

# The Audit Findings for South Somerset District Council

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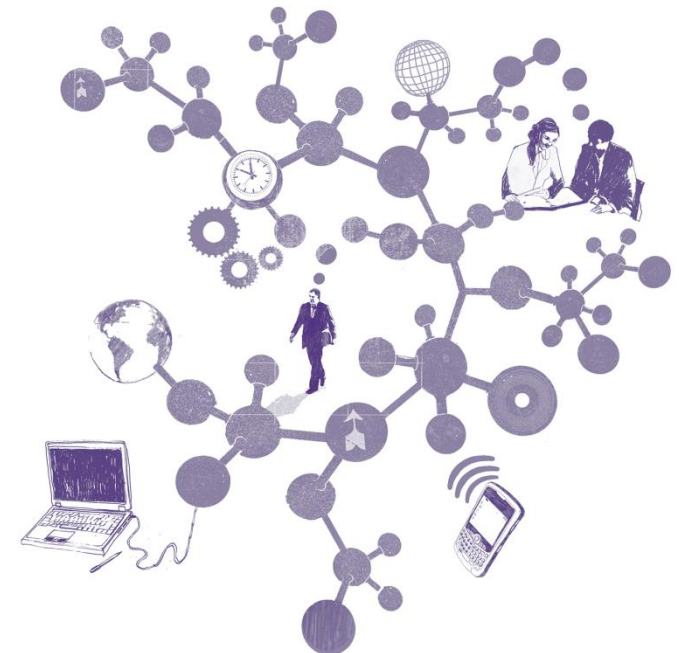
**Year ended 31 March 2016**

15 July 2016

**Elizabeth Cave**  
Director  
T 0117 305 7885  
E [liz.a.cave@uk.gt.com](mailto:liz.a.cave@uk.gt.com)

**David Johnson**  
Manager  
T 0117 305 7727  
E [david.a.johnson@uk.gt.com](mailto:david.a.johnson@uk.gt.com)

**Sophie Morgan**  
Executive  
T 0117 305 7757  
E [sophie.j.morgan@uk.gt.com](mailto:sophie.j.morgan@uk.gt.com)



South Somerset District Council  
Brympton Way  
Yeovil  
BA20 2HT

Grant Thornton UK LLP  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT  
+44 (0) 117 305 7600  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

15 July 2016

Dear Members of the Audit Committee

**Audit Findings for South Somerset District Council for the year ending 31 March 2016**

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of South Somerset District Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have discussed with officers.

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

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

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

Yours sincerely

Elizabeth Cave  
Engagement Lead

**Chartered Accountants**

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

## Purpose of this report

This report highlights the key issues affecting the results of South Somerset District 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 4 April 2016.

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

- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

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

## Key audit and financial reporting issues

### Financial statements opinion

We have identified two adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2016 recorded total comprehensive expenditure of £14,758k the audited financial statements show total comprehensive expenditure of £14,837k. This change is primarily driven by changes made to the valuation of property, plant and equipment. We have also recommended a number of adjustments to improve the presentation of the financial statements.

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

- The Council has responded positively to our recommendations from last year, bringing forward the asset valuation date, and valuing more assets this year.
- The finance team did well to produce the accounts by 6 June 2016 and to support them with good working papers.
- We have agreed minor amendments to the accounts; further details are set out in section two.

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

### Other financial statement responsibilities

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

- if the 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.

## Controls

### Roles and responsibilities

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

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

### Findings

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

- refreshing the IT security policies which has been a finding in previous years

Further details are provided within section two of this report.

## **Value for Money**

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

We note the progress made in managing the interim Chief Executive process and the steps taken towards identifying a permanent appointment. We are satisfied that the Council has a robust process for identifying savings required to meet the forecast budget deficit through the Medium Term Financial Plan.

We remain concerned that the target for council tax collection rates, as reported to the District Executive, is too low and the green rating reported in the 2015/16 outturn report is not reflective of the low collection rate achieved.

Further details 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.

