

# The Audit Findings for South Somerset District Council

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Year ended 31 March 2019

16 July 2019



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## Your key Grant Thornton team members are:

Barrie Morris

Key Audit Partner

T: 0117 305 7708

E: barrie.morris@uk.gt.com

David Johnson

Engagement Manager

T: 0117 305 7727

E: david.a.johnson@uk.gt.com

Joanne McCormick

In Charge Accountant

T: 0117 305 7849

E: joanne.m.mccormick@uk.gt.com

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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 findings and other matters arising from the statutory audit of South Somerset District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and 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:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the Council and the Council's income and expenditure 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 Annual Governance Statement (AGS), 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. Our findings are summarised on pages 4 to 9. We have not identified any misstatements or errors that have resulted in an adjustment to</p>	<p>the Council's Comprehensive Income and Expenditure Statement. 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>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix E or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"><li>- review of accounting policies</li><li>- completion of substantive testing in relation to revenue, debtors and provisions</li><li>- completion of checks around the consistency of the movements in reserves statement</li><li>- receipt of management representation letter; and</li><li>- review of the final set of financial statements.</li></ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified</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 if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that South Somerset District 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. Our findings are summarised on pages 14 to 17.</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>• to certify the closure of the audit.</li></ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>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 Report 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 will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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

We have not had to alter or change our audit plan, as communicated to you on 28 March 2019.

## 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 Audit Committee meeting on 25 July 2019, as detailed in Appendix E. These outstanding items are outlined in the headlines on slide 3

## 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. We detail in the table below our assessment of materiality for South Somerset District Council

	Value (£)	Qualitative factors considered
Materiality for the financial statements	1,530,000	This equates to 2% of your 2018/19 gross expenditure for the year. This was determined as the appropriate benchmark for determining materiality.
Performance materiality	1,147,500	This equates to 75% of materiality. No significant issues have been identified this year or in prior years that would increase the risk of misstatement
Trivial matters	76,500	ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.
Materiality for Senior officer remuneration	20,000	Senior Officers' Remuneration is a balance which require a lower materiality due to its sensitive nature.

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1 The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK) 240 there is a rebuttable 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 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 South Somerset District 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 South Somerset District Council.</p>	<p><b>Auditor commentary</b></p> <p>As per the audit plan this risk has been rebutted. 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, in summary 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 Government authorities, including South Somerset District Council means that all forms of fraud are difficult to rationalise i.e. the culture and ethics mitigate against fraud being seen as acceptable</li> </ul> <p>This assessment is made without placing specific reliance on the entity-level controls which we have identified at South Somerset District Council, but consideration of these controls confirms the appropriateness of our assessment.</p> <p><b>There have been no changes to our assessment as reported in our Audit Plan.</b></p>
<p><b>2 Management override of controls</b></p> <p>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.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <p>We have performed the following work in respect of this risk:</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 and identified and subsequently tested any unusual journal entries for appropriateness; and</li> <li>• evaluated the rationale for any changes in accounting policies and any significant unusual transactions or estimates.</li> </ul>
	<p>Our audit work has not identified any issues in respect of management override of controls.</p>

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

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### Valuation of property, plant and equipment

The Council revalues its larger assets on an annual basis and the remaining assets on a rolling basis over a five year period 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 the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration

### Auditor commentary

We have performed the following work in respect of this risk:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuations were carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register.

We identified that all land and buildings are classified as specialist assets and have been valued using the depreciated replacement cost (DRC) method. A detailed review of estimation processes is included within the key judgement and estimates section on Page 7.

**Our audit work has not identified any issues in respect of valuation of land and buildings.**

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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.


### Auditor commentary

We have performed the following work in respect of this risk:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- maintained ongoing communication around the impact of the McCloud /Sergeant court judgement on the pension liabilities reported by the Authority to ensure that these are materially stated and in line with proper accounting practices;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

