



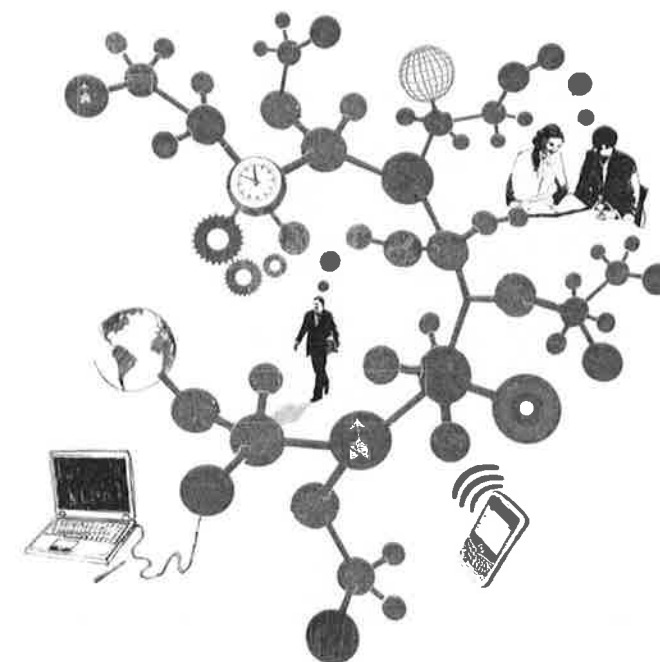
The Audit Findings for Newcastle under Lyme Borough Council

Year ended 31 March 2014

29th September 2014

John Gregory
Director
T 0121 232 5333
E john.gregory@uk.gt.com

Suzanne Joberns
Manager
T 0121 232 5320
E suzanne.joberns@uk.gt.com



Contents

Section	Page
1. Executive summary	3
2. Audit findings	6
3. Value for Money	17
4. Fees, non audit services and independence	23
5. Communication of audit matters	25
Appendices	
A Action plan	
B Audit opinion	

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Newcastle under Lyme Borough Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we made one change to our planned audit approach, which we communicated to you in our Audit Plan at the Audit and Risk Committee on 7th April 2014. Further details are set out in section 2 of this report. Our audit is substantially complete although we are finalising our work in the following areas:

- finalisation of our review of journals

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have not identified any adjustments affecting the Council's reported financial position however we have identified a number of adjustments to improve the presentation of the financial statements.

Further details are set out in section 2 of this report.

Value for Money conclusion

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

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

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.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

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

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Executive Director (Resources and Support Services) and the finance team.

Acknowledgment

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

Grant Thornton UK LLP
September 2014

Section 2: *Audit findings*

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Risk Committee on 7th April 2014. We made one change to the plan as we undertook a review of the council's year end closedown processes to ensure the completeness of expenditure rather than a trend analysis of monthly payments.

We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>The audit work completed so far has not identified any evidence of management override of controls. In particular the findings of our review of journal controls has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Documentation of the processes and controls in place around the accounting for operating expenses and a walkthrough test to confirm the operation of controls. • Confirming the completeness of the subsidiary system interfaces and control account reconciliations • Cut off testing of purchase orders and goods received notes (both before and after year end) • Testing of a sample of operating expenses covering the period 1/4/13 to 31/3/14 to ensure they have been accurately accounted for • Testing of a sample of creditor balances at 31/3/14. 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> • Documentation of the processes and controls in place around the accounting for employee remuneration and a walkthrough test to confirm the operations of controls • Testing of the payroll reconciliation to ensure that the payroll system could be agreed to the ledger and financial statements • Testing of a sample of payments made in April and May 2014 to ensure payroll expenditure is recorded in the correct year. • Review of monthly trend analysis of total payroll. • Testing a sample of employee remuneration payments covering the period 1/4/13 to 31/3/14 to ensure they have been accurately accounted for • Testing of the year end superannuation, NI & tax creditors. 	Our audit work has not identified any significant issues in relation to the risk identified.

