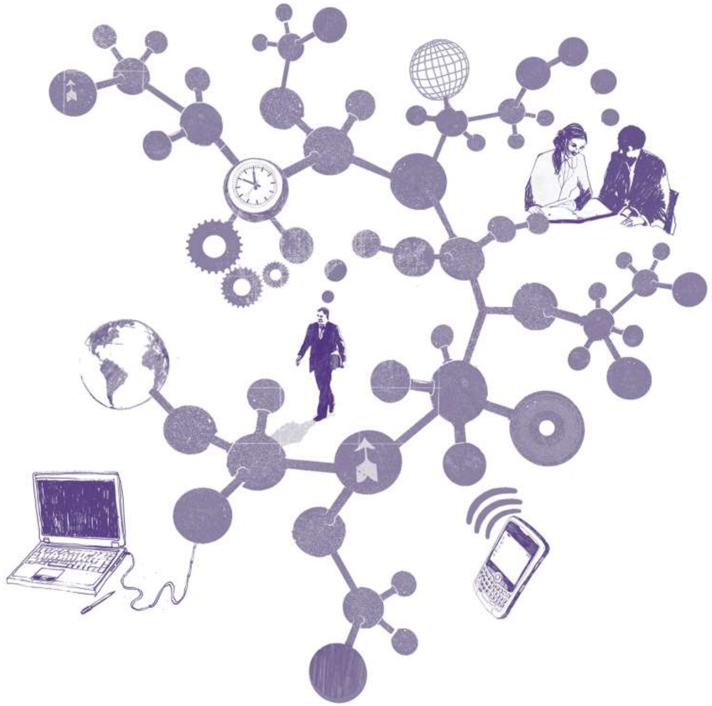
The Audit Findings Report for Thanet District Council

Year ended 31 March 2017

27 September 2017



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27 September 2017

Dear Members of the Governance and Audit Committee

Audit Findings Report for Thanet District 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 Thanet District Council, the Governance and 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 Management.

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

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

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

Yours sincerely

Darren Wells

Engagement Lead

Contents

Section 1: Executive summary

Purpose of this report

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

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

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

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

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

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

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

Introduction

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 28 June 2017.

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

- our final internal quality reviews;
- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion.

We have received one objection from a member of the public in respect of the Accounts which we are currently considering and we will keep the Council updated with our progress on this.

Key audit and financial reporting issues

Financial statements opinion

To date, we have identified no adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2017 recorded net expenditure of £397,144k, which will be the figure disclosed in the audited financial statements. We have recommended a number of adjustments to improve the presentation of the financial statements.

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

- The draft statements presented for audit were of a good standard and only a small number of amendments were identified from our audit work. The draft statements were supported by a good set of working papers which were in line with the agreed deliverables schedule.
- We undertook a considerable level of work around the Council's Property, Plant and Equipment valuations to gain sufficient assurance that the balances included within the Accounts were fairly stated. This work was focused around the assets which had not been formally revalued during the course of the year, which is permitted by the CIPFA Code, along with the movement in valuation from the 1st of April 2016 to the 31st of March 2017. Going forward, the Council needs to strengthen its processes in this area to reduce the level of uncertainty present at year end, given the need to audit this area in a much shorter timeframe next year, when the deadline is brought forward to the 31st July.
- We also encountered some issues with the Council's consolidation of East Kent Opportunities into its Accounts. The Council needs to ensure it has sufficient information to perform an accurate consolidation at year end. At the date of writing this report, we are still confirming the level of amendments required which will impact the Council's reported financial position.

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

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

Other financial statement responsibilities

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

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We 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.

Controls

Roles and responsibilities

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

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

Findings

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

- the processes around the Property, Plant and Equipment valuations included within the Accounts at year end.

Further details are provided within section two of this report.

Value for Money

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

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 Act. We are currently considering matters raised with us by a local government elector.

Grant certification

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

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Head of Financial Services and the finance team.

Acknowledgement

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

Grant Thornton UK LLP
September 2017

Section 2: Audit findings

Materiality

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

As we reported in our audit plan, we determined overall materiality to be £2,715k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and identified that a fall in the total spend by the Council during the course of the year led us to revise our overall materiality to £2,579k (still being 2% of gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £135k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation, which generated a revised trivial threshold of £128k.

As we reported in our audit plan, we identified that we would set a separate materiality threshold of £500k in respect of the Council's cash balance due to its sensitive nature. This remained the same as reported in our audit plan.

