

The Audit Findings for Chorley Council

Year ending 31 March 2016

September 2016

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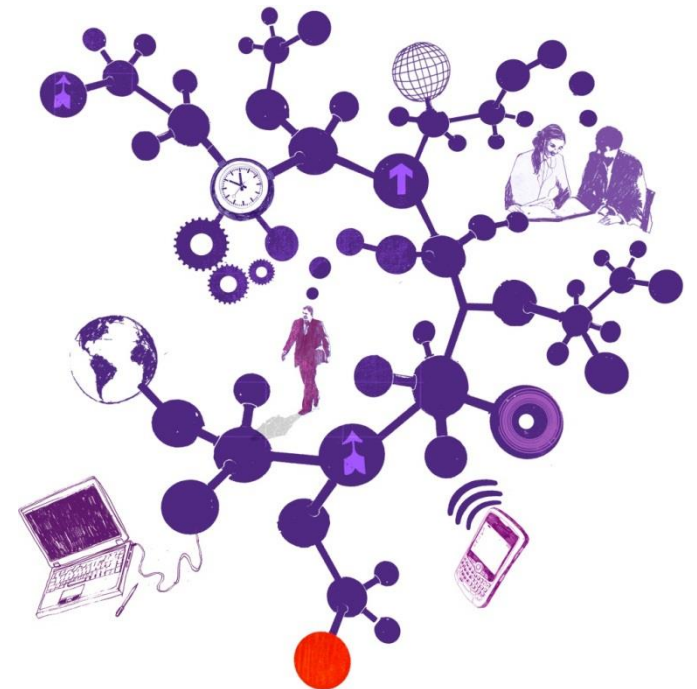
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Purpose of this report

This report highlights the key issues affecting the results of Chorley Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

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

We are also required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

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 relevant period.

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 April 2016.

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

- final completion of our substantive testing of property, plant and equipment and operating segments
- 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.

Key audit and financial reporting issues

Financial statements opinion

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

- the financial statements were prepared in accordance with the statutory deadline, but there had been some slippage compared to the Council's intended earlier timescale for production

- the financial statements presented to the Governance Committee at its meeting on 22 June changed considerably compared to the version that was published on the Council's website at the end of June. For the purpose of this report, which is to those charged with governance, we have highlighted any changes compared to the statements that were presented at the Governance Committee meeting. A summary of the non trivial changes between the Statement of Accounts presented to the Governance Committee and those submitted for audit is shown in Appendix B

The Council has not been required to make any changes to the primary financial statements presented to us arising from the audit and consequently there has been no change in the reported financial position.

The Council has made a small number of disclosure changes which do affect the supporting notes to the statements. These are summarised on pages 17-18.

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 C), after your Governance Committee meeting on 14 September 2016.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement 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.

We have not identified any issues in this respect.

Controls

Roles and responsibilities

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

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

Findings

Our work has not identified any significant control weaknesses. We have highlighted one issue in respect of our payroll walk through testing and further detail is provided on page 16.

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.

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 on-going and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Governance Committee which is due in February 2017.

The way forward

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

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

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 2016

Section 2: Audit findings

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Materiality

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

As we reported in our audit plan, we determined overall materiality to be £0.914m. We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £0.046m. This remains the same as reported in our audit plan.

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

Balance/transaction/disclosure	Explanation
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of auditors' remuneration in notes to the statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.
Related party disclosures.	Due to public interest in these disclosures and the statutory requirement for them to be made.

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>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Chorley Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including 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 over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> • Documentation of the controls applied to journal entries. • Testing of journal entries. • Review of accounting estimates, judgments and decisions made by management. • Review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p>

Audit findings against significant risks continued

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate. Review of the competence, expertise and objectivity of any management experts used. Review of the instructions issued to valuation experts and the scope of their work. Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. Testing of additions and revaluations made during the year to ensure they are input correctly into the Council's asset register. Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. We did identify from discussions with the Council's valuer that there are a number of assets which are not recorded on the Council's asset register and not subsequently on the balance sheet.</p> <p>However, we have been provided with assurances from the valuer that the likely value of those assets in total is not material and therefore the valuation on the balance sheet is not materially mis-stated.</p>
4.	<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<ul style="list-style-type: none"> Review of the controls put in place by management to ensure that the pension fund liability is not materially misstated. Assessment of whether the controls were implemented as expected and whether they mitigated the risk of material misstatement. Review of the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. Gained an understanding of the basis on which the valuation is carried out. Confirmed the reasonableness of the actuarial assumptions made. Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Section 1: Executive summary

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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	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle; • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; • tested the year-end reconciliation of the payroll system to the general ledger; • completed a month-by-month trend analysis on payroll costs to identify any unusual fluctuations; and • substantive testing of payments made to employees. 	Our audit work has not identified any significant issues in relation to the risk identified, other than the issue highlighted on page 15 in respect of our payroll walk through testing.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle; • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; • test the year-end reconciliation of the accounts payable system to the general ledger; • substantive testing of operating expenses; • agreement of creditors to system balances and control account reconciliations; • review and substantive testing of year end accruals and creditor balances including confirmation that balances due have been settled after year end; and • "Cut-off" testing to obtain assurance that creditors have been accounted for in the correct financial year. 	Our audit work has not identified any additional significant issues in relation to 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	Accounting Policies state that activity 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.	
Judgements and estimates	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 and they appear reasonable. • We have sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts. • 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 work. No significant issues have been identified from this work.	



Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the statutory 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 are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 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
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 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have discussed the risk of fraud with the Chair of 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 procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> Note 32 highlights the Council's related party transactions. We are not aware of any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council. No specific representations have been requested.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from banks of the year end balance. The requests were returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> A number of disclosure amendments have been made to the financial statements arising from the audit and these are summarised on pages 17-18. In addition a small number of minor presentational amendments have been made to improve the clarity and consistency of the financial statements.
7.	Matters on which we report by exception	<p>We have not identified any issues we would be required to report by exception.</p> <ul style="list-style-type: none"> The finalised Annual Governance Statement meets the disclosure requirements set out in the CIPFA/SOLACE guidance and is consistent with the information of which we are aware from our audit; and the information in the Narrative Report is materially consistent with the information in the audited financial statements and our knowledge of the Council acquired in the course of performing our audit.

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.

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.	●	<p>Payroll walkthrough</p> <p>As part of our walk through test to establish whether payroll controls are operating as expected, we identified that for the employee selected the Council's WinTime system would not have been used to record sickness and leave.</p>	<ul style="list-style-type: none"> Ensure that suitable arrangements exist for the recording and monitoring of sickness and leave for all employees.

Assessment

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

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>S106 agreements</p> <p>During the course of last year's audit it was identified that the arrangements for recording s106 agreements with developers, the expected procedures for tracking trigger points and raising bills for income due had not been followed for over a year.</p> <p>We recommended that arrangements for the recording of s106 agreements and expected income and billing of developers should be strengthened.</p>	<p>No issues have arisen as part of this year's audit with regards to s106 monies. In addition a recent review of arrangements by Internal Audit indicated that the current arrangements and actions taken to ensure that robust systems are now in place and operating effectively. This was reported to the Governance Committee at the June 2016 meeting.</p>
2.	✓	<p>Bank reconciliation process</p> <p>We reported in our Audit Findings Report last year that the bank reconciliation used to be independently reviewed and signed off by a senior member of the finance team. However, this had not been happening as a matter of routine.</p>	<p>Within our Audit Plan issued in April 2016 we again commented that last year's audit recommendation had not been implemented at the time of our interim visit.</p> <p>We did however receive assurances that arrangements would be put in place. We are pleased to report that adequate arrangements now exist for the independent review of the bank reconciliation process.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted and Unadjusted misstatements

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 Council has not been required to consider any amendments to the primary financial statements arising from our audit.

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 £m	Account balance	Impact on the financial statements
1 Disclosure	1.251	Financial Instruments (Note 16c)	<p>Note 16c discloses the fair value of the Council's PWLB loans. In previous years the use of a premature repayment rate to determine the fair value has been permitted by CIPFA. However, this is no longer the case following the adoption of IFRS13.</p> <p>The Council has calculated the fair value of its PWLB loans following the advice from CAPITA, its external advisors, using the premature repayment rate method.</p> <p>The difference in the fair value techniques shows that the note is materially misstated by £1.251m.</p>
2 Disclosure	0.924	Financial Instruments (Note 16c)	The fair value figure for financial instrument short term creditors within Note 16c was incorrectly stated, as there had been no adjustment to remove creditors which are not financial instruments.

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 £m	Account balance	Impact on the financial statements
3 Disclosure	0.589	Short term debtors (Note 17)	<p>The analysis within Note 17 (short term debtors) was incorrect, as the bad debt provision in respect of the authority's share of council tax and business rate arrears had been netted off "other entities and individuals" in error.</p> <p>The net debtor balance was correctly stated However, the analysis within the note was incorrect. Other entities and individuals and the provision for bad debts classifications within the note were both understated by £0.589m.</p>
4 Disclosure	3.976	Operating leases (Note 34b)	Future minimum lease payments receivable no later than one year had been incorrectly disclosed by £3.976m.
5 Disclosure	0.006	External Audit Costs (Note 30)	The external audit costs have been amended to reflect the agreed audit fee within the 2015/16 audit fees letter and the audit plan.

Section 3: Value for Money

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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 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

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

Risk assessment

In our Audit Plan dated March 2016 we reported that, as a result of our initial risk assessment, we had not identified any significant risks requiring further work.

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.