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
Welfare expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> • Documentation of the processes and controls in place around the accounting for welfare benefits and a walkthrough tests to confirm the operation of controls. • Testing in accordance with the methodology required to certify the housing benefit subsidy claim including testing of benefits system reconciliation to ensure that information from the benefits system can be agreed to the ledger and financial statements. 	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. 	<ul style="list-style-type: none"> Our review of revenue recognition policies has not highlighted any issues which we wish to bring to your attention. 	Green ●
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	Green ●
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> – useful life of capital equipment – Depreciation and amortisations – pension fund valuations and settlements – Bad Debt Provision – Measurement of financial instruments – Overhead allocation – Post Balance Sheet Event – Property, Plant and Equipment Valuations – accruals 	<ul style="list-style-type: none"> The audit work undertaken did not highlight any issues with regard to these judgements and estimates and has not highlighted any issues which we wish to bring to your attention 	Green ●


Assessment

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

- ⊗ Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements

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>Judgements and estimates – NDR provision</p>	<ul style="list-style-type: none"> • Local authorities are liable for successful appeals against business rates and should recognise a provision for their share of the best estimate of the amount that businesses have been overcharged up to 31 March 2014. This is disclosed on pages 50 and 85/86 of the financial statements. • Both IAS 37 (para 25) and the Code (para 8.2.2.20) refer to the fact that it is only in extremely rare cases that a reliable estimate cannot be made. However, there are some practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging: <ul style="list-style-type: none"> • the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA • some businesses may have been overcharged but not yet made an appeal. • The Council has not included any provision for potential future appeals. In such an instance, the rationale should be supported both in terms of disclosures and the Council providing appropriate evidence to those charged with governance and auditors. 	<p>The Council has made a provision for the Business Rate appeals that have been received but not settled at year end. The Council, like most authorities, has based its estimate on the outcomes to date of appeals against the current (2010) ratings listing which appears reasonable.</p> <p>The Council has not included any provision for potential future appeals as it has concluded that it cannot arrive at a reliable estimate for the value of appeals not lodged at 31/3/14 and has disclosed NDR appeals as an area of estimation uncertainty in the accounts.</p> <p>Overall, we are satisfied that the approach taken by the Council and the disclosures in the accounts are reasonable. However, we are seeking confirmations in the Letter of Representation to support the Council's view that it is not possible to arrive at a reliable estimate to the value of potential appeals not yet lodged.</p>	<p>Green</p> 

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Misclassifications & disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Mis classification	894	Investment Properties	The Sainsbury's site has been re classified as a surplus asset.
2	Disclosure	4,156	Note 32	RSG was incorrectly disclosed under credited to services within this note. This has been amended to ensure internal consistency with note 10.
3	Misclassification	208	NDR provision	The Council's share of the NDR provision was incorrectly shown within debtors. This has been re classified to provisions. Additional disclosure have been included within note 4 (Assumptions and Sources of Estimation Uncertainty).
4	Disclosure	n/a	Note 11. Property, Plant and Equipment	Additional disclosure has been included to reflect the classes of assets used for the revaluation. This ensures full compliance with the Code.
5	Disclosure	n/a	Note 38 and Note 6	Additional split of the figure 'Net charges made to the surplus/deficit on provision of services for post employment benefits'. This was to better reflect the underlying information from the actuary.

Other qualitative issues

The purpose of an audit is to express an opinion on the financial statements. The matters reported here are limited to those issues that are qualitative in nature 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.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Issue and risk	Recommendations
1.	<p><u>Heritage Assets</u></p> <p>The Council's collection of musuem artifacts is reported in the Balance sheet at insurance valuation which is based on market values as assessed by an external valuer in October 2006. These valuations are updated where necessary by the musuem curator. However there has been no movement on the value of Heritage assets for a number of years. The Council should undertake a review of its heritage assets to ensure it valuation remain up-to-date.</p>	<ul style="list-style-type: none">• The Council should undertake a review of its heritage assets to ensure the valuation is up-to-date.
2	<p><u>Authority as a lessor</u></p> <p>We noted the following in relation to the The Council has 8 properties on a finance lease basis. The minimum lease payments are correctly accounted for as a long term debtor. However the Code requires these minimum payments to be discounted which is not currently the case. Whilst this will not result in a material difference to the value of the long term debtors the Council should ensure full compliance with the Code.</p>	<ul style="list-style-type: none">• The Council should ensure it fully complies with the Code in relation to the calculation of long term debtors.

