



AUDIT & REGULATORY COMMITTEE AGENDA

Date: Wednesday, 24 July 2019

Time: 6.30 pm

Venue: Meeting Room A - Buxton Town Hall

Please find below an additional report which was unavailable when the agenda was published.

4. External Audit Findings (**Pages 3 - 28**)
13. Work Programme (**Pages 29 - 30**)

SIMON BAKER
CHIEF EXECUTIVE

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The Audit Findings for High Peak Borough Council

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Year ended 31 March 2019
24 July 2019



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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 findings and other matters arising from the statutory audit of High Peak Borough Council ('the Council') and the preparation of the Council's financial statements for the 2018/19 ended 31 March 2019 for those charged with governance.

<p>Financial Statements</p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and income and expenditure 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 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. We have identified an adjustment to the financial statements that have resulted in a £1.9m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix C or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> • final audit housekeeping steps • receipt of supporting documentation for some outstanding items in our sample testing • receipt of some third party investment confirmations from financial institutions • updating our post balance sheet events review, to the date of signing the opinion • receipt of management representation letter; and • review of the final set of financial statements. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinions will be unmodified</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 if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that High Peak 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 in the VFM section of the report.</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 • To 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 Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

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

Audit approach

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

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

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

We have not had to alter or change our audit plan, as communicated to you on 13 February 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2019. These outstanding items are detailed on page 3 of the report.

Our approach to materiality

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

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for High Peak Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	950,000	We have deemed the final financial statement materiality to be around 1.9% of gross expenditure, the same benchmark we used in the prior year.
Performance materiality	712,500	We have applied a performance materiality of 75% of materiality.
Trivial matters	47,500	Triviality has been calculated at 5% of materiality
Materiality for Senior Office Remuneration	25,000	We have calculated a specific materiality for Senior Officer Remuneration as this is seen as a particular sensitive area of the financial statements

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

1

ISA 240: presumed risk of fraud in revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

We have rebutted this risk due to nature of the revenue streams within High Peak Borough Council

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 High Peak Borough Council, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for High Peak Borough Council.

There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.

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 our rebuttal was incorrect.

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2

ISA 240: Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.

The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as one of the most significant assessed risks of material misstatement and therefore a risk requiring special audit consideration.

Auditor commentary

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness
- gained an understanding of the accounting estimates and critical judgements made by management and consider their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

Conclusion

Our audit work has not identified any issues in respect of management override of controls.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of property, plant and equipment

The Council revalues its land and buildings at least once every five years. Investment properties are revalued every year. Valuation of property, plant and equipment represents a significant estimate by management in the financial statements.

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

Auditor commentary

We have:

- updated our understanding of the processes, controls and assumptions put in place by management to ensure that the PPE valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement;
- assessed the competence, capabilities and objectivity of management's experts (valuers) who carried out your PPE valuations;
- evaluated the instructions issued by management to their management expert (a valuer) for this estimate and the scope of the valuer's work;
- communicated with the valuer about the basis on which the valuation is carried out and where necessary challenge the key assumptions
- reviewed and challenge the information used by the valuer to ensure it is robust and consistent with our understanding
- Tested, on a sample basis, revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value.

Conclusion

From the procedures carried out we are satisfied that the valuation of land and building in the financial statements is not materially misstated.

Significant findings – audit risks

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

4

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£51million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's net pension fund liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- sought assurances from the auditor of the Derbyshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Data Submission

As part of our procedures we identified that the data return Derbyshire Pension Fund send to the actuary Hymans Robertson is not reviewed and checked for reasonableness by the Council prior to submission. Although, checks are completed on the report which is received from Hymans Robertson by the Council after there is a risk that there are errors in the data processed by the actuary in their reviews. We have raised a recommendation point in the action plan in regards to this see appendix A. The Council also confirmed that AES employees were not included in the actuary valuation at 31 March 2018, when they transferred back to the Council from Veolia when their contracts ended in August 2017. As a result a retrospective actuarial assessment has been carried out, which has resulted in a prior period adjustment in the financial statements for the year ending 31 March 2018. The Council have confirmed that these employees were included in the actuarial assessment for the year ended 31 March 2019.