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

Audit findings against significant risks

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

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Thanet District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • 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 Thanet District Council, mean that all forms of fraud are seen as unacceptable. Therefore we have determined that this is not a significant risk for Thanet District Council.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have completed the following work in respect of this risk: • reviewed the journal entry process and selected unusual journal entries for testing back to supporting documentation • reviewed the accounting estimates, judgements and decisions made by management • reviewed any unusual significant transaction recorded within the Accounts	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues. We have not identified not been made aware of any unusual significant transaction. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

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

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Payroll expenditure represents a significant percentage of the Council's gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention: • Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • performed substantive sampling of the employee remuneration costs included within the Accounts, testing back to supporting documentation • reviewed the reconciliation between the payroll system and the general ledger • completed a monthly trend analysis of the payments recognised by the Council	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention: • Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • reviewed the control account reconciliations • tested a sample of operating expenditure items across the whole financial year back to supporting documentation • performed testing of creditor payments, including accruals to ensure they have been correctly included within the Accounts • cut-off testing of expenditure incurred either side of year end to confirm it has been recorded in the correct accounting period	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Valuation of pension fund net liability	The Council's pension fund net liability, as reflected in its balance sheet represents a significant estimate in the financial statements.	We undertook the following work in relation to this risk: • Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement; • Reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation; • Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; • Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary; • We wrote to the auditor of the Kent Superannuation Fund to gain assurance over the data provided to the Actuary by the Fund on behalf of the Council to enable them to come up with a reasonable estimate for inclusion within the Council's Accounts.	Our audit work has not identified any significant issues in relation to the risk identified. We used an auditor's expert to provide assurance on the Council's actuary's work. Our expert concluded that the assumptions used by the actuary to be reasonable in most cases although in some instances the assumptions fall outside of expected ranges. Looking at the impact of all assumptions holistically, we obtained sufficient assurance that the pension fund liability is not materially misstated.

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

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Changes to the presentation of local authority financial statements	CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	We have undertaken the following work in relation to this risk: • 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 Council's internal reporting structure • reviewed 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 • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	Our audit work has not identified any significant issues in respect of the risk identified.

Accounting policies, estimates and judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Council's revenue recognition policy is disclosed within Note 1 of the Accounts, within Accounting Policies, and covers each of the main areas of revenue received by the Council, including revenue received from the sale of goods, the provision of services along with how revenue is recognised for the non-exchange transactions such as Council Tax and Business Rates.	Following the work performed we are satisfied that the Council's revenue recognition policies are in line with the requirements of the CIPFA Code. Our testing of your various revenue sources did not identify any instances of inappropriate revenue recognition.	● **Green**
Going concern	The Director of Corporate Resources, who is the Council's 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.	We have considered the Council's implicit assessment and are satisfied that the going concern basis is appropriate for the 2016/17 financial statements.	● **Green**

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

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Other accounting policies		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.	● Green
Judgements and estimates	• Key estimates and judgements include: • Useful life of capital equipment • Pension fund valuations and settlements • Impairments • PPE revaluations • Depreciation • Bad debt provisions • Business rate appeals	Your critical judgements and estimation uncertainties are disclosed within Notes 3 and 4 of the financial statements, and are in line with the requirements of the CIPFA Code. With the expansion of integrated working and an increase of councils providing guarantees for former staffs' pensions the accounting of such guarantees has recently been reconsidered and is currently being discussed with CIPFA. The Council, with the other East Kent districts, has made a guarantee to cover the pensions of staff who transferred to East Kent Housing (EKH) when it was set up. The guarantee ensures that the pension liability of all staff who transferred will be protected should EKH cease trading for any reason. This is common where councils set up Arms-Length Management Operations (ALMOs) or subsidiary companies and staff are transferred to the new organisation. For many years the Council has disclosed this as a contingent liability. Recent reconsideration has challenged this treatment with the view that an appropriately determined liability should be recognised in the accounts. The Council has made a judgement that the liability is not material, and the risk of the guarantee being implemented is negligible and therefore no liability is recognised in the accounts. We have considered this and are satisfied this is not an unreasonable judgement to make. In terms of detailed testing, we have performed work on the Council's Business Rate Appeals provision and we were satisfied with the approach taken in this area. As mentioned elsewhere in the Report (page 17), whilst we were able to come to a position where we obtained sufficient assurance over the Council's PPE Revaluations, the processes in this area need to be strengthened further to reduce the level of uncertainty present in this area ahead of the early close deadline taking effect for 2018.	● Amber

