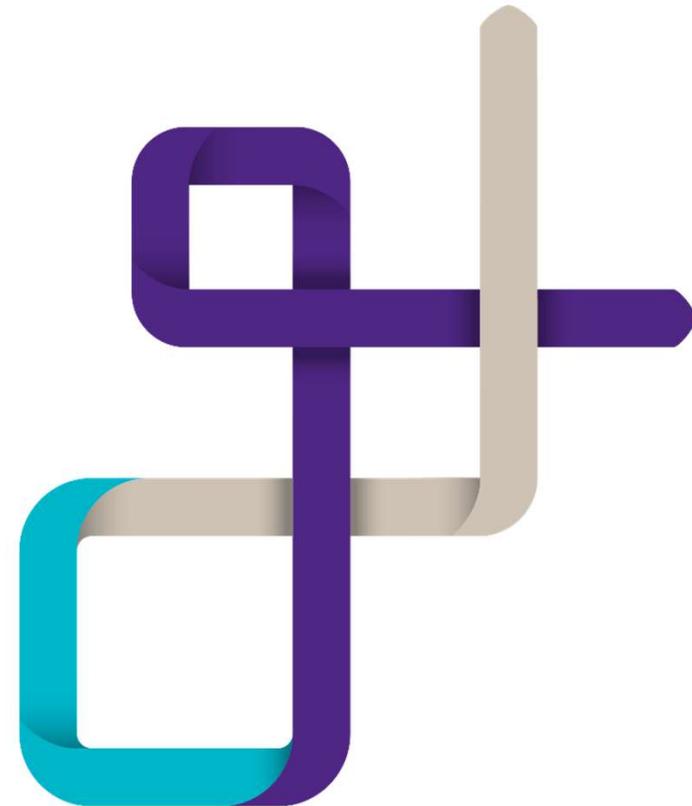


Audit Findings

Year ending 31 March 2018

Newcastle-Under-Lyme Borough Council
July 2018



Contents



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Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

Page

- 3
- 4
- 11
- 14

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. 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 for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

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

<p>Financial Statements</p>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, and 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. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during July. Our findings are summarised on pages 4 to 6. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 30 July 2018, as detailed in Appendix E. These outstanding items include:</p> <ul style="list-style-type: none"> review of the final set of financial statements obtaining and reviewing the management letter of representation updating our post balance sheet events review, to the date of signing the opinion; and submission of the Assurance Statement to the NAO in respect of the Whole of Government Accounts <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
<p>Value for Money arrangements</p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion') 	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Newcastle-Under-Lyme Borough 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 11 to 13</p>
<p>Statutory duties</p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audit 	<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 presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

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

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 30 July 2018, as detailed in Appendix E. These outstanding items include:

- review of the final set of financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion; and
- submission of the Assurance Statement to the NAO in respect of the Whole of Government Accounts

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 remains the same as reported in our audit plan

We detail in the table below our assessment of materiality for Newcastle-Under-Lyme Borough Council.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1,243k	Based on a proportion of forecast gross expenditure (2%) for the financial year. In the prior year we used the same benchmark.
Performance materiality	£932k	Quality of financial systems and processes and the nature of the Council's income and expenditure streams. Quality of accounts and working papers in previous years and level of amendments arising from audit process.
Trivial matters	£62k	Set at 5% of materiality
Materiality for specific transactions, balances or disclosures	£100k	Lower materiality applied to remuneration disclosures due to their sensitive nature and public interest.

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

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:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Newcastle-Under Lyme Borough Council, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for Newcastle-Under-Lyme Borough Council. Whilst not a significant risk as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate that the rebuttal was incorrect.

2

Management override of controls

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. We identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness.
- reviewed the journal entry process and the control environment around journal entries.
- obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness.
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

Our audit work has not identified any evidence of management over-ride of controls. The journals testing that we have performed has identified that journals posted by authorised users are reviewed by another person.

Significant audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of property, plant and equipment

The Council revalues its land and buildings on an 5 year rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration

Auditor commentary

We have undertaken the following work in relation to this risk:

- Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.
- Consideration of the competence, expertise and objectivity of any management experts used.
- Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions.
- Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.
- Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register.
- Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Our work identified that 1 asset (value £8.936m) has not been revalued within the last 5 years as required by the CIPFA Code of Practice. The internal valuer has undertaken an impairment review of all properties at the year end to identify any significant variations in carrying value between the date that they were valued and the year end and concluded that there was no material movements in value between these dates. Based on our work there is no indication that the value of these assets is materially misstated.