Impact of the McCloud judgement

The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. The LGPS Scheme Advisory Board (with the consent of the Ministry of Housing, Communities and Local Government) commissioned GAD to prepare an assessment of the financial impact of the McCloud judgement on an LGPS scheme-wide basis to inform the financial reporting of participating entities. The report shows the estimates of the cost of the remedy if the LGPS underpin was found to result in unlawful age discrimination. This was confirmed on 15 July 2019 in a statement released by The Chief Secretary to the Treasury. The quote extracted and shown below is of greatest interest as it recognises remedies will need to be applied to the LGPS and hence supports the Authority's stance in the recognition of increased liabilities:

"As 'transitional protection' was offered to members of all the main public service pension schemes, the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. Continuing to resist the full implications of the judgment in Court would only add to the uncertainty experienced by members."

Significant findings – audit risks

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

- 4 The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£51million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary (continued)

<https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-07-15/HCWS1725/>

Guaranteed Minimum Pension (GMP)

The High Court ruled that defined benefit pension schemes must remove any discriminatory effect that guaranteed minimum pension entitlements have had on members benefits. GMPs must be equalised between men and women and that past underpayments must be corrected. This will lead to increased costs for sponsors of defined benefit schemes (ie the LGPS) that were contracted out of the State Second Pension in the period from 17 May 1990 to 5 April 1997.

Investment Valuation used by the Actuary


There was a difference between the investment valuation used by the Actuary, Hymans Robertson for IAS 19 purposes and the actual valuation of investments as at 31 March 2019 as per the pension funds financial statements.

As a result the Authority instructed the actuary to take a further actuarial assessment to include the impact of McCloud, GMP and updated Investment valuations which has resulted in an increase in pension net liability of £1.9m, with the pension liability rising from £49m to £50.9m.

Conclusion

The Council have adjusted its pensions liability in its financial statements for the prior year to include AES employees, and have included these employees in their actuarial assessment for the current year. The Council have also completed a revised actuarial assessment for the McCloud judgement, GMP and updated investment valuations and have revised their financial statement to reflect. Our audit procedures have confirmed that the pension liability is not materially misstated in the financial statements after these adjustments.


Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Council Housing - £172m	The Council owns 3,964 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Urban Vision Partnership Limited to complete the valuation of these properties. The year end valuation of Council Housing was £172m, a net increase £4m from 2017/18 (£167m).	<ul style="list-style-type: none"> Urban Vision Partnership Limited were instructed by the Council to undertake a desktop revaluation review of all the housing stock for HRA purposes as at 31 March 2019. The valuations have been undertaken by appropriately qualified registered valuers in accordance with the RICS Valuer Registration Scheme The desktop review has been undertaken in accordance with the Communities and Local Government: Stock Valuation for Resource Accounting: Guidance to Valuers 2016 which came into effect in April 2016 and the RICS Valuation Standards The basis of valuation for the operation residential housing property is Existing Use Value – Social Housing <p>Conclusion</p> <p>We are satisfied that the revaluations of Council Housings have not identified material misstatement.</p>	 Green





Assessment

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

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Page 12	<p>Other Land and Buildings - £49m</p> <p>Land and buildings which are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Urban Vision Partnership Limited to complete the valuation of properties as at 31 March 2019 on a five yearly cyclical basis.</p> <p>Out of an asset base value of £49m, £38m of the assets have been valued as at 31 March 2019.</p> <p>The valuation of properties valued by the valuer has resulted in a net increase/decrease of £3.4m.</p> <p>Management have considered the year end value of non-valued properties to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.</p> <p>The total year end valuation of Other land and buildings was £49m, a net increase/decrease of £4m from 2017/18 (£44m).</p>	<ul style="list-style-type: none"> All the property plant and equipment (PPE) owned by the Authority are professionally valued on a five year rolling cycle to ensure that their carrying value on the Balance Sheet reflects an up-to-date position. The Code requires that items within a class of PPE are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, the Code allows valuations to be carried out on a rolling basis, but only if revaluation of the class of assets is completed within a short period (i.e. every five years as a minimum) and provided that revaluations are kept up to date (i.e. they reflect material changes in current value). The Code interprets a 'short period' for the revaluation of a class of assets to mean that assets are normally measured once every five years for each class, provided that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.6 CIPFA's view is that IAS 16 and thus the Code give priority to the valuations being made. To strengthen this further the council now revalue all their high value assets annually; the total value of these assets in 2019 was £34.7m. The Council's de minimis policy excludes the requirement to formally revalue assets with a current carry value of below £10,000; however these assets are still subject to an internal desk top valuation. No changes were made to the value of this group of assets as a result of the internal review. All external valuations were carried out by Urban Vision Partnership Limited, the Council's valuing agents. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The effective date of each revaluation was 31st March 2019. The valuations of property, plant and equipment reported in the Balance Sheet and the related depreciation charges made to the CIES are based on an estimation of their value and asset life. <p>Conclusion</p> <p>We are satisfied that the revaluations of Land and Buildings have not identified material misstatement.</p>	 Green

