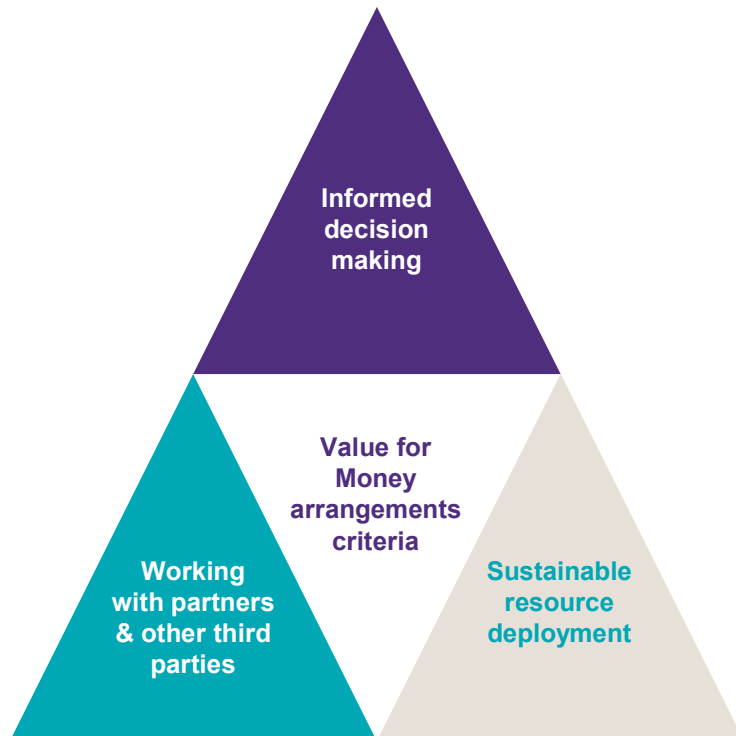
Background to our VFM approach

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 February 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit plan.

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

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

Value for Money

Our work

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

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

- The arrangements in place to support the ongoing changes in models of service delivery at the Council.
- Confirming plans exist to bridge gaps if changes to service delivery do not deliver expected savings.
- Compliance with the Council's rules and regulations relating to procurement, and how the Council is able to demonstrate and ensure it delivers value for money through its procurement and contract management arrangements.

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 audit report opinion, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed a recommendation for improvement. Our recommendation 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 risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings
1	Budget Strategy The Council are making key strategic decisions in 2017/18 which will fundamentally alter models of service delivery impacting on the delivery of the budget strategy from 2018/19. We need to confirm adequate arrangements are in place to prepare for the change in the models of service delivery and that if these changes do not deliver savings, robust plans are in place to bridge the gap in other areas.	<p>The Budget Strategy identified a funding gap of £5.78 million over the period 2016-2017 to 2019-20. Subsequent amendments to the New Homes Bonus scheme came into force and increased the funding gap over the period to £6.42 million. This was on the basis that no action was taken and reserves were used to plug the gap in funding. The Medium Term Financial Support reserve contained £2.87m at the start of the budget strategy, resulting in a shortfall of circa £3m.</p> <p>14 proposals were agreed to address the shortfall, including major contract renewals relating to Waste and Street Cleaning, Revenues, Benefits and Customer Services, Internal Audit and Leisure. The projected benefits of the 14 proposals all but eliminated the funding gap forecast for 2019-20. It was agreed to maintain the Medium Term Financial Support reserve should reductions take longer to be realised.</p> <p>In 2017-18 the budget strategy has achieved reductions of £931,000 against a target of £940,000. The outturn for 2017-18 required £394,030 from the Medium Term Financial Support reserve to balance the General Fund. Major proposals relating to Revenues, Benefit and Customer Services and Leisure do not commence until 2018-19 and 2019-20. The Budget Strategy identifies a profiled deficit reduction by 2018-19 of £1.92m. A small element of the target has been re-profiled into 2019-2020, leaving £1.84m as the deficit reduction target for 2018-2019. The Council set budgeted reduction for 2018-19 of £1.77m. Major contract renewals have Council set budgeted reduction of £826,070, against an initial target plan of £622,650 and Leisure has a budgeted reduction of £275,860 against a plan of £467,000. Therefore, the cumulative Council set budget position is close to the planned target savings.</p> <p>Successful implementation of changes to model of service delivery for Leisure and Revenues, Benefits and Customer Services are therefore key to the overall success of the Budget Strategy. 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>Leisure- The Council has been working with external consultants to take forward the procurement of an outsourcing partner to deliver Leisure Services in the Borough. The procurement process is almost complete and it is hoped that the contract will be signed by the end of July 2018. Based on the proposed contract and the draft price list, the leisure centre will provide an income stream to the Council, rather than requiring a subsidy. It is important that the new contract is carefully monitored to ensure it realises the benefits assumed by the Budget Strategy. As members took the decision to remove 'The Forum' from the procurement, the Council has some flexibility to realise savings from making its own changes to the way in which it delivers the service provided at the Forum. Officers and Members have met with external consultants and produced an initial set of measures to increase income and review the catering contract.</p> <p>Revenues and Benefits- The Council's existing arrangements for the provision of the Revenues and Benefits service expire during 2018-19. The Council has engaged a range of professional consultants to support the insourcing of this service. There are a number of significant technical matters to resolve, relating to termination of existing arrangement with Liberata, transfer of IT systems and TUPE of Liberata staff. Management need to ensure all issues are satisfactorily resolved to secure the planned savings and best possible Value for Money for the Borough.</p> <p>Conclusion</p> <p>Given the arrangements outlined above, we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place to support its Budget Strategy. The Council is running its General Fund and HRA reserves at a minimum level but we acknowledge it has a Medium Term Financial Plan support and budget contingency reserve in place to help smooth a medium term balanced budget position. Continue to plan and closely monitor the Council's finances through a combination of cost reduction, demand management and income generation measures, particularly as reserves will come under pressure if the contract renewal savings are not realised as planned.</p>

Key findings

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

Significant risk	Findings
<p>2 Procurement Arrangements</p> <p>The 2016/17 Annual Governance Statement identified the need to strengthen the Council's arrangements to ensure all departments can demonstrate compliance with the Council's rules and regulations relating to procurement. We need to confirm that improvements have been made which ensure the Council can demonstrate procurement processes ensure overall value for money.</p>	<p>The 2017/18 Annual Governance Statement identifies the need for the Council to continue to strengthen its procurement arrangements. Our work suggests only limited progress has been made in the 2017/18 year. We are aware that neither senior management nor Internal Audit have been able to secure access to the pre-contract checklist in relation to the waste contract awarded to FCC Environmental Services Limited in the 2016/17 year. This checklist is now more than 20 months overdue. This lack of compliance proof makes it difficult for the Council to prove that they have secured overall value for money in a procurement decision of both high financial value and service delivery significance to the Council's Budget Strategy and priorities. Whilst concerns around this particular procurement decision have existed for 2 years, neither the Audit Committee or senior management have been able to bring sufficient leverage for the issue to be addressed.</p> <p>Internal Audit's 2017/18 report into procurement reached a conclusion of restricted assurance in this area, noting significant weaknesses in the system of control which put system objectives at risk. No new recommendations were made but it was reported that the priority 1 recommendation raised in 2016/17 was outstanding. The recommendation referred to officers ensuring that all relevant supporting documentation relating to procurement decisions are confirmed and readily available for inspection to confirm compliance with the Council's procurement decisions. For the second consecutive year, information was not made available by the Streetcare division, within Community Services. In the Head of Internal Audit Opinion, contract management is highlighted as a specific area of weakness and it notes that third party access to information relating to some smaller contracts has also been restricted.</p> <p>In view of the difficulties outlined above, it was appropriate that the Council's Overview and Scrutiny Committee have undertaken a review of the Council's waste collection service during 2017/18. Members of the group were provided with contractual information relating to FCC Environment's contractual commitment and were satisfied the contract forms a good basis for delivering a satisfactory waste collection and street cleansing service. The Group made 3 recommendations relating to processes and procedures for responding to missed bin reports, processes and procedures for dealing with contaminated loads, and the recycling information that is provided to residents.</p> <p>However, the Council has demonstrated some learning from the Waste Contract procurement, with the same difficulties not noted in its procurement for the new Leisure Contract. It has taken further steps to strengthen procurement arrangements. A new Purchasing Officer has been appointed and there are plans to appoint a Community Services Contracts Lead. This post will be the client officer for the Leisure contract, Waste contract, Catering contract and any other major contracts within Community Services.</p> <p>Conclusion</p> <p>Given the arrangements outlined above, we concluded that the risk was sufficiently mitigated and the Council has reasonable arrangements in place. There is still significant scope for strengthening these arrangements and it is imperative that the pre-contract checklist relating to the waste contract is provided to demonstrate compliance with the Council's procurement policies and procedures. The Council needs to dedicate sufficient resource to ensure it receives compliance assurance within its ongoing procurement and ongoing contract management arrangements.</p> <p>We have made two recommendations to this effect in Appendix A.</p>

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:

In the previous year we undertook an agreed upon procedures engagement in relation to the Council's Housing Capital Receipts return. The Fee for this work was £2,500. It is likely that the Council will need to make arrangements to obtain assurance in relation to this return this year. 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 £2,500 in comparison to the total fee for the audit of £67,287 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 all mitigate the perceived self-interest threat to an acceptable level.

Action plan

We have identified 3 recommendations for the Council as a result of financial statements related issues we found 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	<p>IT Systems and Controls</p> <p>We noted that there were 10 users with access to critical functions e.g. Flexfields, Users and Functions which can be used to modify ledger codes, modify responsibilities assigned to users and create or modify existing functions within the application.</p> <p>Management should review the report that we have provided that contains details of all users who have access to critical functions within Oracle. Any users that do not strictly require these functions to perform their job should have this level of access removed.</p>	<p>Review users with access to critical functions with a view to restricting such access to those that need it.</p> <p>Management response</p> <p>The Oracle report will be reviewed immediately and where access to the critical functions identified is not required, it shall be removed.</p> <p>Assigned to the Financial Services Manager.</p>
2	<p>Property Plant and Equipment Valuations</p> <p>The Council is required to satisfy itself that the carrying value of assets not revalued in year are materially consistent with their current value.</p> <p>The Council works closely with its external valuer to make an assessment on material assets that may be subject to material movement between its carrying value to current value.</p>	<p>Consider the use of property valuation indices to give additional assurance that the carrying value of any assets not revalued in year are not materially different to their current value.</p> <p>Management response</p> <p>The use of property valuation indices will be discussed with the external valuer at the next meeting in the autumn.</p> <p>Assigned to the Assets Accountant.</p>
3	<p>Housing Rents System</p> <p>The Housing Rents System has not been fully reconciled to the General Ledger.</p> <p>We have had to carry out substantive analytical procedures to provide adequate assurance over the completeness of housing rents revenue.</p>	<p>Management should ensure the Housing Rents system is reconciled to the General Ledger on a weekly basis.</p> <p>Management response</p> <p>The weekly reconciliation of the Housing Rents system will be re-established in 2018-2019 with the software supplier enhancing the reporting module to provide the information required to complete the reconciliation from the system commencement.</p> <p>Assigned to the Service Accountant.</p>

Controls




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

Action plan

We have identified 2 recommendations for the Council as a result of value for money related issues we found 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
4	<p> Budget strategy delivery</p> <p>The Council is running its General Fund and HRA reserves at a minimum level but we acknowledge it has a Medium Term Financial Plan support and budget contingency reserve in place to help smooth a medium term balanced budget position.</p>	<p>Continue to plan and closely monitor the Council's finances through a combination of cost reduction, demand management and income generation measures, particularly as reserves will come under pressure, especially if the contract renewal savings are not realised as planned.</p> <p>Management response</p> <p>A full review of the Budget Strategy for the General Fund and future finances for both the General Fund and the HRA is planned for the autumn and this includes the levels of financial reserves.</p> <p>Assigned to the Director of Resources.</p>
5	<p> Procurement and contract management</p> <p>The waste contract pre-contract checklist is now more than 20 months overdue. There is still significant scope for strengthening these arrangements and it is imperative that the pre-contract checklist relating to the waste contract is provided to demonstrate compliance with the Council's procurement policies and procedures and that the Council has secured value for money. The Council also needs to dedicate sufficient resource to ensure it receives compliance assurance within its ongoing procurement and ongoing contract management arrangements.</p>	<p>Ensure the waste contract 'pre-contract checklist' is made available for audit to provide assurance on process and that the Council has achieved value for money to both Management and the Audit Committee.</p> <p>Ensure that the Council's policies and procedures, including completion of pre-contract checklist and robust contract monitoring compliance arrangements are in place for all significant contracts.</p> <p>Management response</p> <p>The completion of the waste contract pre-contract checklist has been assigned to the Executive Director with a view to completion in October 2018; including the responses to the Internal Audit final report.</p> <p>The Executive Director, Director of Resources, Head of Internal Audit and Corporate Support Manager will undertake a review of the pre-contract checklist process and address any parts of the pre-contract checklist that are causing issues. The major external contracts reside within the Community Services division and a Community Services Contracts Lead has been appointed from the 1st August, 2018. The Corporate Support Manager will establish a mechanism for identifying high value contracts at an early stage and a process for monitoring the completion of checklists. The Council has recruited a Purchasing Officer who is reviewing the procurement process and will monitor and address areas of non-compliance with the Council's procedures.</p> <p>The target date for completion is December 2018.</p>

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2016/17 financial statements, which resulted in 6 recommendations being reported in our 2016/17 Audit Findings report.

We have followed up on the implementation of our recommendations and note 2 are still to be completed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	Align in-year financial reporting to the format of the Expenditure and Funding Analysis within the Statement of Accounts.	For 2017-2018, the quarterly financial reports mirrored the Expenditure and Funding Analysis within the Statement of Accounts.
2	X	Consider commissioning revaluations of significant non-housing assets on a more frequent basis.	The Council will review the frequency of the revaluations of these assets in discussion with our external valuer. Assets in a particular class are reviewed where there is evidence of a material change in valuation during the year, either through movements in market value, or for those affected by valuation method (building indices for DRC valuations, for example).
3	X	Implement the outstanding IT audit recommendations relating to the configuration of the Oracle main accounting system.	The Council continues to work with its Managed Service Provider to review and implement the recommendations.
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.	The key decisions required during the summer have been delegated to the Director of Resources by the Executive Committee and Full Council where appropriate; in consultation with the Executive Director and Leader of the Council. The timetable contains milestones and fortnightly meetings are held with the contractor's key staff as a minimum. The office and reception accommodation works are programmed for completion prior to the end of September 2018.
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.	The capital charges for the Housing Revenue Account have been transacted in 2017-2018 and are budgeted in 2018-2019; this treatment is now standard and will continue in the forward projections to be performed out in the autumn.
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.	This has been implemented and there is a continuing programme of works to address maintenance issues for coastal properties.

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	CIES	Balance Sheet	Cash flow Statement
1 Repayment of PWLB Loans of £1,000,000 was shown as investing activity rather than a financing activity in the cash flow statement resulting in an overstatement of the amount shown for Purchase of short-term investments and an equivalent understatement in the amount shown for repayment of loans.	Nil Impact	Nil Impact	£1,000,000 reduction in investing activities and £1,000,000 increase in financing activities. No overall impact on the net decrease in cash and cash equivalents.
2 The present value of minimum lease payments in respect of finance leases was shown as "Other Long Term Liabilities". Amounts relating to the present value of minimum lease payments falling due within one year of the balance sheet date should be shown as a "Current Liability". This resulted in "Long Term Liabilities" being overstated by £220,000 and short term liabilities understated by an equivalent amount.	Nil Impact	Dr Long Term Liabilities 220,000 Cr Short Term Liabilities 220,000	Nil Impact

Audit Adjustments

Impact of unadjusted misstatements

There are no unadjusted misstatements..

Misclassification and disclosure changes

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

Disclosure omission	Detail	Adjusted?
Note 3 Critical Judgements.	The Critical Judgements note has been updated to provide the reader of the accounts with more detail around the key critical judgements made.	✓
Note 11 Taxation and Non Specific Grant Income	The non-ring fenced government grants line in this note has been disaggregated to separately disclose Revenue Support Grant.	✓
Note 21 Provisions	Wording of this note was updated to reflect that 'the impact of all open appeals against the 2010 List have been estimated and an estimate for appeals against the 2017 List has been calculated based on the potential appeals against the new rateable values'.	✓
Note 30 and 31 Cash flow Statement	Repayment of PWLB Loans of £1,000,000 was shown as investing activity rather than a financing activity in the cash flow statement resulting in an overstatement of the amount shown for Purchase of short-term investments and an equivalent understatement in the amount shown for repayment of loans.	✓
Note 6 Expenditure and Funding Analysis- adjustment between funding and accounting basis	The Expenditure and Funding Analysis note in the draft accounts has been updated to correct a transposition error between the supporting working paper for this note and the accounts. This impacts a number of lines, the biggest change being on the other income and expenditure line with a £100,000 adjustment between the as reported for resource allocation column and the adjustments to arrive at the net amount chargeable to the General Fund & HRA balances line.	✓

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 prior year unadjusted misstatements

The table below provides details of unadjusted misstatements identified during the prior year audit, which have been actioned by management within the 2017/18 financial statements.

Detail	CIES £'000	Balance Sheet £' 000	Update in 2017/18
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 have been factored into the appeals provision in 2017/18 to ensure there is no understatement of the provision position as at 31 March 2018.

Fees

We confirm below our final fees charged for the audit.

Audit Fees

	Proposed fee	Final fee
Council Audit	£51,119	£51,119
Grant Certification	£16,168	£16,168
Total audit fees (excluding VAT)	£67,287	£67,287

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

In the previous year we undertook an agreed upon procedures engagement in relation to the Council's Housing Capital Receipts return. The Fee for this work was £2,500. It is likely that the Council will need to make arrangements to obtain assurance in relation to this return this year. 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 £2,500 in comparison to the total fee for the audit of £67,287 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 all mitigate the perceived self-interest threat to an acceptable level.

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barrow Borough 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 Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account 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 Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources 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 Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 95, and the Annual Governance Statement, 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, 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 Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 14, 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 Resources. 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 2017/18, which give a true and fair view, and for such internal control as the Director of Resources 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 Resources 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.

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.

To be signed

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

110 Queen Street
Glasgow
G1 3BX

Date to be provided



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