4

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 undertaken the following work in relation to this risk:

- 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.
- Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation was carried out.
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made.
- Tested accuracy of data provided to the actuary.
- Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Our work has not identified any significant issues in respect of this risk.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

1

Employee remuneration

Payroll expenditure represents a significant percentage (28%) of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness.
- gained an understanding of the Council's system for accounting for payroll expenditure and evaluated the design of the associated controls.
- performed substantive analytical procedures, disaggregated by month.
- obtained year-end payroll reconciliations and ensure amount in accounts can be reconciled to ledger and through to payroll reports. Investigated significant adjusting items.
- agreed payroll related accruals to supporting documents and reviewed any estimates for reasonableness.

Our work has not identified any significant issues in respect of this risk.

2

Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- obtained an understanding of the accruals process and test accruals
- obtained a listing from the cash book of non-pay payments made in April and tested a sample to ensure that they have been charged to the correct financial period
- reviewed GRNI report for evidence of expenditure not accrued

Our work has not identified any significant issues in respect of this risk.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. 	We have reviewed the Council's revenue recognition policies and whilst we have not identified any significant issues, the Council should consider including a policy for all material revenue streams, such as Council Tax and NDR, in line with good practice.	 (Green)
Judgements and estimates	<p>The Council has disclosed the key judgements within the notes to the accounts as relating to:</p> <ul style="list-style-type: none"> Identifying whether leases of assets are operating or finance leases; Whether contractual arrangements have the substance of a lease; Whether land and buildings owned by the Council are investment properties; Whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability. <p>The Council has disclosed the following sources of estimation uncertainty within the notes to the accounts:</p> <ul style="list-style-type: none"> The recoverable amounts in relation to debtors; Principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme; Fair values for property plant and equipment that are not based on recently observed market prices; Fair values for financial assets that are not based on recently observed market prices. The business rates retention scheme and the provision for the estimated costs of appeals that have been lodged with the valuation office. 	The judgements and estimates are considered appropriate under the accounting framework in place.	 (Green)
Other critical policies		We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 (Green)

Assessment

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

Other communication requirements

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

Issue	Commentary
① Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
② Matters in relation to related parties	From the work we carried out, we have not identified any related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	A standard letter of representation has been requested from the Council, which is included in the Audit and Standards Committee papers.
⑤ Confirmation requests from third parties	We requested from management permission to send requests to confirm year end bank and investment balances. This permission was granted and the requests were sent, and all received to confirm year end balances.
⑥ Disclosures	Our review found no material omissions in the financial statements.
⑦ Significant difficulties	We did not encounter significant difficulties in the completion of our audit.

Other responsibilities under the Code

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

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to Appendix E</p>
② Matters on which we report by exception	<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"> • 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 • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters</p>
③ Specified procedures for Whole of Government Accounts	<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. This is not required at Newcastle-Under-Lyme Borough Council as the Council does not exceed the threshold of £500m for 2017/18.</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Newcastle-Under-Lyme Borough Council in the audit opinion, as detailed in Appendix E</p>

Value for Money

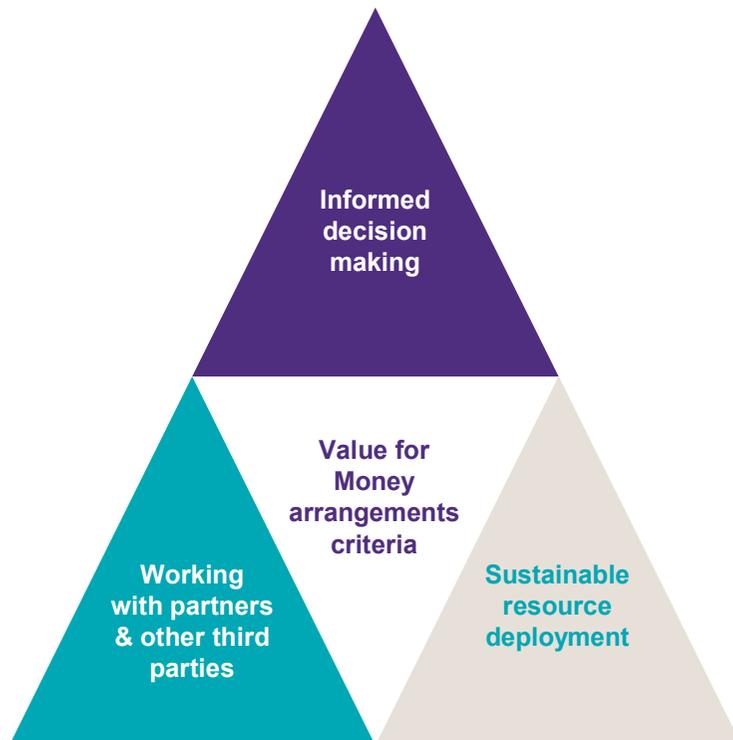
Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in January 2018 and identified two significant risks 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 February 2018.