Assessment

● - Red - Marginal accounting policy which could potentially attract attention from regulators

● - Amber - Accounting policy appropriate but scope for improved disclosure

● - Green - 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 Governance and Audit Committee. 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, which is included in the Governance and Audit Committee papers for this meeting.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to all of the Council's counter parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
6.	**Disclosures**	• Our review identified a number of disclosures which required amendment or expansion, and management agreed to amend all of the items identified.
7.	**Matters on which we report by exception**	• We are required to report on a number of matters by exception in a number of areas: ○ 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 ○ The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading. Whilst we have not identified any issues we would be required to report by exception in these areas, we highlighted a couple of improvement points for the Annual Governance Statement, which the Council has subsequently amended.
8.	**Specified procedures for Whole of Government Accounts**	The NAO require auditors to carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Detailed work has not been required as the Council did not exceed the £350m threshold across any of the criteria set out by the National Audit Office.

Internal controls

	Assessment	Issue and risk	Recommendations
1.	● Red	**Assurance over the Current Value of Property, Plant and Equipment included within the Accounts** Our testing of the Council's Property, Plant and Equipment valuations included within the Accounts identified that the valuation for assets other than Council Dwellings had been performed as at 1st April 2016. The Council had then undertaken a review of the movements between this date and year end to determine whether the values included within the Accounts were materially correct. This produced a potential movement which was very close to our level of materiality, which meant it required a considerable level of work to obtain sufficient assurance over this area. The Council also does not revalue its full PPE asset base each year, choosing to value 20% of the number of assets per year, rather than this being done on a percentage of value basis. This left a significant monetary balance which hadn't been valued for over a year. A review was performed to confirm that the carrying value in the Accounts wasn't materially different to the current value at the Balance Sheet date. This also required additional unplanned audit work to confirm the balance included within the Accounts was materially correct. Going forward the Council needs to have more robust arrangements in place to ensure the values included within the Accounts are materially accurate and the level of uncertainty in this area is reduced.	To reduce the level of uncertainty in this area the Council could perform the following: - if it wishes to retain the process of considering 20% of properties per year, ensure this is calculated by value rather than the number of properties; - it should consider whether a full revaluation would be beneficial next year to ensure the whole asset base is accurately valued ahead of the earlier deadline; - whatever approach is adopted, valuations for all assets other than Council Dwellings should be moved closer to the 31st of March to reduce the level of uncertainty over the valuations produced by the valuer.

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

● - Red - Significant deficiency – risk of significant misstatement
● - Amber - Deficiency – risk of inconsequential misstatement

"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)

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	Partially	**Accounting for Operating Expenses Accruals** In 2015/16 our testing of operating expenses accruals at year end identified two accruals where you were unable to provide supporting documentation for the items selected for testing which agreed to the amount tested, and a third item where an accrual had been made in year but subsequently had not been reversed out when the item was paid. We recommended the Council ensured supporting documentation was retained for all accruals to support their validity and to ensure the correct reversal when paid.	During our testing this year we identified a further accrual, which goes back several years, for which the Council was unable to provide sufficient supporting documentation. We assessed the impact of this error and concluded it was unlikely to result in an error above triviality. However there clearly remains a need for the Council to ensure adequate documentation is in place for all accruals included within the Accounts at year end. We did not identify any issues with accruals not being reversed when paid, and therefore this element of the recommendation will be closed down.
2.	✓	**Allocation of Revaluation Gains on Council Dwellings** Our testing in the prior year identified that the Council was holding the revaluation gains from the year's revaluation as a lump sum on the Asset Register as opposed to allocating these on an asset-by-asset basis. We identified a risk that the Council might incorrectly allocate future revaluation movements against either the Revaluation Reserve or the Comprehensive Income and Expenditure Statement as they are not aware of the correct Revaluation Reserve balance for each property.	During 2016-17 the Council undertook an exercise to allocate these gains, along with the gains arising from the 2016-17 revaluations on an asset by asset basis. We are satisfied this recommendation has been cleared by the Council.