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

## **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit Committee which is due in 2017.

During our testing of Housing Benefit payments for opinion purposes, we identified two errors in the calculation of income, which were not evaluated as material for opinion purposes. However we have raised a recommendation relating to the control environment.

## **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 Assistant Director – Finance and Corporate Services.

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

## **Acknowledgement**

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

**Grant Thornton UK LLP**  
**July 2016**

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters



# Materiality

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

As we reported in our audit plan, we determined overall materiality to be £1,613k (being 2% of gross revenue expenditure). 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 £80k. 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	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k
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.	£5k

# 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><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;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 South Somerset District 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; and</li> <li>• the culture and ethical frameworks of local authorities, including South Somerset District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work performed:</p> <ul style="list-style-type: none"> <li>• review of entity controls</li> <li>• testing of journal entries</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</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><b>Valuation of property, plant and equipment</b></p> <p>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"> <li>• Review of management's processes and assumptions for the calculation of the estimate.</li> <li>• Review of the competence, expertise and objectivity of any management experts used.</li> <li>• Review of the instructions issued to valuation experts and the scope of their work</li> <li>• Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions.</li> <li>• Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding.</li> <li>• Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register</li> <li>• Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.</li> </ul>	<p>We are pleased to report that the Council have updated the date of revaluation from 1 April 2015 to 31 December 2015 which resulted in a more recent revaluation within the balance sheet.</p> <p>We noted that the Council had instructed the District Valuer to undertake a revaluation of 59% of assets by value since the prior year balance sheet date. Further details are set out on page 16 of our report.</p> <p>Our work identified two assets which had not been updated in the accounts to reflect the valuation expert's assessment.</p> <p>We have proposed an accounting adjustment for the misstatement. We set out later in this section of the report our work and findings.</p>

# Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Employee remuneration</b>	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• trend analysis of payroll expenditure by month to review significant variances.</li> <li>• Substantive testing of employee remuneration for the financial year</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• Substantive testing of operating expense transactions for the financial year</li> <li>• review of unrecorded liabilities and post year end payments to ensure all liabilities identified.</li> <li>• review of accruals</li> <li>• determine whether liabilities have been recorded in the correct period</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Audit findings against other risks continued



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Welfare expenditure</b></p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• Housing Benefit (HB) COUNT certification work to cover the following:                             <ul style="list-style-type: none"> <li>- Confirmation that correct software has been used</li> <li>- HB Analytical review</li> </ul> </li> <li>• sample testing on material benefit types</li> </ul>	<p>Our audit work has identified two errors in income calculation as a result of the testing we have carried out.</p> <p>The net impact for our sample was £7.53 and the errors were not considered to represent a material misstatement for opinion purposes.</p> <p>We noted that, while the individual errors identified were small, we have continued to identify multiple errors in calculation of claimant income which has been an issue in previous years. This has resulted in additional testing for Housing Benefit reporting purposes which is time consuming for the Council.</p> <p>The Authority should consider implementing a system of internal control for ensuring accuracy of income information entered in systems. A recommendation is included in the Action Plan (Appendix A).</p>

## Significant matters discussed with management

	Significant Matter	Commentary
1.	Discussions or correspondence with management regarding accounting practices and the application of accounting standards	<p><b>Post Balance Sheet Event – BREXIT</b>                      On 23 June 2016 the United Kingdom voted to leave the European Union. The Council has updated its Draft Financial Statements to include commentary on the potential impact on the financial position</p>



