

The Audit Findings Report for Carlisle City Council

Year ended 31 March 2017

July 2017

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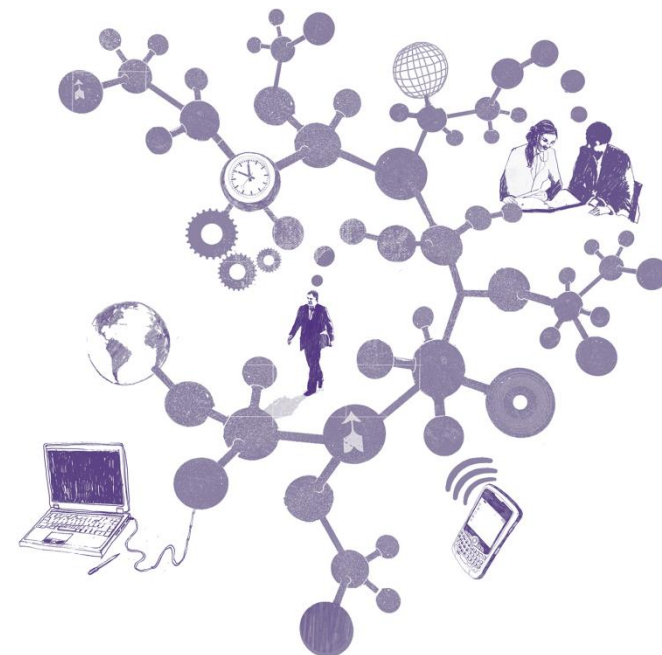
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31 July 2017

Dear Members of the Audit Committee

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

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

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

Yours sincerely

Gareth Kelly
Engagement Lead

Chartered Accountants

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

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06. Communication of audit matters

We plan to give an unqualified opinion on the financial statements with no material primary statement misstatements identified, and any adjusted misstatements do not impact upon the net reserves position in the primary financial statements.

We are satisfied that in all significant respects, Carlisle City Council put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2017.

Purpose of this report

This report highlights the key issues affecting the results of Carlisle City 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 International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

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

We are also required 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

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 16 April 2017.

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

- reviewing the final version of the financial statements;
- physical verification of some heritage assets;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and accompanying working papers well in advance of the 30 June 2017 statutory deadline as the draft financial statements were approved by the Chief Finance Officer on 31 May 2017.

Key audit and financial reporting issues

Financial statements opinion

Subject to the completion of our final procedures, we anticipate providing a unqualified audit opinion in respect of the financial statements as shown in Appendix B.

One adjustment was identified to primary statements, and was amended by management. The net services expenditure was understated by £0.579 million and financing and investment expenditure was overstated by £0.579 million in the comprehensive income and expenditure statement (CIES). This did not impact upon the net financial position of the Authority as the error related to a misclassification only in the CIES. Associated disclosure notes were also amended. Further detail of this adjustment is set out on page 19.

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

- the Council has again achieved early closedown, with accounts authorised for issue on 31 May 2017, which is over 4 weeks ahead of the specified deadline;
- working papers were produced to a good standard, with prompt response times to queries;
- there was a good standard of compliance in terms of the required disclosures for 2016/17;
- although there are some amendments to the financial statements, most are note disclosures, and not omissions; and
- the action plan of recommendations from the 2015/16 audit was fully implemented by the Council.

A number of other adjustments identified were amended by management, but these relate to disclosure notes only, and do not impact upon the primary statements and are outlined fully on pages 20 to 22. Key disclosure note adjustments relate to:

- note 4.32 for PPE was incorrect due to a formula calculation error of £1.262 million in the breakdown of the note, but this did not affect the overall total;
- note 4.38a for financial liabilities was overstated by £0.81 million, as an item relating to a housing benefit creditor is not classified as a financial instrument;
- note 4.38e for the carrying value of financial liabilities was overstated by £0.41 million, due to an incorrect interest rate being used in the valuation of the long term borrowing; and
- note 4.45 for leases was understated by £1.746 million due to incorrect inception values used in the calculations of some lease minimum payments.