Assessment

✓ Action completed

X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

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

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	Testing of the Council's Business Rate Appeals Provision identified an issue whereby the Council had netted down the provision against its Short Term Debtor balance as opposed to treating it as gross within Short Term Provisions.		Dr: Short Term Debtors - £2,105k Cr: Short Term Provisions – (£2,105k).	
2	Our review of the Council's consolidation schedule identified an issue whereby the Council had not appropriately accounted for its share of the assets, liabilities, income and expenditure of East Kent Opportunities LLP, within its own accounts. The Council are required to do this under IFRS 11 for East Kent Opportunities LLP which is accounted for as a joint operation.	Cr: (Surplus) or deficit on Provision of Services – (£2,600k).	Cr: Revaluation reserve – (£643 k) Dr: Capital Adjustment Account - £643k Cr: Capital Receipts Reserve - £2,600k Cr: Short term creditors – (£537k) Dr:: Cash and Cash Equivalents - £3,137k	Cr: (Surplus) or deficit on Provision of Services – (£2,600k).
	Overall impact	**(£2,600k)**	**£0**	**(£2,600k)**

Unadjusted misstatements

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

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
1	**Transfer of Council Dwellings to Assets under Construction (AUC) – Gross Book Value including Additions and Accumulated Depreciation**			Response from Thanet DC: The CIPFA Local Authority Capital Accounting Reference Manual states that 'categorisation hinges on the readiness of the asset for use (not the readiness of the authority to use it or the project's financial completion)'. Following a review of the HRA properties in question, we feel that these assets are ready for use (being purchased rather than constructed) but just not ready for use in the way that the Council intends to use them as council dwellings, as the conversions were not complete at the year-end. Accordingly, we view the conversions to be 'change of use' rather than Assets Under Construction (AUC). The properties are being converted to meet social housing needs rather than being demolished and rebuilt and accordingly we have classified them as HRA OLB not AUC.
	- AUC (Opening Gross Book Value)		1,186	
	- Council Dwellings (Opening Gross Book Value)		(1,186)	
	- AUC Additions		686	
	- Council Dwellings Additions		(686)	
	- AUC Accumulated Depreciation		89	
	- Council Dwellings Depreciation		(89)	
2	**Reversal of in year Depreciation Charge in respect of Council Dwellings above**			
	- Accumulated Depreciation		66	
	- Depreciation Charge to the CIES	(66)		
	- General Fund		66	
	- Capital Adjustment Account		(66)	

This is a continuing issue and resulted in an Unadjusted Misstatement being reported in the prior year as well. However the assets which were deemed to be incorrectly classified in the previous year are now operational and thus correctly classified, or are included in the balance above, thus confirming there isn't a material issue in the Accounts. Also the difference in the Net Book Value, i.e. the value which would be reported in the Balance Sheet will not be material given the value of the assets involved and the differing valuation basis used for each of the different classifications mentioned above.

Misclassifications and disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Misclassification	Various	Note 7: Expenditure and Income analysed by nature.	Our testing identified that Non HRA and HRA rent rebate expenditure of £8,336k had been incorrectly included within 'Other Service Expenses' and Non HRA and HRA subsidy of £8,678k had been incorrectly included within 'Fees and charges and other service income'. Both of these areas have been subsequently amended in the revised Accounts, along with the headings in the Note.
2	Misclassification	198	Movement in Reserves Statement	Expenditure within the Total Comprehensive Income and Expenditure line of the MIRS had been misclassified meaning HRA balance was overstated and the General Fund was understated, which has now been amended.
3	Misclassification	n/a	Note 13: Remuneration of Employees	The number of staff in the £65-70k remuneration banding within the table for employees whose remuneration is above £50k was overstated by one individual while the £85-90k banding was understated by one individual.
4	Disclosure	9	Note 14: External Audit Costs	The value of the certification of grant claims and returns for 2016-17 was understated by £9k as additional Housing benefit fee for work carried out in previous years had not been recognised, which the Council has subsequently amended.
5	Disclosure	Various	Note 24: Financial Instruments Balances	The Fair Value of PWLB loans had been incorrectly disclosed as £34,920k as opposed to £31,802k and fair value of Other loans incorrectly disclosed as £8,897k as opposed to £7,122k as per supporting documentation from Capita. These have been amended by the Council in the revised Accounts.
6	Disclosure	-	Various	A number of other minor disclosure and narrative adjustments have been made in order for the financial statements to meet the requirements of the CIPFA Code.

Section 3: Value for Money

Background

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

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

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

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

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

Risk assessment

We carried out an initial risk assessment in March 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 28 June 2017.