# 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
<p><b>Revenue recognition</b></p>	<ul style="list-style-type: none"> <li>• Activity is accounted for in the year that it takes place, not simply when cash payments are received. In particular:</li> <li>• Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.</li> <li>• Interest receivable of investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.</li> <li>• Where income has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to revenue for the income that might not be collected.</li> <li>• Income is credited to the relevant revenue account, unless it properly represents capital receipts.</li> </ul>	<p>Review of the revenue recognition policies adopted by the council as part of our audit work identified that:</p> <ul style="list-style-type: none"> <li>• Appropriate policies had been used</li> <li>• Accounting policies had been adequately disclosed</li> <li>• Revenue had been appropriately recognised</li> <li>• The policies are in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice</li> </ul>	
<p><b>Judgements and estimates</b></p>	<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> <li>– Provision for NNDR appeals</li> <li>– Other provisions</li> </ul> </li> </ul>	<p>We have reviewed the accounting areas where the Council has exercised judgement and used estimates. We found that:</p> <ul style="list-style-type: none"> <li>• Appropriate policies had been used</li> <li>• Accounting policies had been adequately disclosed</li> <li>• Areas where judgement had been used were supported by the work of an expert or a third party.</li> </ul>	

**Assessment**


# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	The Assistant Director – Finance and Corporate S151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	
<b>Other accounting 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.	<p>Our review of accounting policies has highlighted one issue which we wish to bring to your attention.</p> <p>For Licensing codes, we identified that management have chosen not to account for a prepayment (where this would be expected to apply). The payments for licences are received throughout the year and the number of licences issued remains similar year on year.</p> <p>We identified that there was a small difference of £2k between 14/15 and 15/16, for licencing. We understand that management monitor this code on a monthly basis for significant movement and would apply a prepayment adjustment if needed.</p> <p>We recommend that the policy for prepayment recognition is clarified to reflect how the annual charge is estimated,.</p> <p>A small number of minor amendments were made to the presentation of the accounting policies and notes, including the Local Government Pension Scheme. A note of accounting standards which had been issued but not yet adopted was inserted into the final version of the accounts.</p>	

**Assessment**



# Accounting policies, estimates and judgements – Review of issues raised in prior years

Accounting area	Summary of policy	Comments	Assessment
<p><b>Estimates and judgements – Property, Plant and Equipment</b></p>	<p>In previous years the Council carried out a rolling programme of revaluations. This approach was similar to many other authorities. However, in our view this rolling programme did not meet the Code's requirement to value items within a class of property , plant and equipment simultaneously, as this Code requirement, which is based on IAS 16 Property, Plant and Equipment, only permits a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> <li>• the revaluation of the class of assets is completed within a 'short period'</li> <li>• the revaluations are kept up to date.</li> </ul> <p>In our view, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p>	<p>The council has continued with its existing rolling programme and considers this to be appropriate, since the valuer is also provided with the full fixed asset register so that they can consider whether there are any assets not on the revaluation programme which would need to be revalued according to their specialist knowledge of current market conditions.</p> <p>In 2015/16 the Council's valuer has changed the valuation date to 31 December in order to improve the assessment that the carrying value of PPE based on valuation in prior years is not materially misstated.</p> <p>The Council has also carried out an assessment of all assets subject to revaluation in prior years in order to conclude that the carrying value of assets is not materially misstated.</p>	<p style="text-align: center;"></p>

**Assessment**

# 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 Audit Committee and have not been made aware of any frauds that would have a material impact on the financial statements. 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.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</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(s) to external bodies for bank and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements. A small number of minor amendments to disclosures were made during the course of the audit.</li> </ul>

## Other communication requirements continued

	Issue	Commentary
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"><li>• We are required to report on a number of matters by exception in a number of areas:</li><li>• We have not identified any issues we would be required to report by exception.</li></ul>
8.	<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>• We will complete our work on WGA when the consolidation pack is available.</li></ul>


# Internal controls

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



Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 12 above.

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

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

	Assessment	Issue and risk	Recommendations
1.		<ul style="list-style-type: none"> <li>We did not identify any internal control deficiencies which could represent a risk of significant misstatement.</li> </ul>	N/a

**Assessment**

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

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.