Assessment

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

Significant findings – key judgements and estimates

Net pension liability – £50.9m

Council

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Summary of management’s policy

Following the adjustment for the McCloud judgement the Council’s net pension liability at 31 March 2019 is £50.9m (PY £44m) comprising the Derbyshire Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Hyman Robertson to provide actuarial valuations of the Council’s assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

Audit Comments

Hyman Robertson, an external actuary firm, provide actuarial advice to the Council via the Derbyshire Pension Fund. As such, this involves providing the Council with an actuarial valuation of the pension expense calculations. The scope of the work is to undertake pension expense calculations, as instructed by the Administering Authority, for the Council, for the purposes of complying with IAS 19 (Employee Benefits) for the accounting period. Assessment of management’s expert

PwC are employed by the NAO on behalf of external audit suppliers to local government to provide support to auditors when assessing the competence and objectivity of actuaries producing IAS 19 figures in respect of the Local Government Pension Scheme (LGPS). Hyman Robertson have carried out a roll forward approach from previous actuarial valuation to allocate assets and liabilities between employers at triennial valuation.

Assessment



Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.4%-2.5%	● (G)
Pension increase rate	2.5%	2.4%-2.5%	● (G)
Salary growth	3.0%	Scheme & Employer specific	● (G)
Life expectancy – Males currently aged 45 / 65	23.9 years	23.7- 24.4 years	● (G)
Life expectancy – Females currently aged 45 / 65	26.5 years	26.2- 26.9 years	● (G)

The High Court has ruled that defined benefit pension schemes must remove any discriminatory effect that guaranteed minimum pension entitlements (GMP) have had on members benefits. The Government announced an “interim solution” for members in public service schemes who reach State Pension Age (SPA) between 6 April 2016 and April 2021. We have reviewed the approach of the scheme’s actuary, Hymans Robertson (HR), in estimating the impact of these on the Council’s pension liability. HR have not made allowance for pre 2021 retirements in their estimate. Utilising the 2018/19 PwC report and our own actuary we believe this would mean that liabilities are understated by approximately 0.1% (£0.005m). This is within our acceptable range and we are therefore satisfied that the Council’s estimation methodology is reasonable.

Conclusion

We are satisfied that the approach of the actuary and values applied are in line with PWC assumptions and that there are no significant outliers. We have also reviewed the:

Completeness and accuracy of the underlying information used to determine the estimate

- Reasonableness of the Authority’s share of LGPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements

and have no findings to bring to your attention in this regard.

Going concern

Our responsibility

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

Going concern commentary

Management’s assessment process

Management have carried out a written assessment which confirms:

- There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the Council’s ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date.
- The Council have a firmly embedded financial planning process which includes a rolling four year medium term financial plan, which is updated twice per year.
- There assessment carried out in regards to estimations of budgets and the adequacy of reserves and therefore monitor any risks over going concern.

Auditor commentary

CIPFA Code of Practice 2018/19 Code para 3.4.2.23 states "Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future".

The presumption in local government is that the going concern assumption does apply unless there is specific evidence to the contrary from factors such as:

- announcement to wind up the authority
- failure to set a balanced budget
- external assessment concludes unsustainable
- financial plans show unable to meet obligations for foreseeable future
- significant doubts over forward financial planning arrangements.

Management’s assessment has considered these areas and concluded that there is no material uncertainty in respect of going concern. The councils medium term plan demonstrates that savings are required over the period of the medium term financial plan, however, they have an efficiency and rationalisation programme to meet these challenges and are implementing this in the medium term.

As such we consider that the assessment undertaken by the Council on going concern is a reasonable and valid one and there are no indications of material uncertainty.