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

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

Significant qualitative aspects

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

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

- The Council delivered a breakeven position at the end of 2016-17, managing some small over and underspends across several directorates to do so. The Council also delivered a considerable proportion of its capital programme as well.
- A balanced budget has been set for 2017-18, which includes **£2.15m** of savings/income generation, and the use of **£450k** of Earmarked Reserves. The Council needs to ensure this use of reserves is kept to an absolute minimum given the demands which have been made of their reserves in recent years. As was the case in the previous year, the Council has not identified any contingency in its plans should some of the original plans not deliver the required benefits.
- Looking longer term, the Council is still working through the level of savings which are going to be needed over the life of the Medium Term Financial Plan, which puts at the risk the identification of all the savings needed during this period. Further pressure is going to be placed on the Council's Financial Position by the revised Local Government Funding Settlement, which is going to apply from 2020, and the Council's current reserves position doesn't provide much room for manoeuvre should the full range of savings not be identified.
- In respect of **Dreamland**, the park has received considerable outside investment during the course of the year which has provided it with short term stability. The compensation payment is still under discussion, with the likelihood of the case ending up at a Lands Tribunal so a decision can finally be reached.

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 the following pages.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed two recommendations for improvement, which can be seen, along with management's response, in the Action Plan at Appendix A.

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	Work to address	Findings and conclusions
Overall Financial Position - Medium Term Financial Plan The Council has identified that a significant level of savings are needed over the life of the next Medium Term Financial Plan (MTFP). Council reserves have been depleted over the past few years reducing future flexibility.	We performed the following work in respect of this area: • reviewed the assumptions behind the Medium Term Financial Plan for the coming four years. • Considered the 2016-17 Budget outturn and any implications for the MTFP, along with the latest year to date outturn against budget for 2017-18; • reviewed the savings proposals which have been identified to date in respect of the savings gap, along with how the Council is planning to identify the remaining gap at this stage.	The key points from our work in this area are the following: • The Council delivered a breakeven position against its General Fund Budget in 2016-17, within which it managed some small under and overspends within each of the Council's directorates to achieve the breakeven position. This allowed the Council to maintain its General Fund Balance at **£2.011m**. • The Council also delivered **£7.68m** of its Capital Programme, which was initially set at **£11.915m**. The Council has deferred the remaining spend into 2017-18 to ensure the planned projects are still delivered. • The Council set a balanced budget for 2017-18, which included the need for it to identify **£2.6m** of savings or additional income to deliver this position. Within the **£2.6m** is a use of **£450k** of Earmarked Reserves, which the Council has stated is a one-off decision to deal with some of the particular pressures arising during the course of the year. Clearly this demand on reserves is going to be unsustainable longer term given the level of reserves used by the Council over recent years, which the Council itself does recognise, and it is planning to build up its reserves again over the coming years, although the planned replenishment in these years is quite small in comparison. • In terms of the remainder of the savings or additional income which the Council is looking to generate, these are set across four broad themes, such as Income Generation, Digitalisation, Alternative Delivery Models, and the Council making the most of the assets it owns. The Council had fully identified the **£2.15m** of savings and additional income which is needed via these streams ahead of the year, which is a relatively strong position for the Council to be in. • The Council's latest Financial Plan (MTFP) covers the period from 2017 to 2021. Whilst the 2017-18 savings have been fully identified, the Council has yet to set out its plans for delivering the savings needed over the remainder of the Plan. There is a risk of the Council not identifying all of **£3.417m** of savings needed over the remainder of the MTFP (from 2018/19 onwards) in a timely manner. This also continues to put pressure on the savings identified in any one year to deliver as there are a lack of contingency plans should some of these savings not deliver as required. As raised in the previous year, the Council should consider the development of cost savings and income generation in excess of the estimated funding gap to cover the possibility of unforeseen additional financial pressures during the course of the MTFP, as well as reducing the need to rely on reserves to meet any shortfall. There is also a need for the Council to look further ahead with its savings plans to ensure it is well placed ahead of the new Local Government Funding Settlement, which takes effect from 2020.