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	X	<p>The Council has a large number of IT Security Policies some of which were last refreshed in 2011 and have not been subject to regular review. Without regular review, there is a risk that the policies and related procedures are no longer applicable to the needs and security requirements of the business, which may compromise the organisation's computing environment. This was also raised as a finding in 2012/13.</p> <p>Recommendation We recommend that management carries out a refresh of the IT Security policies at least every 3 years and more frequently as required to take into account new technology advances and cyber related threats.</p>	<ul style="list-style-type: none"> <li>The Council still does not have an up to date IT security policy although we note that the Council is in the process of refreshing the policies.</li> </ul>
2.	✓	<ul style="list-style-type: none"> <li>A monthly report of leavers is provided by HR and circulated to IT and Finance system administrators but this does not include the system administrators for the Northgate Revenues and Benefits system.</li> </ul> <p>This leaves the potential for accounts belonging to terminated employees to remain enabled within the system.</p>	<ul style="list-style-type: none"> <li>This report is now circulated to the Revenue and Benefits system administrators.</li> </ul>

## Adjusted misstatements

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

### Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Three assets within Land and Buildings were not updated to reflect the external valuation expert's assessment for 2015/16. Impairment of £60k and upwards revaluation of £138.5k required.	£72k	£(72)k	£72k
<b>Overall impact</b>	<b>£72k</b>	<b>£(72)k</b>	<b>£72k</b>

## Unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
We did not identify unadjusted misstatements.			
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	

## Disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	N/a	£1,748k	Heritage Assets – additional disclosures required for the date and method of valuation, including the details of the valuation expert.
2 Disclosure	N/a	N/a	Additional disclosures required for accounting changes that will be required by new standards issued but not yet adopted
3 Disclosure	N/a	N/a	Additional disclosure note required showing assets carried at historical cost compared to revalued fair value.
4 Disclosure	N/a	£60,812k	PPE – disclosure of change in revaluation date to 31 December and description of the change required.
5 Disclosure	N/a	N/a	Other amendments including spelling, grammar and syntax, and other minor disclosures not disclosed separately.



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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

## 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

We carried out an initial risk assessment in March 2016 and identified three significant risks, which we communicated to you in our Audit Plan dated 19 April 2016.

- The challenge of meeting the savings outlined by the Chancellor as part of the Autumn Statement continues to put pressure on Local Government Finances. The delivery of the financial strategy, and associated savings, is currently reliant on the continuation of the New Homes Bonus and transformational changes. The continued economic pressures further enforce the need for the Council to identify alternative methods of achieving a sustainable financial position for the future

- The Council continues to have one of the lowest collection rates in the South West and the country with performance in 2015/16 comparable to 2014/15 at around 97%. With the increased pressure on local government finances and the need to maximise and fully utilise incoming resources collection of council Tax will be vital to the continuing provision of services by the Council
- The current joint temporary Chief Executive roles will be replaced by a permanent Chief Executive at a yet unspecified time. There is a risk that the continuing uncertainty affect decision making and the strategic direction of the organisation

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

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

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

### **Significant qualitative aspects**

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

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

- Processes put in place to identify and implement programmes and projects to address and reduce the ongoing budget deficit as outlined in the Medium Term Financial Plan
- Reporting and monitoring of key performance indicators and in particular the target for the percentage of council tax collected in the reporting period in comparison to the regional and national performance
- The robustness of assumptions made in calculating savings and whether these were realistically deliverable. Prior year savings targets have been met and the Council have set a balanced budget for 2016/17
- The impact of joint interim chief executives on the strategic direction and decision making of the Council

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 later in this section

### **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 later in this section

### **Recommendations for improvement**

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

The Council should review the target for percentage of council tax collected and ensure that it is appropriate for monitoring purposes. The current target of 95% is too low in comparison to actual collection rates (97.6%) and other District Councils (average – 98%). This has an impact on reporting and does not adequately reflect the low collection rate which places the Council in the lowest quartile for District Councils

Management's response to these can be found in the Action Plan at Appendix A.