Work performed

Detail audit work performed on mgmts. assessment

Auditor commentary

- Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption.
- We have reviewed the estimates and assumptions made in the medium term financial plan and have deemed these to be reasonable and in line with the environment the Council work in.
- We have reviewed the progress that the Council has made against the efficiency and rationalisation programme and have noted that the council have made the in year savings as required by the plan

Concluding comments

Auditor commentary

- We are satisfied that there is no material uncertainty in the operations of the Council which would effect their ability to operate as a going concern.

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
7	Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All supporting documentation was provided to the audit team to support their conclusions.

Other responsibilities under the Code

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 Chief Financial Officer's Narrative Report, the Statement of Responsibilities, the Annual Governance Statement (AGS) and Glossary), 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.</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. We have nothing to report on these matters.</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of High Peak Borough Council in the audit opinion.</p>

Value for Money

Background to our VFM approach

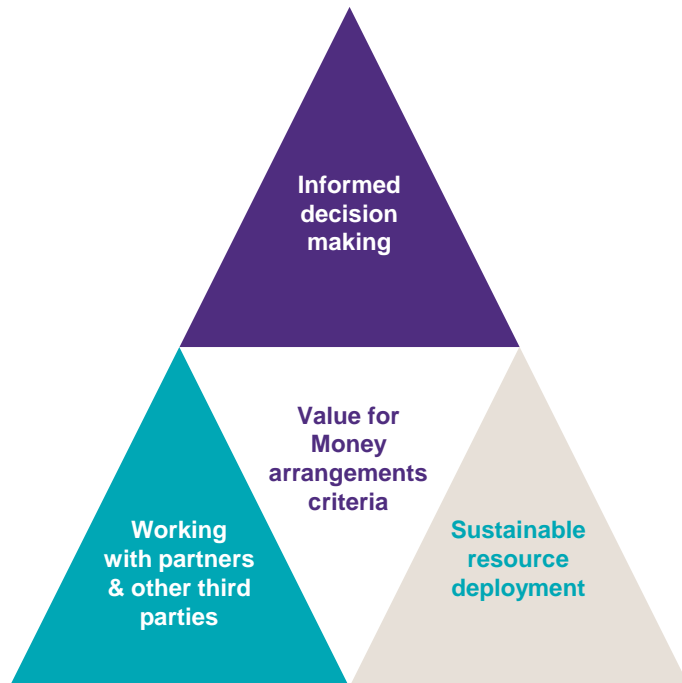
We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

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

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

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

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Risk assessment

We carried out an initial risk assessment in January 2019 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 13 February 2019.

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

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

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:

- planning its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions including how you are progressing against the efficiency & rationalisation strategy.

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 14.

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.

Overall conclusion

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

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

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 from our Audit Plan

Findings

Conclusion

1 Medium Term Financial Sustainability

At the end of September 2018 65% of the Council's key performance indicators were on track and of the 22 Priority Actions within the Corporate Plan, two were awaiting a decision and the remainder being classified as 'Green'. This indicates that the Council is on track to meet its stated strategic objectives for 2018/19 and that the overall governance of the authority remains strong, with a focus on long term aims rather than short term measures to balance the budget.

In respect of the medium term financial outlook the Council's MTFP was agreed in February 2018 when setting the budget for the current financial year. The Plan identified a £1.8m budget shortfall over a three year period on the general fund (2018/19 – 2020/21) – with £0.31million savings achieved in 2017/18. There was also an assumed overall use of £1.96 million in reserves in order to balance the MTFP.

For 2018/19 the Authority budgeted for a break-even position. At the end of Quarter 2 a year end surplus of £619k has been forecast. The main reason behind this is an increase in the funding from Business Rates Retention (£770k) as a result of being a member of the Derbyshire 100% Business Rates pilot in 2018/19.

A new financial year (2022/23) has now been added to the MTFP, which forecasts a very small deficit of £7k. Taking account of the projected 2018/19 surplus position this results in a reduction to the overall required use of reserves by the end of 2022/23 of £259k.