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

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

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 financial sustainability of the Council given the challenging environment that it current operates within.
- The progress the Council is making investigating the electoral problems it encountered in June 2017 for the general election.

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 page 13.

Overall conclusion

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

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

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

Recommendations

We discussed findings arising from our work with management and have agreed the recommendations.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

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

Significant risk	Findings	Conclusion
<p>1 Financial sustainability</p> <p>The medium term financial strategy (MTFS) 2018/19 to 2022/23 indicates a forecast budget shortfall of £1.535m for 2018/19, with additional shortfalls across 2019/20 to 2022/23 totalling £3.43m.</p>	<p>We have reviewed the MTFS, assessed the realism of savings/income generation plans, reviewed the outturn for 2017/18 and the Council's track record of addressing budget shortfalls.</p>	<p>Auditor view</p> <p>Overall our work concluded that the Council has appropriate arrangements for delivering economy, efficiency and effectiveness.</p> <p>The Council has continued to deliver services broadly in line with its budget plan for 2017-18, in line with its past record of sound financial control.</p> <p>The Council has set a balanced budget for 2018/19 and has identified funding gaps to 2022/23 in its medium term financial strategy. The Council has already identified actions to address around 50% of these funding gaps and has an efficiency and savings programme in place to identify further savings.</p>
<p>2 Arrangements for voting at the last general election</p> <p>There has been an independent investigation into arrangements at the last general election. The council has now set up a cross-party investigation and disciplinary panel to look into arrangements.</p>	<p>We have monitored the investigation and the Council response to determine whether there are any implications for our VFM conclusion.</p>	<p>Auditor view</p> <p>As the Council's cross-party investigation and disciplinary panel process are still underway we do not consider there to be any implications for our 2017/18 VfM conclusion.</p> <p>However we have the following recommendations:</p> <p>The Council needs to ensure that the momentum of investigation is maintained and is concluded in a timely manner.</p> <p>The Council also needs to ensure that sufficient management capacity is maintained within the Council during the investigation and disciplinary panel to ensure effective and appropriate governance is maintained.</p>

Independence and ethics

Independence and ethics

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

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.

Action plan

We have identified 2 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1	 The Council are currently undertaking a cross-party investigation and disciplinary panel in relation to the issues arising from the Council's delivery of the voting for the General Election in June 2017.	<ul style="list-style-type: none"> The Council need to ensure that the momentum of investigation is maintained and is concluded in a timely manner. The Council also need to ensure that the sufficient capacity is maintained within the Council during the investigation and disciplinary panel to ensure effective and appropriate governance is maintained. <p>Management response</p> <ul style="list-style-type: none"> The Council understands the importance of concluding things in a timely manner but also needs to ensure that a thorough and proper investigation has been undertaken. The investigation is reaching a conclusion and reports are currently being prepared for the investigation and disciplinary panel. It is envisaged that a meeting of the panel will be held in August / September 2018.
2	 Our work identified that 1 asset (value £8.936m) that has not been revalued within the last 5 years as required by the CIPFA Code of Practice.	<ul style="list-style-type: none"> The Council should ensure that all PPE assets are revalued on a five year rolling basis to comply with the requirements of the CIPFA Code of Practice. <p>Management response</p> <ul style="list-style-type: none"> The Council will ensure that the requirements of the CIPFA Code of Practice are adhered to for 2018/19.

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of Newcastle-Under-Lyme Borough Council's 2016/17 financial statements, which resulted in 2 recommendations being reported in our 2016/17 Audit Findings report. We have followed up on the implementation of our recommendations and note 2 are still to be completed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	There is a need for management to perform periodic, formal reviews of the user accounts and permissions on Chris21 application systems. These reviews should take place at a pre-defined, risk-based frequency (annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result. These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties)	<ul style="list-style-type: none"> The Council's ICT team are currently in the process of reviewing its account and access controls in general. This will include provisions for reviews of user account access at periodic intervals. The Payroll system will be an integral part of these reviews with each respective service area, and their service administrator, signing off the review process. This will confirm that any user account in existence is necessary and has the correct level of privilege. Findings will be reported to the Council's Information Governance Group as part of its regular meeting schedule.
2	X	Management should establish a formal process for existing employees to formally acknowledge updates or changes to the IT security documentation. This process could be done in the form of mandatory reading/acknowledgement of updates prior to logon to the network and access to resources. Alternatively, this can be delivered in the form of refresher user IT security training courses.	<ul style="list-style-type: none"> Proposals have been put forward to the Council's Information Governance Group for the implementation of an acknowledgment system that will positively confirm staff have read, understood and accepted key policies. This proposal will shortly progress to the Council's Executive Management Team for further consideration.