We have also recommended a number of other minor adjustments to improve the presentation of existing disclosure within the financial statements.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Annual Governance Statement 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 are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

Amendments were made to the Annual Governance Statement to improve the links to the principles in the CIPFA/SOLACE Delivering Good Governance 2016 guidance. A recommendation is made in the Action Plan for the Council to update the local Code of Governance to reflect the revised principles in the revised CIPFA/SOLACE 2016 guidance.

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

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Value for Money

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

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Local Audit and Accountability Act 2014.

Further details of our work on other statutory powers and duties is set out in section four of this report.

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.

To date, there are no issues to report from the work completed. We will report the final outcome of this certification work through a separate report to the Audit Committee in January 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 Chief Finance Officer and the Deputy Chief Finance Officer.

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

July 2017

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

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06. Communication of audit matters

One adjustment for £0.579 million to the primary statements has been identified and amended by management. The error relates to classification only, and did not impact on the financial position of the Authority.

There are various adjustments to disclosure notes, all of which management has amended.

Materiality

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

As we reported in our audit plan, we determined overall materiality to be £1.141 million (being 1.75% of revenue expenditure – cost of services). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

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 reported in our audit plan the amount below which misstatements would be clearly trivial to be £57,000. This remains the same as reported in our Audit Plan.

As we reported in our audit plan, we identified the following items where we decided that lower materiality levels were appropriate. These remain the same balances as reported in our Audit Plan. Upon receipt of the financial statements, the materiality level of testing for exit packages was reduced from the value in the Audit Plan of £50,000 to £20,000.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000 for senior officers' remuneration £20,000 for exit package costs (full cost including actuarial strain).
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000 Individual misstatements will be assessed for materiality to either party involved in the transaction.

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

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Carlisle City Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Carlisle City Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • reviewed accounting estimates, judgments and decisions made by management; • reviewed journal entry process and selection of unusual journal entries for testing back to supporting documentation; and • reviewed unusual significant transactions. 	<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 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 and Ireland) 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 and Ireland) 550)

Audit findings against significant risks continued

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of property, plant and equipment (PPE) and investment properties</p> <p>Our work addressed the risk that the Council's property, plant and equipment and investment property portfolio valuation is not materially misstated.</p> <p>The Council revalues its assets annually. 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>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate; • reviewed the competence, expertise and objectivity of any management experts used; • for any valuation undertaken: <ul style="list-style-type: none"> - reviewed the instructions issued to valuation experts and the scope of their work; - discussed with the Valuer the basis on which the valuation is carried out and challenged the key assumptions; - reviewed and challenged the information used by the Valuer to ensure it is robust and consistent with our understanding; - undertook testing of revaluations made during the year to ensure they are input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these are not materially different to current value. 	<p>Our audit work has not identified any issues in respect of the valuation of PPE and investment properties.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>
4.	<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements. In response to the move to earlier close-down, there is a greater degree of estimation in the information provided to the Actuary.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • reviewed the controls put in place by management to ensure that the pension fund liability is not materially misstated and walkthrough tested these controls; • reviewed the competence, expertise and objectivity of the Actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out; • undertook procedures to confirm the reasonableness of the actuarial assumptions made; and • 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. 	<p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</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. These are listed below and on page 13.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle for the payroll system and carried out walkthrough testing; • reconciliation of the payroll system figures to the financial ledger; • substantive testing of year end payroll accruals; and • trend analysis of payroll costs over the period, and year-on-year analysis. 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle and carried out walkthrough testing; • reviewed accounting estimates, judgments and the accruals accounting process including the processes for accruing goods received not invoiced; • tested post year end payments to confirm the completeness of accruals; and • tested expenditure and accruals to goods receipt and subsequent invoice and payment. 	Our audit work has not identified any significant issues in relation to the risk identified.



"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 and Ireland) 315)

Audit findings against other risks (continued)




Description	Description of risk	Work completed	Assurance gained & issues arising
Changes to the presentation of local authority financial statements	<p>CIPFA has introduced the 'Telling the Story' project, with the aim to streamline the financial statements and improve accessibility to the user. This resulted in changes to the 2016/17 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 restatement (PPR) to restate the 2015/16 comparative figures was also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements; reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure; review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS); tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES; tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger; tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; and reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>One minor amendment was made to Note 4.4 to add numeric information to the PPR disclosure note.</p> <p>Our audit work has not identified any significant issues in relation to the risk identified. The Council dealt well with the disclosure changes required in the 2016/17 Code.</p>

Accounting policies, estimates and judgments



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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue from provision of services is recognised when the percentage completion of the transaction can be reliably measured and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council. Grants and contributions are recognised when there is reasonable assurance the monies will be received and that any conditions attached will be met. 	Our review of revenue recognition policies and testing of income has not highlighted any issues which we wish to bring to your attention.	 Green
Judgements and estimates	<p>Key estimates and judgments not already included within other sections of this report are:</p> <ul style="list-style-type: none"> useful life of PPE; debtors and creditors; Provisions; and accounting for NNDR appeals. 	<p>Work on these other judgments and estimates has not highlighted any further issues which we wish to bring to your attention.</p> <p>Work on IAS19 valuation and PPE and investment property asset valuations judgments and estimates are reported on page 11.</p>	 Green




Assessment

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

Accounting policies, estimates and judgments continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Chief Finance Officer, the s151 officer 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.	<p>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&I) 570).</p> <p>We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that we agree with management's assessment of the Council as a going concern.</p> <p>Information was added to the Narrative Statement to disclose the going concern assumption.</p>	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	<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> <p>Minor amendments were made to improve disclosure, but they do not warrant further reporting.</p>	 Green

Assessment

-  Marginal accounting policy which could potentially attract attention from 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 and we have not been made aware of any 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	From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	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, and all have been received.
6.	Disclosures	No disclosures were omitted in the financial statements, and changes requested were to existing disclosure notes. Amendments to disclosure notes are detailed on pages 20 to 22.

Other communication requirements continued

	Issue	Commentary
7.	Matters on which we report by exception	<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"> • 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 • the information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading. <p>Amendments were made to enhance disclosure within the Annual Governance Statement to improve the signposting to the new principles in the 'Delivering Good Governance in Local Government: Framework (2016)'. The Authority have not yet updated the local Code of Governance to reflect the new principles, but an assessment of compliance was undertaken as part of the compilation of the Annual Governance Statement.</p> <p>The Annual Governance Statement has 'records management' as a significant governance area for the three years of 2014/15, 2015/16 and 2016/17. This is indicative of slow progress despite action taken to monitor this area during 2015/16 and 2016/17 by management, with oversight from the Audit Committee.</p> <p>Some minor amendments were made to improve the readability of the Narrative Report, to include information on the Council's strategic priorities and staffing levels.</p>
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that our work is minimal as the Council does not exceed the WGA threshold.</p>

Internal controls

The controls were found to be operating effectively and we have no matters to report to the Audit Committee.

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

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Adjusted misstatements

One adjustment to the draft accounts has 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 one adjustment arising from the audit and we can confirm it has been processed by management.

Impact of adjusted misstatements

The one adjusted misstatements is set out in detail below along with the impact on the key statements for the year.

Detail		Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	The revaluation cost of two surplus properties were charged to the wrong heading within the CIES. £0.579 million was overstated within finance and investment expenditure, with the corresponding understatement of £0.579 million in cost of services within the CIES. Amendments in the associated disclosure notes were also made. This is a classification error and does not impact the financial position of the Council.	579 -579	0	0
Overall impact		£ 0	£0	£ 0

Unadjusted misstatements

There are no unadjusted misstatements identified during 2016/17.

Any unadjusted misstatements from 2015/16 have also been actioned by the Council during 2016/17.

