

The Audit Findings for Chorley Council

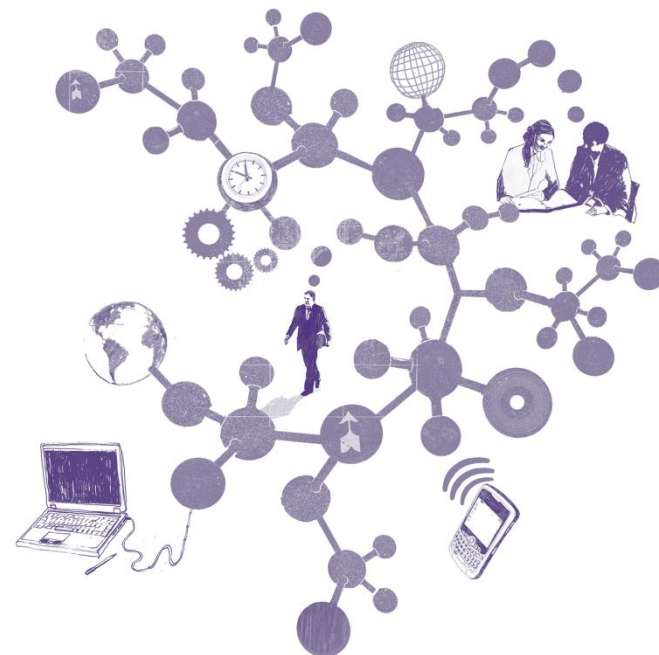
Year ended 31 March 2015

September 2015

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September 2015
Dear Councillor Leadbetter

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Audit Findings for Chorley Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Chorley Council, the Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

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. 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

Fiona Blatcher
Engagement Lead

Chartered Accountants

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Contents

Section	Page
1. Executive summary	5-6
2. Audit findings	7-19
3. Value for Money	20-27
4. Fees, non-audit services and independence	28-29
5. Communication of audit matters	30-31
Appendices	
A Action plan	33
B Audit opinion	34-35

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Chorley Council's (the Council) financial statements for the year ended 31 March 2015. 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 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income 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 reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have made one change to our planned audit approach in respect of welfare expenditure, which we communicated to you in our Audit Plan issued in March 2015. Further details are set out in Section 2 of this report.

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

- receipt and consideration of initial queries raised in relation to the draft accounts
- review of the final version of the financial statements
- completion of our review of the NNDR provision

- review of the cash flow statement
- completion of our operating expenses work
- completion of our review of the segment reporting note
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements on the 30th September 2015.

During the course of the audit the need for an adjustment relating to s106 contributions was identified. This affects the Council's reported financial position. The draft financial statements for the year ended 31 March 2015 recorded total comprehensive expenditure of £9.319m and a total net reserves figure of £3.181m.

The overall net effect of the adjustment is that short term debtors and usable reserves have both increased by £0.934m. The impact of the adjustment is that the recorded total comprehensive expenditure is now £8.385m with the total net reserves figure now £2.247m. Further detail is provided at pages 14 and 16.

We have also agreed some amendments to improve the classification and disclosure of the notes to the accounts. Officers have decided not to amend the accounts for additional disclosures in respect of the cash flow statement. Further details are set out in Section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

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

Whole of Government Accounts (WGA)

The National Audit Office have changed their approach to the Whole of Government Accounts for 2014-15. We are no longer required to complete an audit of the Council's return since it is below their threshold of £350m.

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 the control issues identified:

- the arrangements for billing developers in respect of S106 monies
- the absence of independent checking of the monthly bank reconciliations.

Further details are provided within Section 2 of this report.

The way forward

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

Recommendations are set out in the action plan in Appendix A. These have been discussed and agreed with the Chief Executive and the finance team.

Legislation has now been passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. Although July 2018 is over 3 years away, most local authorities will have to make significant changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

The shared financial services team has already liaised with health colleagues who currently work to a much shorter deadline and is looking to update its own closedown processes to start to bring the closure forward in 2015/16. In addition changes will also be required in relation to the audit process and how the Council engages with the audit process. Regular engagement with the Governance Committee will be important to provide members with the necessary assurances that the Council is well placed to meet the earlier timescale.

Acknowledgment

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.

