

# Audit Findings

*Year ending 31 March 2018*

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Chorley Borough Council  
25 July 2018



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

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# Headlines

This table summarises the key issues arising from the statutory audit of Chorley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<b>Financial Statements</b>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, and</li><li>have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. We have identified no amendments to the financial statements that have resulted in an adjustment to the Council's financial position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance Committee meeting on 25 July 2018,. These outstanding items include:</p> <ul style="list-style-type: none"><li>- receipt of management representation letter;</li><li>- completing our cut-off testing</li><li>- review of the financial instruments</li><li>- concluding on outstanding queries with the Council</li><li>- reviewing the audit files by the Engagement Lead and Manager</li><li>- review of the final set of financial statements.</li></ul> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li></ul>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Chorley Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>certify the closure of the audit</li></ul>	<p>We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

## Acknowledgements

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

# Summary

## Overview of the scope of our audit

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

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

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment including its IT systems and controls;

- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance Committee meeting on 25 July 2018, as detailed in Appendix E. These outstanding items include:

- receipt of management representation letter;
- completing our cut-off testing
- review of the financial instruments
- concluding on outstanding queries with the Council
- review of the audit files by the Engagement Lead and Manager
- review of the final set of financial statements.

## Our approach to materiality

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

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

	(£000)	Qualitative factors considered
Materiality for the financial statements	1,077	Based on risk and standard percentage of gross revenue expenditure
Performance materiality	807	Based on risk and is 75% of materiality
Trivial matters	54	Based on risk and is 5% of materiality
Materiality for specific transactions, balances or disclosures	5	Senior Officer remuneration note – bandings of £5k, therefore used as a basis. This excludes exit packages, which is £100k due to Treasury Rules
	54	Related parties – please note this is an indicative value as we need to consider materiality from both the Council and the other party perspective.

# Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

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### Management's assessment process

Key elements include

- Consideration of the Council's financial position through the Medium Term Financial Strategy (MTFS)
- A robust Treasury Management Strategy

### Auditor commentary

- Management processes are appropriate in ensuring that the going concern assumption in the preparation and presentation of the financial statement is appropriate.

### Work performed

- For the opinion we considered the appropriateness of the Council's conclusion
- We also considered whether the going concern policy is adequately stated.

### Auditor commentary

- We identified no issues from our work on the going concern,

### Concluding comments

### Auditor commentary

- There is no impact on our opinion, which remains unmodified.
-

# Significant audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1</b> <b>Improper revenue recognition</b> Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Chorley Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Chorley Borough Council.</p>
<p><b>2</b> <b>Management override of controls</b> Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.  We identified management override of controls as a risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness</li> <li>• obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness</li> <li>• evaluated the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

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### Valuation of property, plant and equipment

The Council revalues its land and buildings on a quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified land and buildings revaluations and impairments as a risk requiring special audit consideration.

We have:

- reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- given consideration to the competence, expertise and objectivity of any management experts used
- discussed with the valuer the basis on which the valuation is carried out and challenged key assumptions
- reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding
- tested revaluations made during the year to ensure they are input correctly into the Council's asset register
- evaluated 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.

We are finalising our work and no issues have been identified

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### Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

We have:

- identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement
- evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We have gained an understanding of the basis on which the valuation is carried out
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made.
- checked the consistency of the pension fund asset and liability position and disclosures in notes to the financial statements with the actuarial report from your actuary.




We are finalising our work and the only issue identified is that the figures in table 38e, 'Pensions Assets and Liabilities Recognised in the Balance Sheet' were in the wrong columns - the 17/18 figures were shown in the 16/17 column and vice versa.

## Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary
<p><b>7 Employee remuneration</b> Payroll expenditure represents a significant percentage of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness</li> <li>gained an understanding of the Council's system for accounting for payroll expenditure and evaluated the design of the associated controls</li> <li>obtained year-end payroll reconciliation and ensured the amount in the accounts can be reconciled to the ledger and through to payroll reports. Investigated significant adjusting items</li> <li>agreed any material payroll related accruals to supporting documents and reviewed any estimates for reasonableness.</li> </ul> <p>As we finalise our work, no issues have currently been identified.</p>
<p><b>8 Operating expenses</b> Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness</li> <li>gained an understanding of the Council's system for accounting for non-pay expenditure and evaluated the design of the associated controls; and</li> <li>obtained a listing of non-pay payments made in April, taken a sample and ensured that they have been charged to the appropriate year.</li> </ul> <p>As we finalise our work, no issues have currently been identified.</p>