Misclassifications and disclosure changes

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

Adjustment type		Value £'000	Account balance	Impact on the financial statements
1	Disclosure	n/a	Note 4.4 – Prior Period Restatement (PPR)	The Council had included a note on the PPR, but disclosure was added to include numeric information.
2	Disclosure	3,961	Note 4.11 – Taxation and Non specific grant income	The Council had included a value for the taxation and non specific grant income, but disclosure was added to include the split of the grants. The 2015/16 comparator was also added.
3	Classification	1,262	Note 4.32 - PPE	The split of the note included a £1.262 million formula error in the calculation of the 31 March 2016 historic cost. This did not impact upon the balance sheet as the total was correct, the error was in the breakdown analysis of the note.
4	Disclosure	971	Note 4.32b - Capital Commitments	Disclosure was added to the 2015/16 comparator to include the breakdown by scheme.
5	Classification	325	Note 4.42 - Provisions	The split of the note included a £0.325 million formula error in the calculations. This did not impact upon the balance sheet as the total was correct, the error was in the breakdown analysis of the note.
6	Classification	88	Note 4.43b – Capital Adjustment Account (CAA)	The disclosure for the value of capital charged to expenditure from reserves was understated by £0.088 million with the corresponding overstatement in the capital charged to expenditure disclosure in the CAA.

Misclassifications and disclosure changes continued

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
7	Classification	1,746	Note 4.45 Property Leases	<p>The total, and breakdown analysis of the disclosure note was amended by £1.746 million due to some incorrect rents at inception identified in the lease working papers. When identified by audit, the Council reviewed all leases in order to revise the note. The overall split of the amendment is as follows:</p> <ul style="list-style-type: none"> • under 1 year changed by £0.025 million from £0.893 million to £0.918 million; • 1 – 5 years changed by £0.067 million from £2.475 million to £2.542 million; • over 5 years by £1.654 million from £33.925 million to £35.579 million; and • total changed by £1.746 million from £37.293 million to £39.039 million. <p>This is the second year of significant revisions to this disclosure note, but the error identified in 2016/17 is due to a different reason than identified during the 2015/16 audit. There is no impact to the financial position of the Council, as this is a memorandum disclosure note.</p>
8	Disclosure	n/a	Note 4.46 - Disclosure of Net Pension Assets/Liabilities	<p>Disclosure was added to include reference to the future year expected pension payment, and to also include further explanations for high value variances in 2016/17.</p>
9	Classification	-807 for 2016/17 -654 for 2015/16	Note 4.38a – Financial Liabilities held at at amortised cost	<p>Both the carrying amount and fair value of operational creditors incorrectly included the housing benefit creditor balance of £0.807 million when this is not a financial instrument. The comparator for 2015/16 was also amended to remove £0.654 million for the same issue. Amendments in associated disclosures were also made.</p> <p>The overall split of the amendment is as follows:</p> <ul style="list-style-type: none"> • carrying amount 31 March 2017 changed by -£0.807 million from £3.279 million to £2.472 million; • fair value 31 March 2017 changed by -£0.807 million from £24.082 million to £23.275 million; • carrying amount 31 March 2016 changed by -£0.654 million from £4.309 million to £3.655 million; and • fair value 31 March 2016 changed by -£0.654 million from £25.154 million to £24.5 million. <p>The amendment has no impact on the financial position of the Authority as it is a memorandum disclosure note.</p>

Misclassifications and disclosure changes continued

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
10	Classification	-410	Note 4.38e – Fair value of liabilities carried at amortised cost	<p>The fair value of the £15 million loan was included at the 'premature repayment rate', whereas the measurement method required is the 'new borrowing rate'. The note was amended to reduce the fair value by £0.41 million, with the total for financial liabilities moving from £23.275 million to £22.865 million. Amendments in associated disclosures were also made.</p> <p>The amendment has no impact on the financial position of the Authority as it is a memorandum disclosure note. This is the second year the same error has occurred.</p>
11	Disclosure	n/a	Narrative Report	Disclosure was added to the narrative report to include the Council's priorities and information on staffing numbers.
12	Disclosure	n/a	Annual Governance Statement	Disclosures were added to enhance the links to the principles in the new 'Delivering Good Governance in Local Government: Framework (2016)'.
13	Disclosure	n/a	Going Concern	The going concern assumption was added to the financial statements.