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	Work to address	Findings and conclusions
Dreamland The Council has committed a significant level of funding and resource into the Dreamland Project, but is still in dispute with one of its former owners over the level of compensation that is due to that owner, which could end up being a significant sum.	We performed the following work in respect of this area: • reviewed the current progress in respect of the project and undertake discussions with key members of Council Staff to obtain the latest position. • monitored the progress of the compensation process to see if any resolution is likely to be achieved over the short term.	The financial situation of Dreamland has altered considerably over the past 12 months, following the investment of **£15m** by the Arrowgrass Private Equity Fund, which has considerably strengthened the financial standing of the park. There has been no further progress with the compensation process on the back of the Compulsory Purchase Order (CPO). An outcome will not be determined until the case is heard at a Lands Tribunal.

Section 4: Fees, non-audit services and independence

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

Fees

	Proposed fee £	Final fee £
Council audit	66,296	66,296
Grant certification	34,883	TBC
Total audit fees (excluding VAT)	**101,179**	**TBC**

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

Grant certification

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

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified.

Fees for other services

Service	Fees £
Audit related services:	
• Pooling of Housing Capital Receipts	2,000
• Harbour Accounts	1,500
Non-audit services	None

Independence and other services

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees	Threat?	Safeguard
Audit related services	Pooling of Housing Capital Receipts Return	£2,000	No	Fee is low in comparison to the Council's audit fee. A separate independent engagement is performed and a report will be given in line with a separate engagement letter.
	Audit of Harbour Accounts	£1,500	No	Fee is low in comparison to the Council's audit fee. A separate independent engagement is performed and a report will be given in line with a separate engagement letter.
	TOTAL	**£3,500**		

Section 5: Communication of audit matters

Communication to those charged with governance

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

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

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.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, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	**PPE Revaluations** To reduce the level of uncertainty in this area the Council should consider the following: - if it wishes to retain the process of considering 20% of properties per year, ensure this is calculated by value rather than the number of properties. - it should consider whether a full revaluation would be beneficial next year to ensure the whole asset base is accurately valued ahead of the earlier deadline. - whatever approach is adopted, valuations for all assets other than Council Dwellings should be moved closer to the 31st of March to reduce the level of uncertainty over the valuations produced by the valuer.	High	It should be noted that the council values some of the portfolio on a 'with profits' basis and therefore the valuations will vary according to use of the asset. The portfolio is being maintained in line with the available resources which in turn could affect rental and capital values with the result that even if the council implemented the first part of the recommendation the outcome will be similar to what we are currently getting. The council value everything over £100k on an annual basis, and therefore it is only the remaining properties that are done on the 20% basis. A full revaluation is not planned for 2017-18 as it is resource intensive but could be considered as part of the 2018-19 plan including the timing of the revaluation.	Head of Asset Management/Head of Financial Services Earliest date from 2018/19
2	**Accruals** The Council should continue to strengthen procedures around accruals during the year to ensure they are all supported by valid documentation.	Medium	The Council has a procedure where, material capital accruals are signed by the budget manager and Head of Service at year end. As the council will be required to close a month earlier for 2017-18, wash up meetings are planned with key staff involved in the closing process to address issues identified in the dry run process.	Head of Financial Services Ongoing
3	**VFM – Cost Savings** The Council needs to ensure that cost savings and income generation need to be developed in excess of the estimated funding gap to help cover the possibility of unforeseen financial pressures that may arise during the course of the year.	Medium	The Medium Term Financial Strategy takes a prudent approach to addressing the budget gap and the budget build will focus on achievable cost savings. In addition work is underway to implement a corporate restructure with a view to delivering cost savings and other efficiency across the authority will be considered.	Head of Financial Services Ongoing

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

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
4	**VFM – Medium Term Financial Plan** There is also a need for the Council to look longer term to ensure that savings which are needed for later years are being considered in a timely manner to reduce the risk of reserves being put under even further pressure in later years.	**Medium**	The budget build factors in the four year span of the Medium Term Financial Strategy. In addition the budget monitoring process has recently been reviewed to better focus on targeted savings on an ongoing basis. New opportunities for more efficient working and income generation are being continually reviewed by finance staff in a business partnering role with other departments.	Head of Financial Services Ongoing

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

B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THANET DISTRICT COUNCIL

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

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

Respective responsibilities of the Director of Corporate Resources and Section 151 Officer and auditor

As explained more fully in the Statement of Responsibilities, the Director of Corporate Resources and Section 151 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 Director of Corporate Resources and Section 151 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

B: Audit opinion (continued)

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

- 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2017 in accordance with the requirements of the Act and the Code of Audit Practice until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Act. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

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29 September 2017

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