## Key findings

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

Significant risk	Work to address	Findings and conclusions
<p><b>Medium Term Financial Strategy</b></p> <p>The challenge of meeting the savings outlined by the Chancellor as part of the Autumn Statement continues to put pressure on Local Government Finances. The delivery of the Financial Strategy, and associated savings, is currently reliant on the continuation of the New Homes Bonus and transformational changes. The continued economic pressures further enforce the need for the Council to identify alternative methods of achieving a sustainable financial position for the future.</p>	<p>We will review the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these risks.</p> <p>We will review the robustness of the Council's financial plans and the extent to which the Council is seeking to identify alternative solutions to mitigate the risk of future cuts in resources and government funding</p>	<p>The Medium Term Financial Strategy (MTFS) outlines how the Medium Term Financial Plan (MTFP) (i.e. the budget) will be delivered over the medium to long-term. The MTFP at South Somerset spans three years with a further two years added to show the likely longer-term picture. The Medium Term Financial Strategy links the resources required to deliver the Council Plan and the Council's strategies</p> <p>Currently the MTFP shows a projected gap for each year of the plan. The figures include all estimates for pay awards, council tax, business rates, Government grant and inflation</p> <p>In October 2014 members agreed a two year savings plan to balance the budget over a two year period 2015/16 and 2016/17. Savings are to achieved through the following key project:</p> <ul style="list-style-type: none"> <li>• Optimising income – actively increasing income, earning income through new resources and marketing existing services</li> <li>• Service redesign – process improvement, EDM, specialist roles, channel shift and sharing (includes continuation of the Lean programme)</li> <li>• Contract and Procurement – reviewing how procurement is delivered and reducing spending on contract</li> <li>• Asset savings – identifying savings from Council owned assets (land and buildings)</li> </ul> <p>The budget gaps identified need to be tempered by the fact that assumptions over income and expenditure from 2018/19 onwards are not as complete as in prior years due to unknown factors that the Council cannot predict such as, levels of RSG, changes to business rates arrangements and changes to Council Tax arrangements. However, there is still a budget deficit of £1.8m identified thus far for 2017/18 which the Council are looking to address and ensure that a balanced budget is produced. The Council has a history of meeting its budget targets and is proactive in identifying actions required to make savings and increase income.</p>

## Key findings

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

Significant risk	Work to address	Findings and conclusions
<p><b>Medium Term Financial Strategy</b></p> <p>The challenge of meeting the savings outlined by the Chancellor as part of the Autumn Statement continues to put pressure on Local Government Finances. The delivery of the Financial Strategy, and associated savings, is currently reliant on the continuation of the New Homes Bonus and transformational changes. The continued economic pressures further enforce the need for the Council to identify alternative methods of achieving a sustainable financial position for the future.</p> <p>(Continued)</p>	<p>We will review the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these risks.</p> <p>We will review the robustness of the Council's financial plans and the extent to which the Council is seeking to identify alternative solutions to mitigate the risk of future cuts in resources and government funding</p>	<p>The Council has requirement to identify ways in which savings can be achieved and has formed four separate boards to help identify savings and income generation opportunities. These are:</p> <ul style="list-style-type: none"> <li>• Transformation Board</li> <li>• Income Generation Board</li> <li>• Regeneration Board</li> <li>• Strategic Alliance Board</li> </ul> <p>The second two boards do not, as yet, have specific targets as these are being formulated. Review of the first two areas found that although not scheduled to deliver until 2017/18 projects outlined had been done so on a reasonable basis and a robust methodology for calculation of savings had been used.</p> <p>The uncertainty in ongoing government funding and the deficit gap outlined in the MTFP present a pressing and urgent need for the Council to pro-actively identify and implement savings programmes. The review of documentation and through discussion with management it is considered that these requirements have been, and continue to be, fully considered and implemented. Whilst it is not possible to say that the programmes will provide the savings required until 2017/18 the governance and approach implemented by the Council is considered robust and appropriate.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>
<p><b>Council Tax Collection Rates</b></p> <p>The Council continue to have one of the lowest collection rates in the South West and the country with performance in 2015/16 comparable to 2014/15 at around 97%. With the increased pressure on local government finances and the need to maximise and fully utilise incoming resources collection of Council Tax will be vital to the continuing provision of services by the Council</p>	<p>We will review the council's arrangements to improve collection rates and monitor their effectiveness including how robust the Council's estimates and targets are.</p>	<p>The 2014/15 VfM conclusion identified that South Somerset's collection rate for Council tax was 97% which was a fall from the prior year figure of 97.4%. This meant the Council was in the worst performing quartile of all district councils. As a result of this process the Council took on four extra staff to deal with the collection issue and also the backlog that had occurred from failure to collect arrears previously by the Council</p> <p>Council tax remains a key source of income for all local government bodies and a failure to attain a high collection rate provides concern on the Council's ability to meet budget targets and future savings plans.</p>