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

We are satisfied that in all significant respects, Carlisle City Council put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2017.

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 had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

Risk assessment

We carried out an initial risk assessment in March 2017 and identified one significant risk, which we communicated to you in our external audit update report to the Audit Committee on 16 April 2017. The significant risk identified was:

- The Council's Medium Term Financial Plan (MTFP) is predicated on delivering changes to the way in which services are delivered. The Council has identified proposals for reducing spending and increasing efficiency. The programme includes a number of key projects, including internally reshaping the Council.

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

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

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment. We have not identified any gaps in proper arrangements.

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 risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- processes put in place to identify and implement programmes and projects to address and reduce the on-going budget deficit as outlined in the MTFP;
- reporting and monitoring of savings and the financial position during the financial year; and
- the robustness of assumptions made in calculating savings and whether these were realistically deliverable.

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work later in this section on page 26.

Overall conclusion

Based on the work we performed to address this significant risk, 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 proposed audit report can be found at Appendix B.

Key findings

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

Significant risk	Work to address	Findings and conclusions
<p>Significant service transformation projects and the Medium Term Financial Plan (MTFP)</p> <p>The Council's MTFP is predicated on delivering changes to the way in which services are delivered. The Council has identified proposals for reducing spending and increasing efficiency. The programme includes a number of key projects, including internally reshaping the Council.</p>	<p>We reviewed the arrangements the Council has in place to compile the MTFP. This includes a review of how the Council is identifying, managing and monitoring financial information in order to regularly update the MTFP including reporting outcomes to Executive and Full Council.</p> <p>This links to the sustainable resource deployment criteria with the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities.</p> <p>In addition, the Council's arrangements for using appropriate cost and performance information to support decision making. This links to the informed decision making criteria.</p>	<p>The Council continues to face a challenging environment in the short to medium-term. The significant impact of the December 2015 floods upon services and assets added to the Council's current challenges. As part of the 2015/16 outturn a flood reserve of £0.5 million was created for future non-insured costs of flood recovery. The flood reserve remained at £0.5 million at 31 March 2017, as un-insured flood costs of £0.226 million were funded from general fund revenue underspends.</p> <p>The MTFP approved by Council in September 2016 demonstrated that appropriate steps were being taken to ensure a balanced budget position was maintained despite reduced government funding. A Saving Strategy is in place and continues to focus on assets, service delivery models and the 'Transformation Programme' to deliver the savings required to produce a balanced longer-term budget. The MTFP for 2017/18 to 2021/22 identified savings of £2.274 million. In addition, a savings requirement for 2016/17 of £1.201 million for 2016/17 was achieved, giving total savings of £3.475 million. The Council has a strong history of achieving savings targets.</p> <p>The Council is faced with the continuing challenge of finding further savings which will become increasingly difficult to achieve. It will be essential therefore to ensure that its savings plans continue to be clearly communicated, link to specific policy decisions, service reviews and on-going rationalisation of the workforce. Budget monitoring and reporting to members is quarterly including anticipated outturn, and includes updates to the members on the progress of savings.</p> <p>During 2016/17 the Council undertook a review of their arrangements for the accounting for Minimum Revenue Provision (MRP) for 2017/18 onwards. As part of the review, the Council are proposing to take a payment holiday for items identified totalling £1.1 million from 2003/04 to 2015/16 for voluntary MRP of £0.9 million, and a charge made in error for assets under construction of £0.2 million. The Council are proposing to take the savings over the 5 years life of the current MTFP to 2021/22, with £0.226 million in each year.</p> <p>We have requested the detail behind the assumptions that underpin this decision back in January 2017. The Council has not yet provided the detail that would allow a technical review by external audit to be undertaken. It is essential that we receive the Council's consideration, so that a technical review of the assumptions underpinning the treatment of the payment holiday for MRP can be undertaken. We have raised a recommendation in the Action Plan at Appendix A.</p> <p>During 2016/17 as part of the 2017/18 budget compilation process, a detailed base budget review including an analysis of core budgets was undertaken. This provided an additional level of challenge and rigour within the budget setting process.</p>