Achieving a balanced budget over the medium-term relies upon delivery of the Council's approved efficiency & rationalisation strategy. Current progression against the efficiency programme is positive, with the 2017/18 target achieved and at Quarter 2 the General Fund efficiency target of £581k for 2018/19 is expected to be achieved – with £346k already achieved. The HRA 2018/19 efficiency target of £245k has already been achieved. There remain risks within delivery of the efficiency programme and in response to this risk we will assess whether the Council is:

- planning its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions including how you are progressing against the efficiency & rationalisation strategy.

We have undertaken the following procedures to address this VfM risk:

- reviewed the Council's arrangements for identifying and agreeing savings plans to ensure that the Council is resilient to the increasing financial challenges of coming years.
- reviewed the outturn for 2018/19 and the updated MTFS and gain a better understanding of the financial settlement impact, how the council plans to respond to it and also how the Council plans to remain financially sustainable in the medium to long term.

Our Findings:

- The Council have achieved an £1.5m favourable outturn against budget in 2018/19, as a result of actual spend on activities being £0.7m lower than anticipated and funding levels of £0.8m being higher than expected. Per the budget the Council required a £1.8m call on reserves, however, given the favourable outturn position the Council has now only drawn down £0.2m from its useable reserves. As a result the Council holds £2.85m in its general revenue reserve.
- In February 2019 the Council produced a Medium Term Financial Plan which looked at the period from 2019/20 to 2022/23. With effect from 2019/20 there will be a requirement of a £0.47m contribution to reserves over the 4 year period. The plan anticipates that it will have contingency reserve of £3m in place and will have £1.8m headroom and their will be a balanced budgets, however, this is predicated on the delivery of Efficiency & Rationalisation Strategy.
- The programme identified £2.1m of required savings over the period of 2020/21. In 2017/18 the Council overachieved on their target of £310,000 of savings, delivering £78,000 of additional savings in year. However, in 2018/19 the Council have achieved £449,000 savings compared to a target of £581,000, which has resulted in an under delivery of £132,000 due to slippage in the profile savings assumed in the programme.
- As a result the Council have now reviewed their programme and have amended their saving profile to achieve
 - £780,00 of savings in 2019/20 compared to an original programme value of £430,000
 - £505,000 of savings in 2020/21 compared to an original programme value of £810,000
- We have discussed with the Council on how they are to deliver the required savings as required by the efficiency programme, and their response is that these savings required continued progression in making savings from their alternate delivery model for Waste, Streets and Parks via transfer of services to trading company Alliance Environment Services (AES) and how they provide leisure services.
- The Council have demonstrated that AES is making the required savings it anticipated and that the changes in the provision of leisure services are resulting in required savings.

Auditor view

Like most of local government, the authority faces a challenging future driven by funding reductions and an increase in demand for services. This is further complicated by the uncertainty relating to the future of financing of local government, particularly business rate reform and the fair funding review.

The Council's financial stability going forward is highly dependent on the factors set out in our findings. The Council will need to monitor decisions from the Government with regard to funding and respond accordingly. As well as responding to any Government decisions it also needs to ensure that it makes appropriate decisions with regard to its own income generation schemes and savings plans are delivered in full.

Conclusion

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

Independence and ethics

Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix C.

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. We have listed the non audit services on page 15 of this report.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Independence and Non Audit Services

Service	Fees £	Threats	Safeguards
Audit related			
Agreed upon procedures report for pooling capital receipts return 2017/18 (January 2019)	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £36,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Housing Benefit (Subsidy) Assurance Process	9,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,000 in comparison to the total fee for the audit of £36,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-Audit related			
CFO Insights (subscription)	5,625	Self-Interest (because this is a recurring fee)	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,625 in comparison to the total fee for the audit of £36,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.</p> <p>Nature of the service presents no other threat to independence as CFO Insights is an online software service offering that enables users to rapidly analyse, segment and visualise all the key data relating to the financial performance of a local authority. The financial data, revenue outturn and budget data is provided by CIPFA and the socio-economic data is drawn from Place Analytics. The data is contextualised using a range of socio-economic indicators enabling the local authority to understand their relative performance.</p>
PLACE Analytics (subscription)	5,625	Self-Interest (because this is a recurring fee)	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,625 in comparison to the total fee for the audit of £36,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.</p> <p>Nature of the service presents no other threat to independence as Place Analytics is an online software service offering that enables users to rapidly analyse, segment and visualise a host of data sets relating to the Economic, social and environmental make-up of a local authority. The tool enables the user to review the relative strengths and challenges facing the council across these measures to ensure strategic planning and decision making is underpinned by evidence whilst saving time by collating disparate data sources into one tool.</p>