# Accounting policies

Accounting area	Summary	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>• Revenue recognition policy in note 2.2. of the accounts covers areas such as:               <ul style="list-style-type: none"> <li>○ Revenue from the sale of goods and the provision of services is recognised when it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.</li> <li>○ Revenue from Council Tax and Business Rates is measured at the full amount receivable as non-contractual/exchange transactions.</li> </ul> </li> <li>• Note 2.12 sets out for grants that amounts are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.</li> </ul>	<ul style="list-style-type: none"> <li>• The accounting policy is appropriate when considered against the accounting framework.</li> <li>• The accounting policy is adequately disclosed</li> <li>• The Council included the council tax and business rates in the policies after our recommendation in our 2016/17 Audit Findings Report</li> </ul>	
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include               <ul style="list-style-type: none"> <li>– Useful life of PPE</li> <li>– Revaluations</li> <li>– Impairments</li> <li>– Accruals</li> <li>– Valuation of pension fund net liability</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The relevant accounting policies are appropriate when considered against the accounting framework.</li> <li>• The accounting policies are adequately disclosed</li> </ul>	
<b>Other policies</b>		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	

## Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

# Other communication requirements

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

Issue	Commentary
① <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously 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 procedures.</li> </ul>
② <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed in the final set of the accounts. The Council agreed to include an extra related party in relation to Shopmobility.</li> </ul>
③ <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
④ <b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send a confirmation request in relation to IAS19 disclosures. This permission was granted and the request was sent and relevant information received. We also worked with the Council to ensure we received appropriate confirmation for the cash and cash equivalents balance.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
⑦ <b>Audit evidence and explanations</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management was provided</li> </ul>
⑧ <b>Significant difficulties</b>	<ul style="list-style-type: none"> <li>We had some initial difficulties in relation to receiving the financial information in the correct format. These initial difficulties delayed the start of our detailed testing resulting in a later completion of our testing than originally planned. We still expect to give our opinion on the financial statements by the statutory deadline of 31 July 2018.</li> </ul>

# Other responsibilities under the Code

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

Issue	Commentary
① <b>Other information</b>	<ul style="list-style-type: none"> <li>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> </ul> <p>No inconsistencies have been identified and management have agreed to make minor amendments to further improve the statements.</p>
② <b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>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 other information of which we are aware from our audit</li> <li>If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters</p>
③ <b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>Note that work is not required as the Council does not exceed the threshold;</li> </ul>
④ <b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2017/18 audit of Chorley Borough Council in the audit opinion, as detailed in Appendix E.</p>

# Value for Money

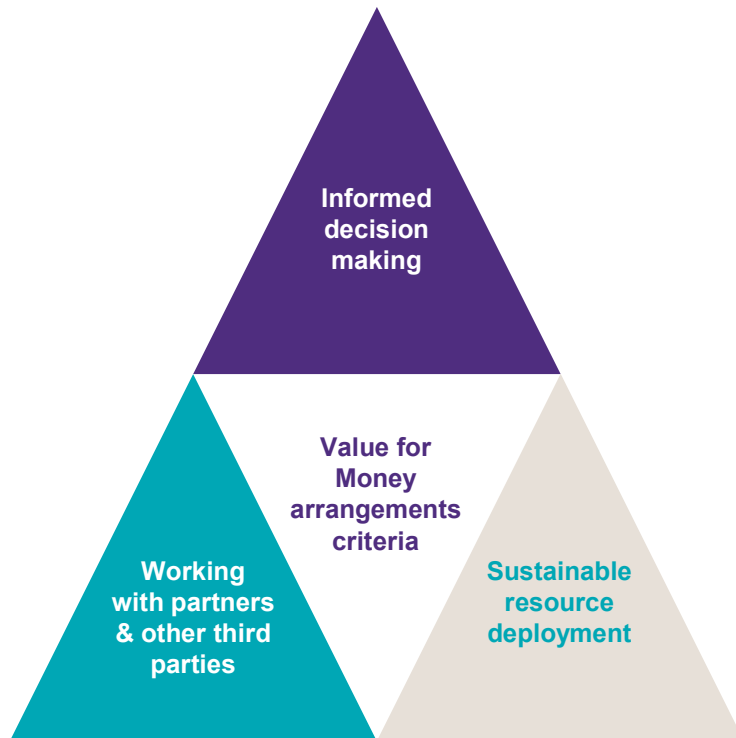
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan presented to the Governance Committee in March 2018.

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

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment..

# Value for Money

## Our work

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

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

- The arrangements the Council has in place to manage and plan its finances over the short and medium term
- The Council's plans to bridge the budget gap over the next three years.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work are on the following pages.

## Overall conclusion

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

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

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

## Recommendations for improvement

Our recommendations and management's response to these can be found in the Action Plan at Appendix A. No major issues have been identified and arrangements in relation to financial planning appear appropriate.

## Significant difficulties in undertaking our work

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

## Significant matters discussed with management

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

## Key findings

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

Significant risk	Findings	Conclusion
<p>1 There remain financial challenges over the next few years which the Council needs to meet. There is a risk that financial planning and management will not be adequate to meet those challenges.</p>	<p>We found that the Council has appropriate arrangements in place in relation to financial planning and management. Financial challenges remain and the Council has publicly reported that it has a cumulative gross budget deficit of £3.3m by 2020/21. Through a variety of items, such as reviewing fees and charges, productivity savings and council tax increases, the deficit reduces to an 'adjusted forecast cumulative deficit position of £2.2m.</p> <p>Through a mixture of renegotiating contracts and transformation, the Council remains confident that the budget deficit will be met. Our review found that the Council has provided evidence that the key transformation projects are being appropriately planned, managed and monitored. We found that there were financial models in the papers which highlighted worst case scenario through to more positive outcomes. It is important that the Council continues to monitor these as the outcomes on the assumptions underpinning the transformation projects will determine whether they will generate a surplus or a deficit.</p> <p>Assumptions supporting the budget also appeared appropriate and were supported by explanations in the budget papers presented to Council in February. The assumptions appeared appropriate, though those supporting the MTFP will need to be regularly reviewed and discussed with Members to ensure they remain consistent with any policy decisions. We did note that the papers presented to the February Council meeting were very thorough and gave a complete picture of the financial position and the consultation that took place in preparing the budget.</p> <p>The Council has usable revenue reserves of £12.3m, including £4m General Fund balance. Liquidity has also improved with current assets now being higher than current liabilities. However, financial challenges remain and we have noted that the Council, unlike many other Councils has no short-term investments, highlighting the need for continued careful cash management.</p> <p>We concluded that the Council does manage and monitor its financial position both in relation to the annual budget, with quarterly monitoring reports reviewed by the Executive Cabinet, and the medium term financial plan (MTFP), which is regularly reviewed and updated. The Executive Cabinet also receive the performance report, which allows financial and service performance to be considered at the same meeting. We noted that the finance report is not presented to Scrutiny Committee and arrangements may be strengthened if the Scrutiny Performance Panel also considered the finance report to be able to consider the full performance of the Council.</p>	<p><b>Auditor view</b></p> <ul style="list-style-type: none"> <li>The Council has appropriate arrangements in place relating to financial planning and management</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>[...]</li> </ul>

# Independence and ethics

## Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified/ No non-audit services were identified.

Service	£	Threats	Safeguards
<b>Audit related</b>			
Housing and Communities Agency	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £45,255 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors

# Action plan

We have identified two of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	●	<ul style="list-style-type: none"> <li>The disclosure checklist was not completed by the Council as part of the closedown procedures increasing the risk of omissions and errors.</li> </ul>	<ul style="list-style-type: none"> <li>The disclosure checklist should be completed as part of the final accounts preparation.</li> </ul> <p><b>Management response</b></p>
2	●	<ul style="list-style-type: none"> <li>Local Government continues to find itself in a challenging financial position. Whilst the Council is planning and managing its finances there continues to be a risk to the financial position, particularly given the level of investment in key transformational projects that is taking place.</li> </ul>	<ul style="list-style-type: none"> <li>The Council should continue to closely manage and monitor its financial performance. Potential issues to consider are:               <ul style="list-style-type: none"> <li>Ensuring the assumptions in the main budget, MTFP and transformation projects need to be regularly reviewed</li> <li>Consideration should be given to presenting the quarterly monitoring report to a scrutiny committee, allowing further member review</li> </ul> </li> </ul> <p><b>Management response</b></p>