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. In arriving at our conclusion, as part of our risk assessment we:

- considered our cumulative knowledge of the Council
- undertook a detailed review of council reports and committee papers
- held discussions with key officers
- reviewed the Council's corporate plan, budget, medium term financial strategy and strategic risk register
- reviewed work performed in previous years in respect of the Vfm conclusion and the opinion on the financial statements.
- considered any illustrative significant risks identified and communicated by the NAO in its supporting information.
- considered any other evidence which we consider necessary to conclude on your arrangements.

We have seen evidence that the Council continues to use business cases to support decision making for major projects. Recent examples include the extension of the Market Walk Shopping Centre and a review of the options for the Waste Collection contract.

In addition the Council is constantly reviewing the way it delivers services and how it can work smarter with its partners. The recent work with Lancashire Care NHS Foundation Trust around the creation of an integrated community wellbeing service for Chorley, is a prime example of how the Council is working with local partners to be at the forefront of shaping services for the residents of Chorley.

With regard to its finances the Council's out-turn position at the end of 2015/16 showed an underspend of £0.188m. This includes transfers to both the General Fund of £0.397m and to Earmarked Reserves of £0.795m plus additional contributions to the Change Management Reserve and Building Maintenance Fund of £0.150m and £0.050m. The Council has also been successful in delivering budgetary savings of £0.708m whilst also maintaining services.

The Council has also planned to deliver a balanced budget for 2016/17 with budget efficiency savings totalling £0.214m having been applied to the budget to achieve this. However, the Council has a significant budget gap up to 2018/19 which is currently estimated at £3.372m. Whilst the financial environment in which the Council is operating continues to be difficult, given its track record of delivering efficiencies, performing well and its pro active approach to income generation and service re-design, the Council, is well placed to meet such challenges.

Overall conclusion

Based on the work we performed, 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 C.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Any other matters

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

Section 4: Fees, non-audit services and independence

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

Fees

	Proposed fee £	Final fee £
Council audit	45,255	45,255
Grant certification *	6,798	6,798
Total audit fees (excluding VAT)	52,053	52,053

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'.

* our audit of your Housing Benefit grant claim has yet to be concluded but we do not anticipate any difference in fee from that reported in the audit plan.

Fees for other services

Service	Fees £
Audit related and non-audit services	Nil

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 therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Section 5: Communication of audit matters

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Communication to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Accounts Preparation <ul style="list-style-type: none"> The Council should re-assess and streamline its final accounts closedown procedures to ensure that it can prepare its accounts one month earlier by 2017/18. 	M		
2	Asset Register <ul style="list-style-type: none"> Ensure that the asset register is fully update to date reflecting all of the Council's assets. 	M		
3	Payroll walk thorough testing <ul style="list-style-type: none"> Ensure that suitable arrangements exist for the recording and monitoring of sickness and leave for all employees. 	M		
4	Fair Value of PWLB Loans <ul style="list-style-type: none"> The Council should consult with CAPITA, its external advisors, to ensure that in future the fair value of its PWLB loans is calculated on the correct basis. 	M		

Appendix B: Summary of changes between Statement of Accounts submitted to Governance Committee and those presented for audit

Statement Note	Page	£000	Change
Movement in Reserves Statement	27	2.864	Other Comprehensive Income and Expenditure (Unusable Reserves) increased by £2.864m to reflect Property Plant and Equipment revaluation increase not previously included
Comprehensive Income and Expenditure Statement	28	0.072	Investment property income incorrectly posted to planning services income - now reclassified as Financing and Investment Income and Expenditure (Note 10)
Comprehensive Income and Expenditure Statement	28	2.864	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets increased by £2.864m to reflect revaluation increase not previously included
Balance Sheet	29	2.864	Property Plant and Equipment increased by £ 2.864m with Unusable Reserves decreased by £2.864m
Note 4 - Assumptions/Estimation Uncertainty	42	2.864	Total of revaluations in the year updated
Note 10 - Financing & Investment Income & Expenditure	48	0.072	Note updated to reflect investment property income incorrectly posted to planning services income
Note 12 - Property Plant and Equipment	49	0.664	£0.492m of surplus assets have been correctly reclassified as other land and building assets and £0.172m of investment properties have now been correctly classified as other land and building assets

Appendix B: Summary of changes between Statement of Accounts submitted to Governance Committee and those presented for audit

Statement Note	Page	£000	Change
Note 23 - Unusable Reserves	59	2.864	Revaluation Reserve Note 23a and total for Unusable Reserves (Note 23) increased by £2.864m
Note 27 - Amounts Reported for Resource Allocation	64-67	£0.072	Fees, charges and other service income reduced to reflect income from investment properties incorrectly included within planning services income

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report or amend as appropriate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHORLEY COUNCIL

We have audited the financial statements of Chorley Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 2015/16.

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 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 2015/16, 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 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we

become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 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: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 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 to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, 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 these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 to secure value for money through economic, efficient and effective use of its 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 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Mark Heap
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
4 Hardman Square, Spinningfields, Manchester M3 3EB.



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