Action plan

We have identified one recommendation 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 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

1	Assessment	Issue and risk	Recommendations
●	●	We identified that the data return Derbyshire Pension Fund send to the actuary Hymans Robertson is not reviewed and checked for reasonableness by the Council prior to submission. Although, checks are completed on the report which is received from Hymans Robertson post the actuarial assessment there is a risk that there are errors in the data processed by the actuary in their reviews.	<p>We recommend that the Council should review the data that Derbyshire Pension Fund send to the actuary prior to submission to ensure it is complete and there are no errors</p> <p>Management response</p> <ul style="list-style-type: none"> The Council will look to implement this recommendation in future years

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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 the Council's 2017/18 financial statements, which resulted in a recommendation being reported in our 2017/18 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>1</p> <p>Page 22</p>	<p>✓</p>	<p>Audit testing identified that there was not a formal written journal policy for the council in relation who posts and authorises journals.</p>	<p>Recommendation</p> <ul style="list-style-type: none"> We recommended that the Council put in place a written policy in respect to journal processing and authorisation. <p>Progress</p> <ul style="list-style-type: none"> As of December 2018 the Council implemented a clear written procedural note to relevant staff members which details the process of journal authorisation. <p>Auditor Response</p> <ul style="list-style-type: none"> We are satisfied that the procedural notes implemented address the recommendation from 2017/18.

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000		Statement of Financial Position £'000	
1 Council - Pension Liability Valuation	Dr Gross Expenditure	570	Cr Pension Liability	577
The actuarial valuation of the pension liability for the Council had to be updated to assess the impact of;	Dr Financing and Investment	7	Dr Pension Reserve	577
- McCloud judicial judgement. Which resulted in a £360k increase in past service pension costs,	Dr Pension Liability	1,321	Dr Pension Reserve	1,321
- Guaranteed Minimum Pension (GMP). Which resulted in £220k increase in past service pension costs,				
Revised actuarial assessment on return on assets based on Quarter 4 Investment returns. Which resulted in a £1,318k reduction on return of assets asset valuations				
Overall impact		£1,898		£1,898

NB: Whilst the entries impact upon the Statement of Comprehensive Income and Expenditure, Balance Sheet and MiRS and various other accounts disclosures in relation to the pensions liability these are ultimately reversed out to the pensions reserve under statute (Cr MIRS: Adjustments affecting Pension Reserve £1,898k and Dr Balance Sheet: Pension Reserve £1,898k). There would therefore be no impact on the General Fund reserves and council tax.

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?
Annual Governance Statement	We noted that the Annual Governance Statement did not include an overall conclusion on the Councils governance arrangements for the year to be in line with CIPFA guidance	We have recommend that the Council include an overall conclusion on arrangements to be in line with CIPFA guidance.	✓
Council - Disclosure enhancements	As part of our review of the financial statements we have noted some areas where there were some minor presentational and disclosure inconsistencies/errors	We have recommended some improvements to some minor amendments to the financial statements, none of which are in our view significant enough to need to be drawn individually to the attention of the Audit and Regulatory committee, and these changes have been made.	✓

Fees

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

Audit Fees	Prior Year Fee	Proposed fee	Final fee
Council Audit	£47,273	£36,400	£40,900
Total audit fees (excluding VAT)	£47,273	£36,400	£40,900

The audit fee for 2017/18 was £47,273 and the final audit fee proposed or 2018/19 is £40,900 a saving of £6,373

The proposed fees reconcile to the financial statements. As part of our audit procedures we have had to carry out further procedures which were not included in the proposed fee for the 2018/19 audit, these are listed below, and are subject to PSAA approval

Required Additional Audit Work	Description of Work Required	Proposed fee
Council - Assessing the impact of the McCloud ruling and FRC requirements.	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements. The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.	£3,000
Pensions – Prior Period Restatement	As a result of a change to the structure of the Authority and the actuarial impact of revised pension calculations to include AES employees who transferred back to the Council has given rise for a restatement in the 2017/18 primary financial statement. As a result the audit team have had to undertake additional procedures to ensure that prior period restatement is correct and agreed to supporting documentation.	£1,500
Total audit fees (excluding VAT)		£4,500