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Governance Committee on 11th March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have made one change to our Audit Plan as previously communicated to you on 11th March 2015. Our walk through of the welfare benefits system in 2014/15 has not identified any additional inherent material risks other than those created by the overall size of expenditure and magnitude of transactions. This expenditure is subject to a very tight control environment. We are satisfied that this expenditure system does not represent a reasonably probable risk of material mis-statement to the Council's financial statements. We therefore obtain sufficient assurance for our opinion from our testing of a reduced sample of welfare expenditure together with testing of the reconciliation between the welfare benefits system, the ledger and the subsidy claim, ensuring the system has the correct calculation parameters input and completing a detailed analytical review. In due course the normal detailed testing of individual claims will be completed for the purpose of certification of the Council's housing subsidy claim.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

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.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions. <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Chorley, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Chorley 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 override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override 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>



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
Operating expenses	Creditors understated or not recorded in the correct period	<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 • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • sample testing of non-pay operating expenditure, including waste management and leisure services, manual accruals and year end creditors including review of invoices paid since the year end and goods received notes prior to year end. • review of control account reconciliations. 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • understanding of the process, identification of controls and a walkthrough test conducted • sample testing of payroll calculations and contracts of employment including senior officer remuneration • directional analytical review using trend analysis • reconciliation of monthly payroll totals to the ledger. 	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & 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	Accounting Policies Note 1 states that the income is accounted for in the period to which it relates regardless of when the cash is paid or received.	The recognition of revenue by the Council is in line with recognised accounting guidance and in line with CIPFA's recommended approach.	
Estimates and judgements	Key estimates and judgements include:: <ul style="list-style-type: none"> • useful life of capital equipment • pension fund valuations and settlements • revaluations • impairments • PPE valuations. 	<ul style="list-style-type: none"> • We have reviewed the estimates and judgements made in the accounts as part of our work with no matters arising. • We undertook a detailed review of the work performed by the Council's valuer to provide asset valuations. We are satisfied from our review that the methodology and assumptions used by the valuer were reasonable. We are satisfied that the Council's non-current assets are not materially misstated as at 31 March 2015. • We have confirmed the entries relating to the pension scheme in the accounts agree through to the actuarial valuation. We have considered the qualifications of and the work completed by the actuary to ensure we can place reliance upon the their work. • The Council's accounting policies for key estimates and judgements are appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). 	

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed your assessment of your financial position and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	

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 are required by auditing standards to communicate to those charged with governance.


	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have discussed the risk of fraud with the Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> A number of minor presentational amendments have been made to improve the clarity of the financial statements. Further details are provided for the key changes on page 17.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from banks for confirmation of the year end bank balance . The requests were returned with positive confirmation.

Internal controls



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

Our audit included consideration of internal controls 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. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.		During the course of the audit it was identified that the arrangements for recording s106 agreements with developers and the expected procedures for tracking trigger points and raising bills for income due had not been followed for over a year. Council officers had already identified the issue and took immediate action to review the position in detail. Internal audit are currently completing an investigation to assist management in this respect. Given the level of housing development in the area the amount of income involved is significant. The accounts for 2014-15 have been amended to include an accrual for s.106 monies relating to 2013/14 and 2014/15 of £0.934m.	<ul style="list-style-type: none"> • Arrangements for the recording of s106 agreements and expected income and billing of developers should be strengthened. Recommendations arising from the Internal Audit report should be implemented immediately and any wider lessons learnt shared appropriately across the council.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

Internal controls – review of issues raised in prior year

	Issue and risk previously communicated	Update on actions taken to address the issue
1.	<p>Bank reconciliation</p> <p>Last year we reported that our work identified a weaknesses relating to the bank reconciliation process. The bank reconciliation had previously been independently reviewed and signed by off by a senior member of the finance team. However, that member of staff retired, and the review was no longer carried out.</p> <p>Cash is the most vulnerable asset of any organisation. Bank reconciliations provide the necessary control mechanism to help protect this valuable resource through uncovering irregularities such as unauthorised bank withdrawals. It is essential that management review the bank reconciliation process to seek assurance that the correct controls are in place and that there are no unexplained differences.</p> <p>We recommended last year that a more formal review process be re-introduced.</p>	<p>Similar issues were identified during our audit of the financial statements this year. The monthly bank reconciliations have not been independently reviewed throughout 2014/15. As last year, we recommend that the Council re-introduces a more formal review process.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft financial statements 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 financial statements 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 below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000
<p>1 S106 monies are amounts that developers of larger sites pay to the council to manage the wider impact of the development. Developers sign a S106 agreement as part of their planning permission. This is a legal document specifies the events which will trigger payment, what the money is spent on and where.</p> <p>During the audit it became clear that the Council had failed to properly administer S106 monies going back for over a year totalling £1.050m and therefore had not accounted for these sums. As a result the accounts for 2014/15 have been adjusted to reflect the Council's estimation of income due which had not been billed at year end. The amounts due in respect of prior years is not material and therefore no prior period adjustment is required..</p> <p>The Council has made an assessment of the collectability of this debt and has increased its bad and doubtful debt provision by £0.116m.</p> <p>The overall net effect of this amendment is that short term debtors and usable reserves have both increased by £0.934m. Related changes have also been made to the cash flow statement, movement in reserves statement and notes 7, 11, 16, 17, 26, 32, 41.</p>	<p>Taxation and non specific grant income and expenditure +0.934m</p> <p>Total Comprehensive Expenditure -0.934m</p>	<p>Short term debtors +0.934m</p> <p>Usable reserves +0.934m</p>