## Controls

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



# Follow up of prior year recommendations

We identified the following issues in the audit of Chorley Council's 2016/17 financial statements, which resulted in 4 recommendations being reported in our 2016/17 Audit Findings report. We have followed up on the implementation of our recommendations and note one is still to be completed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<ul style="list-style-type: none"> <li>Grants should only be credited when conditions have been appropriately met.</li> </ul>	<ul style="list-style-type: none"> <li>We have considered this and conclude that the Council has only credited grant income to in the CIES</li> </ul>
2	✓	<ul style="list-style-type: none"> <li>Bank overdrafts should be included in the cash and cash equivalents amount</li> </ul>	<ul style="list-style-type: none"> <li>The bank overdraft is correctly shown in the cash and cash equivalents figure in the balance sheet.</li> </ul>
3	✓	<ul style="list-style-type: none"> <li>Consider specifically mentioning income such as council tax, business rates and grants in the revenue recognition accounting policy.</li> </ul>	<ul style="list-style-type: none"> <li>The different types of income are mentioned in either Accounting Policy 2.2 or 2.12.</li> </ul>
4	X	<ul style="list-style-type: none"> <li>The disclosure checklist should be completed as the financial statements are being prepared.</li> </ul>	<ul style="list-style-type: none"> <li>The disclosure checklist was not fully completed when the accounts were being prepared.</li> </ul>

#### Assessment

- ✓ Action completed
- X Not yet addressed

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

No adjustments were made to the key financial statements that amended the financial position of the Council. A classification amendment of the Comprehensive Income and Expenditure Statement (CIES) has been made which is set out below.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. We also identified a number of minor typo issues that the Council is addressing.

Disclosure	Detail	Auditor comments	Adjusted?
<b>CIES – Taxation and non-specific grant income</b>	<ul style="list-style-type: none"> <li>The correction amends an error in a working paper that meant the £759,000 credit for the 90% of the business rates levy retained was unintentionally included on the income side rather than reducing the expenditure side. The correction is to reduce expenditure and income both by £759,000 and therefore has no impact on the financial position of the Council.</li> </ul>	<ul style="list-style-type: none"> <li>The amendments were highlighted by the finance team after our initial audit queries and has no impact on the financial position of the Council.</li> </ul>	✓
<b>Note 9: Expenditure and Income Analysed by Nature</b>	<ul style="list-style-type: none"> <li>Various changes have been made to the note to correct a number of issues</li> <li>£2.936m REFCUS expenditure has been moved from the depreciation line to 'other services' expenditure</li> <li>The precepts and levies line has been reduced by £759,000 so the retained levy line is correctly treated as a reduction in expenditure and not income</li> <li>Expenditure and Income in Note 9 now matches gross expenditure and gross income at the 'surplus or deficit on provision of services' line in the CIES.</li> </ul>	<ul style="list-style-type: none"> <li>The amendments were highlighted by the finance team and has no impact on the financial position of the Council.</li> </ul>	✓
<b>Collection Fund – Business Rates Receivable</b>	<ul style="list-style-type: none"> <li>The income in relation to transitional protection relief should be included in the Business Rates Receivable line and then as a charge later in the statement. This resulted in income and charges in the collection fund having been increased by £2.365m.</li> </ul>	<ul style="list-style-type: none"> <li>The amendments were highlighted by the finance team after our initial audit queries and has no impact on the financial position of the Council.</li> </ul>	✓

# Fees

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

## Audit Fees

	Proposed fee	Final fee
Council Audit	£45,255	£45,255
Grant Certification	£6,683	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£51,938</b>	<b>TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'. The fee for the Grant Certification work will be finalised when the work is completed in November 2018.

## Non Audit Fees

Fees for other services	Fees £
<b>Audit related services:</b>	
• Housing and Communities Agency	£5,000
<b>Non-audit services</b>	£0
	<b>£5,000</b>

# Audit opinion

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

Independent auditor's report to the members of Chorley Borough Council

Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of Chorley Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 1 to 116, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

#### Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

#### Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. 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 2017/18, which give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Governance Committee is Those Charged with Governance.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

#### Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

#### [Signature]

Mark Heap  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
4 Hardman Square  
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