Non Audit Fees	Other services	Fees £'000
Audit related service	Certification of Housing Benefit Subsidy claim 2018/19	£9,000
Audit related service	Certification of Housing capital receipts grant 2018/19	£3,000
Non Audit related service	CFO Insights	£5,625
Non Audit related service	Place Analytics	£5,625
Total Other fees (excluding VAT)		£23,250

Audit opinion

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

Independent auditor's report to the members of High Peak Borough Council Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of High Peak Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Executive Director and Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are 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, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements. Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Executive Director and Chief Financial Officer and Those Charged with Governance for the financial statements

Audit opinion [Continued]

As explained more fully in the Statement of Responsibilities set out on page 26, 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 and Chief Financial Officer. The Executive Director and Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director and Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director and Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Accounts Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.
 Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Report on other legal and regulatory requirements - Certificate

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

Use of our report

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

[Signature]

Grant Patterson, Key Audit Partner
 for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

26 July 2019

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AUDIT & REGULATORY COMMITTEE WORK PROGRAMME 2019/20

Item	Oct 2019	Feb 2020	May 2020	July 2020	Details
INTERNAL AUDIT					
Internal Audit Progress Report	✓	✓	✓	✓	Reports on progress against the audit plan inc. key performance information.
Annual Audit Plan			✓		To consider and approve the Annual Audit Pan.
Internal Audit Annual Report				✓	To consider Internal Audit's annual report and opinion on the overall adequacy and effectiveness of the Council's internal control environment.
Annual Review of Effectiveness of IA				✓	To consider an annual review of the effectiveness of the Council's system of internal audit.
Internal Audit Charter					To consider updates to the formal document that defines Internal Audit's purpose, authority and responsibility. (as required)
EXTERNAL AUDIT					
Audit Committee Update	✓		✓		A summary of emerging national issues and developments that the Committee may wish to consider. Also provides a summary of progress on the audit – where not covered by other items on the agenda.
Audit Fee Letter			✓		Letter setting out annual audit fee .
Audit Plan		✓			Report specifying the detailed risks that external audit consider as part of their work, the audit approach and the result of any interim work
Audit Findings Report				✓	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts and the VFM conclusion.
Annual Audit Letter	✓				To consider the external auditor's annual report on their overall assessment of the Council.
Certification of Claims & Returns Annual Report		✓			Report summarising the findings from work to certify grant claims made to the government..
Informing the Audit Risk Assessment		✓			To consider the risk assessment and understanding of management processes.

Item	Oct 2019	Feb 2020	May 2020	July 2020	Details
FINANCE					
Statement of Accounts				✓	To review and approve the Council's annual Statement of Accounts.
Treasury Management Update	✓	✓		✓	Oversight and scrutiny of the Council's Treasury Management position to date and the projected outturn.
Annual Treasury Management Report				✓	To recommend to Council for approval the annual Treasury Management Report summarising performance and compliance with the Strategy and Prudential Indicators.
Treasury Management Strategy		✓			Oversight and scrutiny of the Council's Treasury Management Strategy.
CORPORATE					
Annual Governance Statement (AGS)				✓	To review and approve the Annual Governance Statement and the underlying assurance evaluation process and supporting evidence.
AGS Progress Against Action Plan		✓			Report on progress made against the actions raised as part of the previous years Annual Governance Statement process.
Risk Management Update	✓	✓			Report on developments in the Council's risk management arrangements.
Risk Management Strategy					Update of the Risk Management Strategy (biennial February)
Counter Fraud & Corruption Strategy					To consider updates to the Council's Counter Fraud & Corruption Strategy. (as required)
Regulation of Investigatory Powers Act Policy & Procedures					To consider updates to the Council's Regulation of Investigatory Powers Act Policy & Procedures. (as required)
Whistleblowing Policy					To consider updates to the Council's Whistleblowing Policy. (as required)
AUDIT & REGULATORY COMMITTEE					
Agree Programme of Work	✓	✓	✓	✓	To agree future work programme of A&R Committee.
Review of Effectiveness of A&R Committee inc. Terms of Reference				✓	To consider the annual review of the effectiveness of the Audit & Regulatory Committee and the A&R Committee's Terms of Reference.