## Key findings

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

Significant risk	Work to address	Findings and conclusions
<p><b>Council Tax Collection Rates</b></p> <p>The Council continue to have one of the lowest collection rates in the South West and the country with performance in 2015/16 comparable to 2014/15 at around 97%. With the increased pressure on local government finances and the need to maximise and fully utilise incoming resources collection of Council Tax will be vital to the continuing provision of services by the Council</p> <p>(Continued)</p>	<p>We will review the council's arrangements to improve collection rates and monitor their effectiveness including how robust the Council's estimates and targets are.</p>	<p>The target for 2015/16 was 95% which is very low given that a collection rate of 97% is amongst the lowest quartile for all district councils nationwide. The low target of 95% has allowed the council to report collection rates as green for the past two periods despite the relatively poor performance. The Council had a collection rate of 97.2% in 2015/16 which exceeds the target set. Similar sized district councils within the South West have a target rate of 98% which is considered achievable and realistic in terms of collection rates.</p> <p>The continued low target rate is of concern and continues to raise question about whether it is a valid target or a means to ensure that the Council attain a target included within their KPIs. In overview, 97% is the absolute minimum target given that this level has been attained across the past three financial years.</p> <p>The collection rate for the past three financial years has been 97.4% in 2013/14, 97% in 2014/15 and 97.2% in 2015/16. This is indicative of the issue being addressed and, as such, that arrears are being reduced. The performance still leaves the Council in the lower quartile and behind the national average of approximately 98%. The upward trend in collection rates means that the VfM conclusion is unlikely to qualified although concerns remain around the low target collection rate used by the Council for monitoring purposes.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated for us to conclude that the Council has proper arrangements. We will continue to keep this under review.</b></p>
<p><b>Chief Executive Arrangements</b></p> <p>The current joint temporary Chief Executive roles will be replaced by a permanent Chief Executive at a yet unspecified time. There is a risk that the continuing uncertainty affects decision making and the strategic direction of the organisation.</p>	<p>We will review the current arrangements the governance to ensue that strategic decisions are clear, properly reviewed, implemented and monitored.</p>	<p>Since 1st August 2015 SSDC has operated without a substantive Chief Executive Officer (CEO) following the decision to cease the contractual arrangement with East Devon District Council. In July 2015 Full Council authorised a group of 4 members consisting of the Leader, Deputy Leader, Leader of the Conservative Group and Spokesperson for the Independent members (Leader's Working Group [LWG]) to consider the future Senior Management arrangements within the Council. The starting point was a consideration of whether the Council could operate satisfactorily with just two senior officers; a CEO and one Director.</p>