Adjusted misclassifications & 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 £m	Account balance	Impact on the financial statements
1 Disclosure	n/a	Accounting Policies Note	A number of changes have been made to the accounting policies note covering the general principle of measurement, going concern and revenue recognition. In addition the Council has removed any unnecessary accounting policies.
2 Disclosure	£0.703m (2013/14) £0.169m (2014/15)	Financial Instruments Note	A number of changes have been made to the financial instrument note: <ul style="list-style-type: none"> the note has also been amended to remove capital grants receipts in advance, which had been incorrectly included for both years the note has been expanded to include a reconciliation of how the note agrees to the balance sheet.
3 Disclosure	n/a	Critical Judgements Note	The note on critical judgements has been expanded to reflect the Council's judgement around the classification of finance and operating leases and the occurrence of trigger points relating to s106 monies.
4 Disclosure	0.747	Adjustment between accounting basis and funding basis under regulations Note	Revaluation gains of £0.747m had been incorrectly disclosed within the balance for charges for impairment of non current assets within Note 7. Notes 12 and 22b have also been amended.
5 Disclosure	0.070m	Nature and Extent of risks arising from financial instruments Note	The note has been amended to: <ul style="list-style-type: none"> reflect the impact on the Comprehensive Income and Expenditure Statement of a 1% increase in interest rates correctly analyse the maturity periods of the Council's borrowing.
6 Disclosure	n/a	Property, Plant and Equipment Note	The note of property, plant and equipment has been expanded to include: <ul style="list-style-type: none"> reference to the Market Walk Shopping Centre acquisition in 2013/14, how the Council has considered that the carrying value of property, plant and equipment of assets not valued in 2014/15 is not materially different to the fair value.

Adjusted misclassifications & 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 £m	Account balance	Impact on the financial statements
7 Disclosure	n/a	General	<p>A number of other changes have been made to the disclosure notes including:</p> <ul style="list-style-type: none">• the inclusion of notes for material balances investments and borrowing• the deletion of some non material notes,• removal of lines/columns with no balances in 2013/14 and 2014/15,• updating IAS19 terminology to reflect the latest terms.

Unadjusted misclassifications & disclosure changes

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Adjustment type	Value £m	Account balance	Impact on the financial statements
1 Disclosure	n/a	Cash Flow Statement	<p>The Cash Flow Statement did not have supporting notes detailing the breakdown of:</p> <ul style="list-style-type: none"> • adjustments to net surplus or deficit on the provision of services for non-cash movements; and • adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities. <p>Officers have decided not to amend the accounts in respect of this.</p>

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Our work on financial resilience has concluded that the Council is performing well, has sound financial governance arrangements and financial controls in place, despite continuing to operate in a very challenging financial environment. The framework of sound financial management will assist the Council in managing the significant financial challenges that are likely to be faced over the next three to four years.

The Council continues to demonstrate that not only can it identify and set targets for efficiency savings, but that it can also deliver and exceed its targets. The savings target of £0.130m from management of the establishment was achieved, in addition to the £0.903m budget efficiency savings that were applied to the budget in setting the 2014/15 budget.

The Council's investment in the Market Walk Shopping Centre, as part of its overall regeneration plans for Chorley Town Centre has in 2014/15 delivered significant financial benefit to the Council. Net income from the shopping centre was £0.277m higher than anticipated when setting the 2014/15 budget and the total net income generated for the Council from the shopping centre year is close to £1m.

This year we identified the shopping centre as a risk areas to focus on. We have reviewed and gained an understanding of the management of the shopping centre and are satisfied that appropriate monitoring arrangements are in place and that any risks are appropriately considered and actions put in place to mitigate such risks.

Going forward, over the next few years the Council will, like all other Councils, continue to face some very challenging times. However, given the track record of the Council to continually deliver efficiencies and perform well, we are confident that the Council, is well placed to meet such challenges.