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 have noted a number of points which we have reported to management during the course of our audit but we have concluded that these are not of sufficient importance to merit being reported to you in accordance with auditing standards.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Risk Committee and are not aware of any material frauds. We have not been made aware of any other material incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council. In particular, representations will be requested from management in respect of the significant assumptions used in making accounting estimates for NDR provision.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

Value for Money

Value for money conclusion

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

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

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

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

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

Key findings

Securing financial resilience

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

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

Overall our work highlighted:

- Service expenditure in 2013/14 was £6k lower than the budget which is consistent with the forecast outturn. Members and senior officers have a clear understanding of the Council's financial environment and the Council has comprehensive financial and performance monitoring arrangements in place, with reporting through the Cabinet and full Council.
- Like many local authorities the Council continues to face challenges around its medium term financial resilience but has responded effectively through the development and agreement of its updated Medium Term Financial Strategy in October 2013. The plan extends to 2018/19. The Council has identified savings plans for 2014/15 and is finalising the plans for 2015/16. It has also established Project 2020 which has a range of work streams to provide a perspective on the future role and funding of the council in the medium to longer term.

Value for Money (continued)

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted:

- Members and senior officers have shown clear leadership and identification of priorities through the process of preparing and approving the updated Medium Term Financial Strategy in October 2013 and the development of the 2014/15 budget.
- The Council has consulted widely both internally and externally and has established a range of partnerships to support its strategic role.
- The Council has achieved its savings plans over the last few years. Our work on the Council's savings plans has found that it has a good record of achieving planned efficiencies and there is no indication that the effectiveness of key services is being significantly impacted by the level of savings so far. The outturn performance report to Cabinet shows that in the main services are performing well.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

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

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

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

Theme	Summary findings	RAG rating
Key indicators of performance	<p>The Council achieved an overall favourable outturn against 2013/14 budget of £6k. It has no external borrowing and no reported issues with cash flow or liquidity.</p> <p>The Council's Capital Programme for 2013/14 was £5m. The Council spent £3.2m on capital projects during the year. The slippage on the programme was due to projects that have started in 2013/14 but where the spend had not all occurred in year. These projects are carried forward into 2014/15 .</p>	Green
Strategic financial planning	<p>The Council reviewed and updated its Medium Term Financial Strategy in 2013/14. The plan covers the period to 2018/19 and was presented to Council in October 2013 as part of the 2014/15 budget setting process. It shows savings plans are required and the Council has identified those savings for 2014/15. For 2015/16 the Council has identified a range of savings schemes and is currently working with members to establish the final list of schemes.</p> <p>Looking further forward the Council has identified that a more fundamental appraisal is required of the council's finances and the activities which it will be able to fund is required. It has established the Project 2020 to explore a range of work streams which will provide a perspective on the future role and funding of the council.</p>	Green
Financial governance	<p>Members and senior officers have a clear understanding of the Council's financial environment and the extent of the financial challenges it faces. The Council has comprehensive financial and performance monitoring arrangements in place with reporting through the Cabinet and full Council.</p>	Green
Financial control	<p>No issues or concerns noted in relation to the Council's arrangements for financial control.</p>	Green

Value for Money

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

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

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

Theme	Summary findings	RAG rating
Prioritising resources	<p>Members and senior officers have shown clear leadership and identification of priorities through the process of preparing and approving the updated Medium Term Financial Strategy and Project 2020.</p> <p>The Council regularly consults with key stakeholders and in 2013 it led another consultation which was aimed at further shaping spending priorities for the 2014/15 financial year. It also consults internally and there have been a number of briefings and meetings to engage staff in the savings programmes and shaping the medium to long term future of the council.</p> <p>The Council has developed a number of important partnerships in order to deliver its strategic objectives. These include the local Clinical Commissioning Groups, hospitals and the police. In particular they have been investigating a closer working partnership with Aspire Housing in order to best meet their strategic housing role.</p>	Green
Improving efficiency & productivity	<p>We considered the Audit Commission's VFM profiles as part of our risk assessment and there were no indications of excessively high cost services. During the production of the 2014/15 budget and MTFS the Council has taken action to review the cost effectiveness of services and challenge existing delivery models. In particular, they are looking to change the way they deliver the waste serve (to kerbside recycling and moving away from bags) which should lead to £500k saving per year.</p> <p>There is no indication that the Council has poor data quality or IT systems.</p> <p>The Council has achieved its savings plans over the last few years. Our work on the Council's savings plans has found that it has a good record of achieving planned efficiencies and there is no indication that the effectiveness of key services is being significantly impacted by the level of savings so far. The outturn performance report to Cabinet shows that in the main services are performing well.</p>	Green

Section 4: Fees, non audit services and independence

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence**
- 05. Communication of audit matters

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit ¹	72,436	73,336
Grant certification ²	12,200	10,736
Total audit fees	84,636	84,072

In respect of the fee:

¹There is an additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims, from which we were able to gain certain assurances in prior years. The Audit Commission has therefore given approval in principle for a fee variation for the additional work required. The additional fee will be applied nationally and is 50% of the average fee previously charged for NDR3 certifications for district councils. We will bill this once formal agreement from the Audit Commission has been received.