**Our audit work has not identified any issues in respect of valuation of pension fund net liability**

















# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
<b>Provisions for NNDR appeals - £1.3m</b>	<p>The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculate the level of provision required. Management's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to an increase in outstanding appeals, the provision has increased by £50k in 2018/19.</p>	<ul style="list-style-type: none"> <li>Estimate is based on historical data and on success rates in prior appeals.</li> <li>There has been no change to the valuation method</li> <li>The method of calculation is consistent with that used by other authorities.</li> <li>The value of the estimate will fluctuate dependent on a number of factors.</li> <li>The increase of £50k is considered to be reasonable based on the amount of outstanding appeals</li> <li>disclosure of estimate in the financial statements is considered to be appropriate and in line with the Code</li> </ul> <p>We are still to complete our work in this area.</p>	<b>TBC</b>
<b>Land and Buildings – Other - £48.779m</b>	<p>Other land and buildings comprises £48.779m of assets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The Authority has engaged DVS Property Specialists to complete the valuation of properties as at 31 March 2019. 75% of the assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £1.2m. The Authority has moved away from the five year rolling programme of revaluations in order to ensure that all revalued assets falling under the same class are assessed at the same time.</p>	<ul style="list-style-type: none"> <li>We reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We then considered the competence, expertise and objectivity of the valuer in their capacity as the management experts used.</li> <li>We reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding and challenged key assumptions where appropriate.</li> <li>We tested revaluations made during the year to ensure they are input correctly into the asset register and subsequently recorded in the financial statements.</li> </ul> <p>We are satisfied that the Council has adopted an appropriate approach.</p>	 <b>Green</b>

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment																								
<b>Net pension liability – £76.596m</b>	<p>The Authority's total net pension liability at 31 March 2019 is £76.596m (PY £81.138m) comprising the Somerset Pension Fund Local Government. The Authority uses Barnet Waddingham to provide actuarial valuations of the Authority's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £8m net actuarial gain during 2018/19.</p>	<ul style="list-style-type: none"> <li>We 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 are sufficient to mitigate the risk of material misstatement. This included gaining assurances over the data provided to the actuary to ensure it was robust and consistent with our understanding. No issues were identified from our review of the controls in place.</li> <li>We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> </ul>	 <b>Green</b>																								
<table border="1"> <thead> <tr> <th data-bbox="644 544 1193 615">Assumption</th> <th data-bbox="1193 544 1363 615">Actuary Value</th> <th data-bbox="1363 544 1562 615">PwC range</th> <th data-bbox="1562 544 1748 615">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="644 615 1193 691">Discount rate</td> <td data-bbox="1193 615 1363 691">2.4%</td> <td data-bbox="1363 615 1562 691">2.4%-2.5%</td> <td data-bbox="1562 615 1748 691" style="text-align: center;">   <b>Green</b> </td> </tr> <tr> <td data-bbox="644 691 1193 766">Pension increase rate</td> <td data-bbox="1193 691 1363 766">2.5%</td> <td data-bbox="1363 691 1562 766">2.4%-2.5%</td> <td data-bbox="1562 691 1748 766" style="text-align: center;">   <b>Green</b> </td> </tr> <tr> <td data-bbox="644 766 1193 842">Salary growth</td> <td data-bbox="1193 766 1363 842">3.9%</td> <td data-bbox="1363 766 1562 842">Dependent on employer</td> <td data-bbox="1562 766 1748 842" style="text-align: center;">   <b>Green</b> </td> </tr> <tr> <td data-bbox="644 842 1193 918">Life expectancy – Males currently aged 45 / 65</td> <td data-bbox="1193 842 1363 918">24.6 / 22.9</td> <td data-bbox="1363 842 1562 918">22.2-25 / 20.6-23.4</td> <td data-bbox="1562 842 1748 918" style="text-align: center;">   <b>Green</b> </td> </tr> <tr> <td data-bbox="644 918 1193 993">Life expectancy – Females currently aged 45 / 65</td> <td data-bbox="1193 918 1363 993">25.8 / 24.0</td> <td data-bbox="1363 918 1562 993">25.0-26.6 / 23.2-24.8</td> <td data-bbox="1562 918 1748 993" style="text-align: center;">   <b>Green</b> </td> </tr> </tbody> </table>				Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.4%-2.5%	 <b>Green</b>	Pension increase rate	2.5%	2.4%-2.5%	 <b>Green</b>	Salary growth	3.9%	Dependent on employer	 <b>Green</b>	Life expectancy – Males currently aged 45 / 65	24.6 / 22.9	22.2-25 / 20.6-23.4	 <b>Green</b>	Life expectancy – Females currently aged 45 / 65	25.8 / 24.0	25.0-26.6 / 23.2-24.8	 <b>Green</b>
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<ul style="list-style-type: none"> <li>We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports and did not identified any inconsistencies.</li> <li>The Authority has considered that the impact of GMP equalisation is not material to the Statement of Accounts. We are continuing to discuss this with the Authority and the potential impact of this on the Statement of Accounts.</li> </ul>																											

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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- We consider management's process is appropriate and key assumptions are neither optimistic or cautious



# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
<b>Level 2 investments</b>	<p>The Council have investments in a number of investment properties that are valued on the balance sheet as at 31 March 2019 at £26.109m. The investments are not traded on an open market and the valuation of the investment is subjective. In order to determine the value, management have employed DVS Property Specialists as management experts. The valuation was based on the market approach and are classed as Level 2 which have taken the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date. The value of the investment has increased by £8.476m in 2018/19 due to the purchase of additional properties with a value of £12.076m and net losses from fair value adjustments of £3.341m.</p>	<ul style="list-style-type: none"> <li>We reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. We then considered the competence, expertise and objectivity the valuer in their capacity as the management experts used.</li> <li>We reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding and challenged key assumptions where appropriate.</li> <li>We tested revaluations made during the year to ensure they are input correctly into the asset register and subsequently recorded in the financial statements.</li> </ul> <p>We are satisfied that the Council has adopted an appropriate approach.</p>	<p style="text-align: center;">● <b>Green</b></p>

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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# Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
<p><b>1 SSDC Opium Power</b></p> <p>As part of their investment strategy the Council have partnered with Opium to set up a special purpose vehicle (SPV) to deliver a renewable energy project.</p>	<p>The shares are jointly held with SSDC and Opium Power Ltd each holding a 50% interest. The Council has provided a secured term loan facility to the SPV to finance the acquisition of long term assets with the loan to be fully repaid before any distribution of profit to shareholders. The draft unaudited accounts of the joint operation for the year ended 31 March 2019 disclose net liabilities of £222k and a net loss of £222k.</p>	<p>The Council has considered the requirements for disclosure of the relationship within the statement of accounts and this has been reviewed by the Audit team against the requirements of the code and the relevant accounting standards. Work undertaken has concluded that the disclosures within the statement of accounts are appropriate.</p>
<p><b>2 Potential impact of the McCloud judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £281k, and an increase in service costs for the 2019/20 year of £27k.</p> <p>Management's view is that the impact of the ruling is not material for South Somerset District Council, and will be considered for future years' actuarial valuations.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p> <p>We have included this as an uncertainty within Appendix C.</p>

# 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

The Authority has a Medium Term Financial Plan (MTFP) that runs to 2023/24. The Authority also has an Integrated Risk Management Plan setting out priorities and plans to 2022.

The CIPFA Code confirms that entities should prepare their financial statements on a Going Concern basis unless the services provided are to cease. There is no indication from Government that the services provided by the Authority

### Auditor commentary

- Management have determined that there is no evidence of an intention to cease the provision of services, and have therefore adopted the going concern assumption. We have not identified any issues through our review and enquiries that suggest that this is not appropriate.
- We are satisfied that the going concern assumption is appropriate for the Authority's financial statements and is in line with accounting standards and the CIPFA Code.

# 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>	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
② <b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed
③ <b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ <b>Written representations</b>	A standard letter of representation has been requested from the Authority, which is included in the Audit Committee papers.
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li data-bbox="526 636 1966 686">• We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</li> <li data-bbox="526 708 1966 786">• We requested from management permission to send confirmation requests to the pension fund auditor. This permission was granted and the requests were sent. We have not yet received the final response from the pension fund auditor and will require this prior to issuing our opinion.</li> </ul>
⑥ <b>Disclosures</b>	Our review found no material omissions in the financial statements.
⑦ <b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li data-bbox="526 872 1379 893">• All information and explanations requested from management were provided.</li> <li data-bbox="526 915 1976 958">• 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.</li> </ul>

# Other responsibilities under the Code

Issue	Commentary
① <b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement 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>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</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 numbers 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> <p>Note that work is not required as the Council does not exceed the threshold.</p>
④ <b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2018/19 audit of South Somerset District Council in the audit opinion, as detailed in Appendix E.</p>

# Value for Money

## Background to our VFM approach

We are required to satisfy ourselves that the Council has made 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. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