Value for Money

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

We have completed the following reviews:

- prioritising resources; and
- improving efficiency and productivity

The Council continues to be proactive and challenge the way it delivers its services for the residents of Chorley, whilst driving out any inefficiencies. The Council understands its costs which enables it to make informed decisions based on accurate information to drive its Corporate Strategy. The Council has been at the forefront of trying to shape the way local public services are delivered for the benefits of the residents of the borough. The Commission day was only the start and the Council continues to take this forward.

Regular and detailed budget monitoring also ensures that the latest available information is available to be used to assess how well placed the Council is deliver its efficiency targets and income and expenditure targets.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2013-14	RAG rating 2014-15
Key indicators of performance	<p>The Council has a strong track record in achieving its budget and managing its financial performance. The actual year end out-turn position saw an underspend against budget of £0.139m. The Council also delivered all of its £0.130m savings target.</p> <p>The Council's level of general balances has increased during the year by £0.099m to £2.288m which remains above the £2m limit set in the Council's medium term financial strategy. The Council has also increased its earmarked reserves by £0.588m, which now stand at £5.864m. The combined level of general and earmarked reserves has increased during the year by £0.687k to £8.152m.</p> <p>Collection rates for both Council Tax (97.80%) and Business Rates (97.95%) remain high, with improved collection rates in both areas compared to 2013/14.</p> <p>The Council has seen a reduction in the average number of days lost due to sickness per FTE employee from 6.44 days in 2013/14 to 5.98 days in 2014/15.</p>	Green	Green

Theme	Summary findings	RAG rating 2013-14	RAG rating 2014-15
Strategic financial planning	<p>The Council continues to demonstrate that it has sound financial planning and review processes in place, which are based on its three year Medium Term Financial Strategy (MTFS) covering the financial period 2015/16 – 2017/18. The Council's Medium Term Financial Strategy (MTFS) effectively sets out the financial risks over the next three years and the level of savings required. The Council continues to take a prudent stance with regards to its receipt of New Homes Bonus Monies (NHB). Up to 2015/16 this will not be applied to the base budget, allowing the NHB funds to be available for non-recurring new investment. The Council's MTFS is kept under regular review in the light of any emerging developments. The assumptions that the Council has built into its current MTFS appear reasonable.</p> <p>The Council has a significant budget gap up to 2017/18 which is currently estimated at £2.555 m by 2017/18. The Councils intends to use a combination of savings and NHB monies to help meet the budget gap.</p> <p>The Medium Term Financial Strategy (MTFS) also includes options which the Council will consider to help maintain financial balance. These include:</p> <ul style="list-style-type: none"> • re-engineering of services to fundamentally review service provision to reduce net expenditure and improve efficiency • a programme of reducing the Council's debt position which has an impact on the revenue account • income generation schemes as a continuation of the projects implemented to date • increasing in Council Tax is also available as an option available to Councils to close funding gaps. <p>The Council's acquisition of the Market Walk Shopping Centre has in 2014/15 made a sizeable contribution to the Council's overall financial position. The net income figure for 2014/15 was £0.936m which was £0.277m better than budget.</p>	Green	Green

Theme	Summary findings	RAG rating 2013-14	RAG rating 2014-15
Financial governance	<p>The Council has good financial governance arrangements in place. Through the business planning and budget setting process, the Council understands its financial environment at all levels, including members, who are actively engaged in the process. Comprehensive reports are produced covering capital and revenue budgets and treasury management.</p> <p>The Council continues to undertake extensive budget consultation around its areas of investment. High level budget consultation has been conducted using a combination of online, email and paper surveys, plus the use of social media.</p> <p>Performance against budget and progress against cost savings is reported quarterly to the Executive Cabinet. The Council also reports its corporate performance to members on a quarterly basis.</p>	Green	Green
Financial control	<p>Recent internal audit work programmes have provided assurance that the Council has generally sound internal financial controls in place across all key financial systems. The Council's assurance framework in relation to financial control, including an effective Governance Committee, works well.</p> <p>The Council's finance staff are experienced and appropriately qualified and the Council uses its financial system to ensure effective financial reporting throughout the year. Good arrangements are in place to meet year-end statutory financial reporting requirements.</p> <p>Through regular revenue budget monitoring, undertaken through the Executive, the Council is able to monitor the performance of services against budgets and respond to significant cost pressures and issues identified.</p> <p>The Council continues to demonstrate a track record for delivering efficiencies. During 2014/15 it delivered its savings target of £0.130m from management of the establishment, in addition to the £0.903m budget efficiency savings that were applied to the budget in setting the 2014/15 budget. This is a significant achievement given the current financial and economic climate.</p>	Green	Green