## Key findings

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

Significant risk	Work to address	Findings and conclusions
<p><b>Chief Executive Arrangements</b></p> <p>The current joint temporary Chief Executive roles will be replaced by a permanent Chief Executive at a yet unspecified time. There is a risk that the continuing uncertainty affects decision making and the strategic direction of the organisation.</p> <p>(Continued)</p>	<p>We will review the current arrangements the governance to ensue that strategic decisions are clear, properly reviewed, implemented and monitored.</p>	<p>During this period there was a continuation of the reporting process into the Executive and the Council through quarterly performance reports and continual monitoring of the finance position. The Council continued to review and update the Council Plan which runs for a period of five years from 2016 to 2021. The Council Plan is the overarching strategic direction for the Council outlining the priority areas that the Council believe are needed and wanted by the local population. These are Economy, Environment, Homes, Health and Communities and a further priority that has been added for the new plan in High quality, cost effective services. The purpose of the plan is to allow the Council to make savings to meet future budget shortfalls with the intention that front-line services are protected wherever possible.</p> <p>The monthly rotation of acting CEO between the Strategic Directors, whilst acceptable for a short period, was not considered the ideal way of continuing to manage the Authority even in this interim phase. The arrangements of joint, rotating, interim Chief Execs cover a period with Devolution and potential Joint Authority business case work requiring significant additional work. The LWG has now recommended that, in order to reinforce the priority being given to Transformation, Rina Singh should be appointed as the initial interim acting CEO until the new CEO is appointed. The position can be reviewed at any time, however, if no appointment is made within 6 months then the position should be formally reviewed by Council.</p> <p>The continued monitoring and review of the Council plan indicates that the executive and members of the Council are well informed and monitoring progress on an ongoing basis. This means decisions are fully considered and management can be properly challenged to ensure that assumptions and proposed strategic directions are thought out and robust.</p> <p>The Council's performance as outlined in the Council's outturn performance report indicates that governance arrangements have not been affected by the appointment of joint temporary Chief Executives. The operational side of the process is considered to have not worked satisfactorily and therefore the Council have taken the appropriate decision to appoint a single temporary Chief Executive.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>

**Significant difficulties in undertaking our work**

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

**Significant matters discussed with management**

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

**Any other matters**

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



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## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non audit services and independence**

05. Communication of audit matters

We confirm below our final fees charged for the audit and Grant Certification.

### Fees

	£
Council audit	49,276
Grant certification	8,052
<b>Total audit fees (excluding VAT)</b>	<b>57,328</b>

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 for other services

	£
<b>Non-audit related service</b>	
Investors in People accreditation	10,020
<b>Total non audit fees (excluding VAT)</b>	<b>10,020</b>

### 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.

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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

**05. Communication of audit matters**

# Communication 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	We recommend that management consider implementing a process for ensuring accuracy of income information entered into benefits systems. Management may consider a quality control process to review new or adjusted claims.	Low	We will review our quality control processes.	Revenues and Benefits Manager End of December 2016
2	We recommend that management continue to review and monitor codes (such as Licensing payments) where a prepayment could apply, to ensure that the movement between financial years does not result in an impact on the financial accounts.	Low	Noted – but will be dependant on resources available	Principal Accountant Ongoing
3	The Council should ensure that all revaluation movements are reflected in Property, Plant and Equipment balances at year end.	Medium	Accepted	Corporate Accountant Ongoing

# 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
4	The Council should review the target for percentage of council tax collected and increase it to make it appropriate for monitoring purposes.	Medium	Agreed a target of 97.75% for 2016/17	Ian Potter End March 2017
5	We recommend that management carries out a refresh of the IT Security policies at least every three years and more frequently if required by new technology advances and cyber related threats. Some of the 16 documents have been refreshed and we understand the Council is in the process of refreshing the remaining documents.	Medium	We have been updating these based on a risk assessment. There are a total of 17 policies of which 9 have been approved with 3 further policies expected to be approved by the end of September 2016. The remainder will be updated by June 2017.  Each policy is reviewed by officers, the Unions are consulted and then approved through Management Board. Although this can be a lengthy process it does ensure organisational buy-in and understanding of each policy.	ICT Manager End June 2017

# Appendix B: Audit opinion

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH SOMERSET DISTRICT COUNCIL**

We have audited the financial statements of South Somerset District 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 City Treasurer and auditor**

As explained more fully in the Statement of the City Treasurer's Responsibilities, the City Treasurer 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards 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 City Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of South Somerset District Council as at 31 March 2016 and of its 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 is consistent with the 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 '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.



## Appendix B: Audit opinion (continued)

### **Conclusion on the Authority's arrangements for securing 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 for securing 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 of Audit Practice"), 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 this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing 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 of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements 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, South Somerset District Council has put in place proper arrangements for securing value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

### **Certificate**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for South Somerset District Council for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.



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