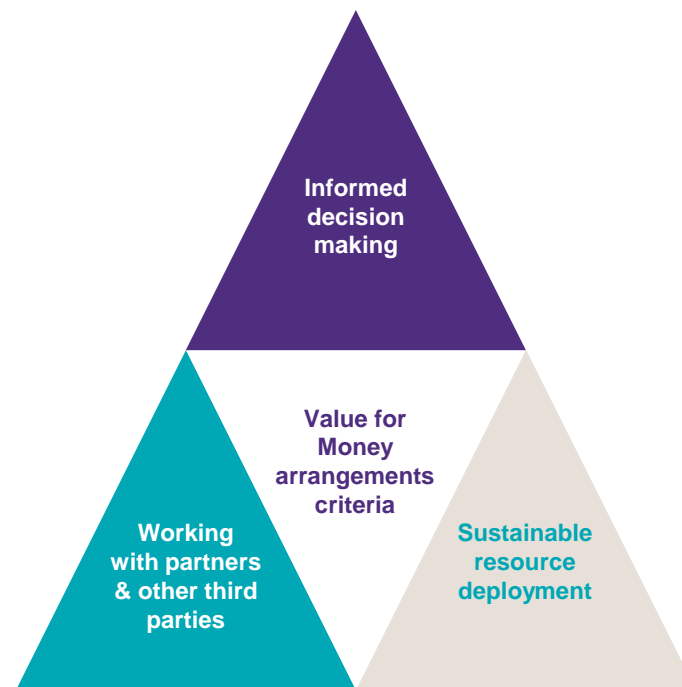
This is supported by three sub-criteria, as set out opposite:

## Risk assessment

We carried out an initial risk assessment in December 2018 and identified a 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 dated 15 January 2019

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. Where our consideration of the significant risk 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.



# 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 risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The governance and decision making arrangements implemented by the Council to ensure those charged with governance are provided with appropriate and adequate information to direct the Commercialisation strategy
- Consideration of external factors and ensuring that actions taken are in line with the strategy
- The implications of the costs and savings within the framework of the medium term financial strategy and the ongoing savings required as a result of the financial pressures within the region

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 16 to 17.

## **Overall conclusion**

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

## **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

#### Transformation Programme – Commercialisation Programme

The Council is in the process of implementing an ambitious programme to redesign the organisation and methods of service delivery to deliver more customer focussed, lean, efficient services and release recurring significant savings in future years.

In order to deliver this transformation, the Council will need to make an upfront investment of some £7.5m to cover the cost of restructuring, including £4.5m of redundancy costs, as well as the cost of new IT infrastructure.

The first stage of the transformation programme has now been complete and all service areas have been reviewed and restructured. The Council now needs to ensure that momentum is maintained and that the Commercialisation programme, designed to increase revenue, is properly implemented. Failure to do so could lead to loss of income, missed savings targets and potentially failure by the Council to deliver services to the local population.

The successful implementation of the commercialisation strategy represents a significant risk to the Council in terms of:

- Achievement of revenue targets to fund delivery of services
- Robust governance over decisions made, with transparency and clarity for elected members
- Close monitoring of costs and revenues generated as a result of decisions made to ensure that the overall financial benefits are realised and that returns are in line with assumptions
- Appropriate expertise employed by the Council to deliver the strategy and identify appropriate and relevant opportunities to maximise benefit to the organisation.

South Somerset District Council (the Council) is in a position where it needs to save costs and generate additional income over the coming years, if it is to be financial sustainable and be able to meet community needs. To this end an income generation programme was set up with the sole aim of helping the council in becoming financially sustainable. The Council has observed a number of local authorities being successful in generating significant net additional income through the implementation of strategic and commercial approaches to land and property including renewables, acquisition of commercial property and housing and the direct development of land.

The financial implication for this was the set up of a ringfenced £15m which was 'earmarked', later increased to £75m, to enable the overall capital programme to be set and financed in the most efficient way possible. The expectation is that any investment would generate income well in excess of the costs of borrowing and that any emerging projects would be approved through the new procedures set up and through District Executive and possibly full council, if required. The project also allowed for urgent decisions to be made by the Chief Executive if the need arose.

The commercial strategy was approved by Council in August 2017 which included a new Commercial Strategy for 2017-2021 with the aim to manage assets and investments well with:

- Clear policies on property asset classification and purpose: income generating, strategic value, operational need
- Achieving a balanced portfolio with risks effectively managed
- A significant investment fund supported by effective governance and appraisal processes
- Appetite to support capital investment through borrowing with the principle that investment returns fund the financing costs and provide a net return after borrowing costs for reinvestment in services
- Invest in operations capacity to deliver the strategy.

The Commercial strategy forms a main plank of both the Transformation Project and the MTFP and the aim of the commercial strategy is to provide a net increase in income in excess of £2.25m per year by 2020/21, with a stretch target of £3m per year.

As part of the governance process, regular reports are taken to District Executive, the first of which was reported in June 2018. The Commercial strategy and investments progress report is a regular report to inform members on progress to date and commercial investment activity.