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

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?
Cash Flow Statement	The accounting for the upfront pension payment (£4.582m) has been incorrectly accounted for in the Cash Flow statement.	That the upfront pension payment is shown on a separate line within the Cash Flow Statement	✓
Collection Fund	The Council have transposed the allocation of the collection fund balance against Staffordshire Fire and Rescue Authority and the Office of Police & Crime Commissioner	That the correct allocation of the collection fund figures for Staffordshire Fire and Rescue Authority and Office of Police & Crime Commissioner are included in the Collection Fund.	✓
Note 3.2.2	The investment property – revaluation figure in the note doesn't agree to the movements within Note 3.3.2 Investment Properties. The difference has been included in the Net Cost of Services.	That Note 3.2.2 is amended to be consistent with the Investment Property Note.	✓
Note 3.2.8 Officers' Remuneration	The incorrect figures are included for the Head of Recycling and Fleet Services	That the correct figures are included for the Head of Recycling and Fleet Services	✓
Note 3.3.1 Property Plant and Equipment	The revaluation table is incorrect	That the revaluation table within the note is amended to correctly record the year that assets have been revalued.	✓
Note 3.3.1 Property Plant and Equipment	Revaluations in relation to PPE assets were made with reference to values as at 1 April 2017. Cumulative depreciation at the revaluation date was written out of the PPE balance and charged to the revaluation reserve and the capital adjustment account. However, the depreciation charged for 2017/18 was also written off, which is incorrect	<p>The write off the depreciation charge in relation to 2017/18 should be reversed and the accounts amended accordingly</p> <p>Management response</p> <p>The depreciation charge for 2017/18 for the assets affected is £112k. This is an immaterial amount therefore no amendment is required.</p>	X

Audit Adjustments

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?
Note 3.3.4 Debtors and Note 3.3.5 Creditors	The accounting treatment for the NNDR and Council Tax debtors and creditors is not in accordance with the Code of Practice	The split between the NNDR debtor and creditor is made in accordance with the CIPFA Code of Practice. The split between the Council Tax debtor and creditor is made in accordance with the CIPFA Code of Practice.	✓
Comprehensive Income and Expenditure Account (CIES)	The amounts included in the Net Costs of Services and remeasurement of the Defined Benefit Liability / Asset for pension costs do not agreed to the actuarial report.	That the CIES is updated to reflect the pension figures contained within the actuarial report	✓
Note 3.3.8 Unusable Reserves	The movements on the pension reserve are not consistent within the figures in Note 4.4 Defined Benefit Pension Schemes.	The movements on the pension fund are amended to be consistent with the Defined Benefit Pension Schemes Note and the actuarial report.	✓
Note 4.4 Defined Benefit Pension Schemes	The Council made an upfront pension payment covering 2017/18 to 2019/20, however there is no disclosure of this within the accounts.	That the narrative disclosures in the note are updated to include information about the upfront benefit payment.	✓
Note 4.4 Defined Benefit Pension Schemes	Our review of the actuarial report identified a number of inconsistencies between the report and the figures in the accounts.	That the note is amended to reflect the figures in the Actuarial Report	✓

Fees

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

Audit Fees

	Proposed fee	Final fee
Council Audit	£55,002	£55,002
Grant Certification	£7,552	£7,552
Total audit fees (excluding VAT)	£62,554	£62,554

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

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

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Newcastle-under-Lyme Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow, the Collection Fund Statement, the notes to the financial statements and Appendix 1 - Accounting Policies, Standards, Judgements, Assumptions and Adjustments. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

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

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

- the Executive Director (Resources and Support Services)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director (Resources and Support Services) 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 Executive Director (Resources and Support Services) is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 4 to 75 and Appendix 3 – Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Executive Director (Resources and Support Services) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 15, 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 Executive Director (Resources and Support Services). 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 2017/18, which give a true and fair view, and for such internal control as the Executive Director (Resources and Support Services) 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 Executive Director (Resources and Support Services) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Standards Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

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

Responsibilities of the Authority

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

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

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

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

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

Report on other legal and regulatory requirements - Certificate

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

Phil Jones
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
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Xx July 2018



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