Key findings (continued)

Significant risk	Work to address	Findings and conclusions
		<p>The Council has a comprehensive approach to its medium term financial planning, budgeting and identification of saving plans, which are agreed at a corporate level, by senior officers and members. The strategy is aligned to the Council's corporate priorities, highlights the key financial risks, and adopts a prudent approach to funding streams. The Council has taken this approach to allow it to have the flexibility and resilience in order to address the variable nature of future funding. The Council has good planning assumptions built into the annual and five year budget processes. The Council is responsive to changes required as the strategic planning process considers sensitivity analysis and scenario planning.</p> <p>The Council reviewed the carry forward budget process during 2015/16 where £1.1 million was transferred into a general carry forward reserve. The process continued in 2016/17 with the 31 March 2017 reserve remaining at £1.1 million. Requests for carry forwards will only be released in line with the original request, and when 2017/18 base budgets would be overspent. There are authorisation controls in place to approve the release, and the process provides additional rigour in the carry forward process.</p> <p>The capital outturn for 2016/17 was £8.045 million against a £12.453 million budget. Of the £4.408 million underspend, £4.406 million is re-profiled into future years due to slippage in programming. The revenue outturn for 2016/17 was an underspend of £0.442 million. The Council has a history of revenue underspends, generated through a combination of reduced expenditure as well as some income streams outperforming budgets.</p> <p>A recommendation in the Action Plan is made for external audit to receive the Council's consideration of the MRP treatment for 2017/18, so that an external audit technical review can to be undertaken.</p> <p>Based on the review of the arrangements in place during 2016/17 for the compilation of the MTFP including identified savings, we concluded that the overall risk was sufficiently mitigated and that the Council has proper arrangements in this area.</p>

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Any other matters

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

Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

This section sets out our other statutory powers and duties.
There are no issues to report.

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

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

Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

This section sets out the audit fee and our independence considerations. There are no changes to the audit fee or independence considerations as previously reported to you in the audit plan.

We confirm below our final fees charged for the audit. We confirm there were no fees for the provision of non audit services.

Fees

	Budget £	Actual £
Council audit	53,290	53,290
Grant certification (estimated)	14,093	14,093
Total audit fees (excluding VAT)	67,383	67,383

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.

Our grant certification fee is still an estimate, as our work on the Council's housing subsidy claim is still on-going and will not be finalised until November 2017.

Fees for other services

There are no other services provided.

Independence and ethics

Ethical standards and International Standard on Auditing ISA (UK& I) 260 require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

- One of the audit team has a family member who works as a team leader in the Revenues and Benefits department at the Council. This is not deemed to be a significant independence risk. To comply with independence standards and transparency we are disclosing to you that this member of the audit team will not be involved with the Housing Benefits Subsidy certification work, nor with any other elements of the audit that relates to Housing Benefits. Instead, our work in these areas will be carried out by other audit staff; and
- Commencing 1 November 2016, Grant Thornton UK LLP entered into a short-term tenancy lease for a small portion of the 7th floor of the Civic Centre, Carlisle. We have considered the ethical standards and any potential threats to our independence resulting from this arrangement. However, the nature of the lease arrangement, and the sums involved, are clearly insignificant to either party.

We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

This section summarises our communication requirements to you as 'those charged with governance'. We confirm that all required reporting is included within the audit plan or this audit findings report.

Communication to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Provide external audit with the Authority's rationale and workings for the proposed 2017/18 MRP 'payment holiday' for previously charged MRP. This will enable external audit to obtain a technical view on the accounting treatment proposed.	High	An Executive Summary of the MRP Review will be provided to the External Auditors.	Deputy Chief Finance Officer – by 21st July 2017
2	Conduct a review of the local Code of Governance to include the new principles in the CIPFA/SOLACE 2016 'Delivering Good Governance in Local Government Framework'.	Medium	As agreed at the Audit Committee on 14th July, the Local COCG will be updated in line with the 2016 Governance Framework and be presented at a future meeting of the Committee for approval	Chief Finance Officer – Audit Committee 27th September 2017
3	Conduct a review of the leases working paper to source documentation, with issues noted in both 2015/16 and 2016/17.	Medium	A full review of the lease packets was undertaken following the issue being raised by auditors and to ensure the 16/17 accounts were stated correctly. Where necessary, dates and inception values were amended and the working paper adjusted	Deputy Chief Finance Officer – Implemented
4	Carry out calculation checks in the draft set of financial statements prior to their submission for audit.	Medium	Additional checks will be undertaken during the quality review process and also when the draft accounts template document is created to ensure all embedded spreadsheet formulas are correct	Deputy Chief Finance Officer – March 2018
5	Ensure that the 'new borrowing rate' is the rate used for the financial instruments note for the long term borrowing, as the same issue was noted in both 2015/16 and 2016/17.	Medium	The Council received two reports from Treasury Advisors. In future we will instruct only the new borrowing rate report is supplied	Deputy Chief Finance Officer – March 2018
6	Re-profile the capital programme at regular intervals during the financial year.	Medium	This review will form part of the Capital Programme Monitoring Report through the Transformation Sub-Group & SMT	Principal Accountant - Quarterly throughout the year

Appendix B: Draft proposed audit opinion

We anticipate we will provide an unqualified opinion

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARLISLE CITY COUNCIL

We have audited the financial statements of Carlisle City 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 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 Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer 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 Chief Finance Officer; 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

To be dated July 2017

Appendix C : Glossary

Term	Description
International Standards on Auditing (ISA)	International Standards on Auditing (ISA) are professional standards for the performance of financial audit of financial information.
Local Audit and Accountability Act 2014	Establishes arrangements for the audit and accountability of local public bodies.
National Audit Office Code of Practice	The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act.
Those charged with governance (TCWG)	The persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity.
Primary statements	Provides the essential data required by stakeholders to assess the financial position.
Comprehensive Income and Expenditure Account (CIES)	Provides details of the income and expenditure for the financial year.
Annual Governance Statement	A statutory document which explains the processes and procedures in place to enable the council to carry out its functions effectively.
Narrative Report	The purpose of the Narrative Report is to offer interested parties an effective guide to the most significant matters reported in the accounts.
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the only professional accountancy body in the world exclusively dedicated to public finance. CIPFA is responsible for providing accounting guidance to Local Government bodies.
Prior period restatement (PPR)	A restatement of prior year figures due to a material error, change in accounting estimate technique, or change in accounting policy.
CIPFA Code of Practice on Local Authority Accounting	This is the document which sets out the accounting requirements for Local Government bodies. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Standards, except where these are inconsistent with specific statutory requirements.
Minimum Revenue Provision (MRP)	The minimum amount that must be set aside from the General Fund to meet the capital cost of expenditure funded by borrowing or credit arrangements, that is capital expenditure not financed from grants, revenue contributions or capital receipts.

Appendix C : Glossary continued

Term	Description
Public Sector Audit Appointments Ltd (PSAA)	PSAA is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims.
Public interest report	The appointed auditor is required to consider whether to issue a report in the public interest on any significant matter coming to his or her notice in the course of an audit, and to bring it to the attention of the audited body and the public.
Written recommendations	The external auditor has legal powers to make statutory recommendations to the authority about any matter related to the audit of the accounts. The external auditor's statutory recommendations can be in a separate report or within other reports that they produce. The authority must consider and respond to statutory recommendations.
Issue of an advisory notice	The external auditor can issue an advisory notice if they have reason to believe an authority or an officer of the authority: is about to make, or has made, a decision that involves, or would involve, the body incurring unlawful expenditure; is about to take, or has begun to take, a course of action which, if continued to its conclusion, would be unlawful and likely to cause a loss or deficiency; or is about to enter an item of account, the entry of which is unlawful.
Application for judicial review	If matters are serious enough, and other special powers are inadequate or considered inappropriate, the external auditor can decide to apply to the court for judicial review. Only a judge can decide whether an authority's decision, or failure to decide something it should have, is unlawful.



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