As part of the commercial strategy the Council agreed that the normal approval process may compromise the commercial interests of the Council. It was therefore agreed that the investment process would include:

- All potential investments being required to meet the parameters of the Commercial Strategy agreed by the Council including rate of return and the creation of a balanced portfolio
- All potential investments being required to go through a rigorous assessment and due diligence process including assessment of risk and mitigation
- That investments would be assessed by a newly established Investments Assessment Group (IAG) comprising the Portfolio Holder, Commercial Director, S151 Officer, Monitoring Officer and Commercial Property, Land and Development Manager and there is a requirement for a unanimously agreed recommendation from this group on investment proposals



**Key findings (Continued).****Significant risk****Findings****Transformation Programme – Commercialisation Programme**

- That the final decision on investments be delegated to the Chief Executive in consultation with the Leader, up to an agreed limit (with no such proposals being considered unless a unanimous recommendation comes forward from the IAG).

As at June 2019 the total amount invested was £36m on four commercial investments which were funded through a combination of reserves and borrowing. At this point the plan was to utilise £18.1m of borrowing towards the funding of these investments with the balance from capital/revenue reserves.

Part of the ongoing reporting to members is to demonstrate not only those investments made and the performance thereof but also to identify those assets that the Council could have potentially invested in and chose not to. This is to demonstrate a prudent and regimented approach is being taken to investment decisions and that there is robust challenge of investment opportunities. The IAG is the main group responsible for this and have set a benchmark of a 7% return on investment for any investment. However, should an investment opportunity not return 7% it is not an automatic decision that the Council will not invest, each individual opportunity is reviewed on its merits before a decision is made.

An Internal Audit report on Commercial Strategy/Income Generation in February 2019 provided reasonable assurance and noted that most of the areas reviewed were found to be adequately controlled. Generally risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

As noted, decisions on whether to invest or dispose of assets is taken by the IAG and the Disposal Assessment Group (DAG). Notes of IAG and DAG are not generally shared with members due to commercial sensitivity but are covered in the recommendations to the CEO and Leader for the formal decision process in line with delegation from Council. Members are informed more generally on commercial activity in the 6 monthly reports that are reported to District Executive.

**Conclusion**

The Council has a clear investment strategy in place that is designed to increase revenue and cover the gap within the MTFS with the ultimate aim of making the Council more financially resilient in future years. The strategy aims to invest in assets that will provide a return of 7% or more and also deliberately made sure that they hold a mixed portfolio to ensure resilience against the market and from exposure against one specific sector.

The decision making process involves a number of members and senior management who have been given delegated decisions making powers by the Council in order to be agile and allow decisions to be made quickly and in line with the market. The key decision making committees are the Investment Assessment Group (IAG) and the Disposal Assessment Group (DAG).

The Council have chosen to devolve the decision making process and the performance to date, with the clear consideration of the factors that impact on future decisions, demonstrate that the Council have a robust governance process. However, the frequency of reporting at every six months should be kept under review to ensure that is sufficient to enable Members to effectively monitor and challenge decisions in a timely way.

We therefore conclude that the Council have appropriate processes in place for achieving value for money.

# 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. No non-audit services were identified.




	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing capital receipts grant	8,000	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 £8,000 in comparison to the total fee for the audit of £37,943 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.

# Action plan

We have identified one recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendations during the course of the 2019/20 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
<p>①</p> <p> <b>Amber</b></p>	<p>The Council have had a number of assets revalued in the year. A review of the fixed asset register identified that not all revalued assets had been updated and there is a risk that the accounts will not accurately disclose the value of assets and revaluations in the year</p>	<p>The Council should ensure that all assets revalued in the year are appropriately disclosed in the fixed assets account and the statement of accounts</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed – going forward an additional reconciliation check will be implemented to ensure the final revaluations processed matches back to the final Valuation Report for each individual category</li> </ul>
<p>②</p> <p> <b>Green</b></p>	<p>District Executive and Council are informed of progress against the Commercialisation project on a six monthly basis. Given that the strategy is central to the overall Council strategy, and achievement of financial sustainability, there is a question as to whether this is a regular enough timeframe to allow members to fully understand and challenge, on a timely, the issues being raised as part of the strategy</p>	<p>The Council should review the frequency of reporting of the commercialisation strategy progress report to ascertain whether members are being provided with information in a timely manner to allow consideration and robust challenge.</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Management considers the current frequency of reporting is appropriate and fits with the pace of implementing the commercial strategy. In between the 6-monthly reports, all members are notified and press releases issued with each completed investment, and financial information is also reflected as appropriate in the more frequent budget monitoring reports. However we will consider this as part of ongoing development of the Members' portal online, providing remote access to past and current reports and information, at any time they require it. For example, links to Asset Update reports and commercial activity press release data can be added.</li> </ul>

## Key

-  High priority – Significant effect on Council's control systems or financial environment that requires urgent attention
-  Medium priority – There is some impact on Council's control systems or financial environment that requires attention to address in the medium term
-  Low priority – To move the Council to best practice

# Follow up of prior year recommendations

We identified the following issue in the audit of South Somerset District Council's 2017/18 financial statements, which resulted in the following recommendation being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented our recommendation.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<p>The Council have made a number of amendments to the statement of accounts as a result of an exercise to reclassify assets. This has resulted in a prior period adjustment for those assets which have been reclassified as investment properties and for one asset classified as an investment property that is now classified as inventory.</p> <p>There is a risk that the Council will misclassify assets leading to incorrect balance sheet disclosures.</p>	<p>There have been no such reclassifications in the year and audit work undertaken considers that assets have been appropriately classified within the statement of accounts.</p>

## 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

There are no adjusted misstatements .

## 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.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>Inventory Note</b>	The council have a material inventory of £3.7m and should include a disclosure note showing the opening and closing balances and any relevant movements in the year	The Council should include an inventory note within the statement of accounts to show the movement within the year	✓
<b>Collection Fund</b>	Review of the collection fund identified That precepts and demands had been incorrectly allocated to precepting bodies	The Council should review the collection fund note and ensure that precepts and demands are accurately disclosed within the statement of accounts	✓
<b>General Disclosures</b>	Other general amendments	Other amendments including spelling, grammar and syntax and other minor disclosures which have not been separately disclosed should be adjusted and included.	✓

# Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The South Somerset District Council Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 Revalued assets have not been updated in the Fixed Asset Register and statement of accounts		148	148	Not material
2 As part of the McCloud ruling the Council have undertaken a materiality review and identified that there is an understatement in the estimated impact on total liabilities as at 31 March 2019		281	281	Not material
<b>Overall impact</b>		<b>£429</b>	<b>£429</b>	

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2017/18 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 Depreciation in relation to prior period reclassification of investment properties 2016/17	Cr Depreciation - £137	Dr Accumulated depreciation -£137	£(137)	Not material
2 Council policy is not to depreciate in year of acquisition. However depreciation for assets purchased in 2016/17 was omitted in error in 2017/18	Dr Depreciation – £150	Cr Accumulated depreciation - £150	£150	Not material
<b>Overall impact</b>	<b>£13</b>	<b>£13</b>	<b>£13</b>	

# Fees

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

## Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £37,943. Our audit approach, including the risk assessment, continues as the year progresses and fees are reviewed and updated as necessary as our work progresses.

## Update to our risk assessment – Additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

### Additional Audit Fees

Area of work	Timing	Comment	£
Assessing the impact of the McCloud Ruling	June – July 2019	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statement along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500
Pensions – IAS 19	June-July 2019	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.	1,500
PPE Valuation – work of experts	June-July 2019	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	1,500

### Total Audit Fees

Audit fee	Actual 2017/18 fee £	Planned 2018/19 fee £	Final 2018/19 fee £
<b>Council Audit</b>	49,276	37,943	37,943
<b>Additional Audit Fee (see above)</b>	-		4,500
<b>Total audit fees (excl VAT)</b>	<b>49,276</b>	<b>37,943</b>	<b>42,443</b>

### Non Audit Fees

Fees for other services	Fees £
<b>Audit related services:</b>	
Certification of Housing Benefit (estimate)	8,000
<b>Total fees for other services</b>	<b>8,000</b>

# Audit opinion (Draft)

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

## Independent auditor's report to the members of South Somerset District Council Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of South Somerset District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Account and notes to the financial statements, including the 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 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 2018/19; 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.

### 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 S151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the S151 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 S151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts 2018-2019, the Narrative Report, the Glossary of Terms, 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 audit 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



# Audit opinion (Draft)

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 2018-2019, the Narrative Report and the Glossary of Terms 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

## Responsibilities of the Authority, the S151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 17, 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 S151 Officer. The S151 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the S151 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 S151 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## 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 2019.

## Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy,

# Audit opinion (Draft)

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 2019.

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 South Somerset District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## **Use of our report**

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

Signature

## **Barrie Morris, Key Audit Partner**

for and on behalf of Grant Thornton UK LLP, Local Auditor  
Bristol

[Date]



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