Theme	Summary findings	RAG rating 2013-14	RAG rating 2014-15
Prioritising resources	<p>Members and senior management continue to work well together and demonstrate a clear understanding of the scale of the challenge needed to ensure resources are prioritised and spending reductions achieved. The Council remains keen to explore all options for alternative delivery models as a way of delivering efficiencies and providing first class services for the residents of the Borough.</p> <p>The Council continues to invest in a package of new investment projects aimed at delivering efficiencies whilst serving the needs of the local communities. For 2015/16 this investment totals £4.422m, which is in addition to the 2013/14 and 2014/15 investments that were approved for a period of 3 and 2 years respectively. The Council sees these investment projects as a means of strengthening local communities whilst also investing in key areas which will generate additional income for the Council, the proposed expansion of the Market Walk Shopping Centre being a prime example of this.</p> <p>The Council continues to have clear information on costs to help inform decision making. Budget monitoring and service and performance reports continue to be reported via the Executive Committee.</p> <p>The Council has also been pro-active in challenging the way public services are delivered throughout the Borough. Given the increased amount of pressure resources are under, the decreasing budgets for all public service providers and increased demand for services, the Council believed it was right to challenge the way residents of the borough receive its public services. In March 2015 it hosted an independent commission to examine the future of public services in the borough. The commission received evidence from a range of organisations and individuals and a number of recommendations were made to take the debate further and encourage participation from all public sector partners. The Commission report commented positively on the strong track record of the Council to work collectively with others to bring about improvements. Since March the Council has continued its work in these areas including:</p> <ul style="list-style-type: none"> • Reforming and refocusing the Chorley Public Service Reform Board, with an aim to gain a greater degree of commitment from partners, and provide the collective capacity and leadership to public services. 	Green	Green

Theme	Summary findings	RAG rating 2013-14	RAG rating 2014-15
Prioritising resources	<ul style="list-style-type: none"> • Undertaking cost-benefit analysis of proposals to integrate health and well-being services in the borough. • Establishing a ‘Chorley conversation’ to engage residents and service users in any service change and design. <p>The Council engages well with stakeholders and local residents to ensure that its resources are being prioritised in the areas that matter most. There is regular consultation on Council priorities and investment areas, for example the community had its say on the Chorley town centre improvements, parks and open spaces, a cleaner greener Chorley, supporting the local economy and planning and housing issues.</p>	Green	Green
Improving efficiency & productivity	<p>The Council has a proven track record of delivering savings having achieved approximately £2.8m over the last three years. Despite the need to achieve efficiencies the Council's overall performance continues to be good, in particular :</p> <ul style="list-style-type: none"> • increase in the number of visits to Council leisure centres • reduction in the number of customers dissatisfied with the service they receive from the Council • reduction in the number of missed collections per 100,000 collections of household waste • 94% of key projects identified in the 2014/15 – 2016/17 Corporate Strategy either on track or scheduled to start later in the year. • a number of Chorley Town Centre improvement actions in line with the Town Centre Masterplan have taken place during the year including the ASDA junction developments, Market Street (south) public realm improvements, Market Street Shop Front Improvements, and the development of new retail outlets, all of which have been supported or pump primed by the Council. 	Green	Green

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	59,440	59,440
Less rebate*		(6,109)
Grant certification on behalf of Audit Commission	8,910	8,910
Total audit fees	68,350	62,241

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical 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.

* a rebate of £6,109 was issued by the Audit Commission in October 2014

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) 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 the Audit Commission (www.audit-commission.gov.uk).

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. 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 Audit Commission and includes nationally prescribed and locally determined work. 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.

	Audit Plan	Audit Findings
Our communication plan		
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		✓
Compliance with laws and regulations		✓
Expected 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, Medium or Low

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Arrangements for the recording of and billing of income from developers in respect of S106 monies should be strengthened. Recommendations arising from the Internal Audit report should be implemented immediately and any wider lessons learnt disseminated across the council.	High		
2	A more formal review of the Council's bank reconciliation should be introduced, with clear evidence that a level of checking has been undertaken.	Medium		

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHORLEY COUNCIL

We have audited the financial statements of [name of client] for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure 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 2014/15.

This report is made solely to the members of Chorley Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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 the Chief Finance Officer's Responsibilities, 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also 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 explanatory foreword [and the annual report] 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:

- give a true and fair view of the financial position of Chorley Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure 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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 arrangements for securing economy, efficiency and effectiveness in the 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, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2015.

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 had put in place proper arrangements to secure 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 published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Chorley Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of [name of client] in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Fiona Blatcher, Engagement Lead
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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September 2015



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