² The grant certification fee is indicative and may vary dependent upon the final levels of audit required. We are still completing our grant certification work and will report upon the fee once it is completed.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 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 the Audit Commission (www.audit-commission.gov.uk).

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should undertake a review of its heritage assets to ensure the valuation remain up-to-date.	Medium	Agreed.	March 2015
2	The Council should ensure it fully complies with the Code in relation to the calculation of long term debtors.	Medium	Agreed.	March 2015

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEWCASTLE UNDER LYME BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Newcastle under Lyme Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Newcastle under Lyme Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Executive Director – Resources and Support Services' and auditor

As explained more fully in the Statement of the Executive Director- Resources and Support Services' Responsibilities, the Executive Director – Resources and Support Services 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, 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 the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword 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 Newcastle under Lyme Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Newcastle under Lyme Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

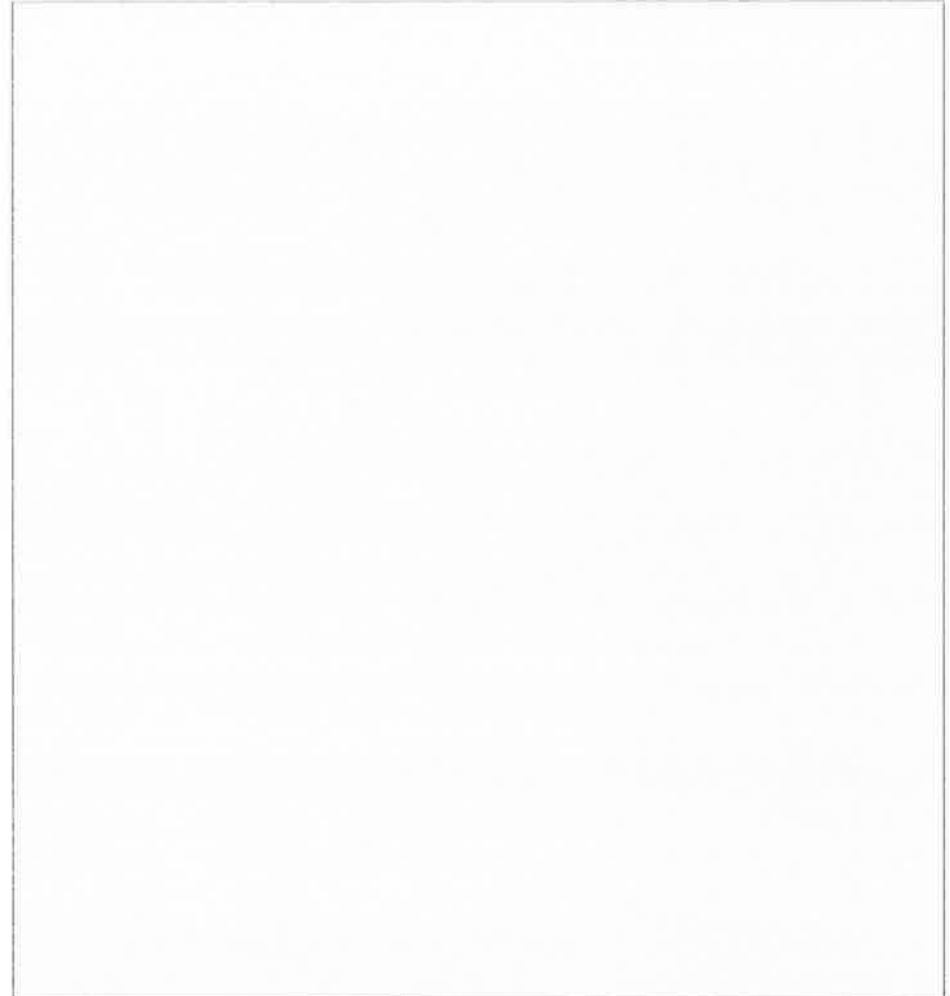
Certificate

We certify that we have completed the audit of the financial statements of Newcastle under Lyme Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Gregory

Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

XX September 2014





© 2014 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires.

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk