

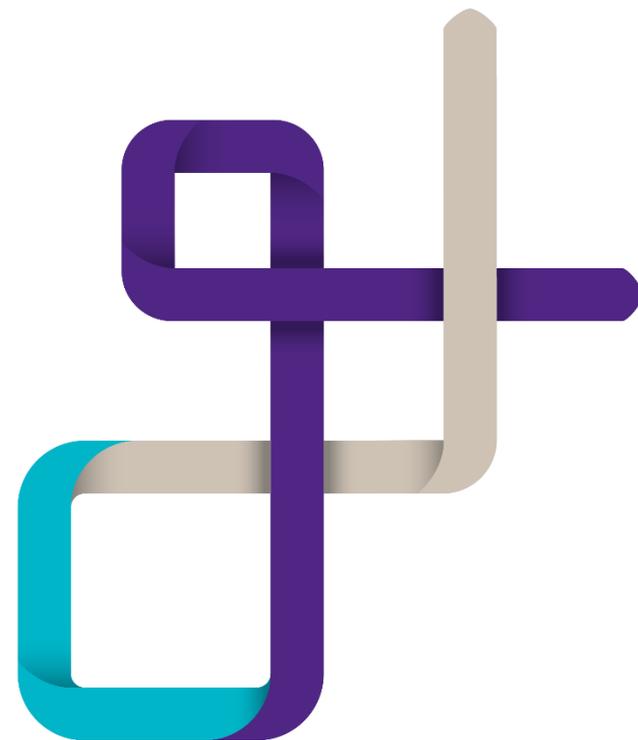
Audit Findings

Year ending 31 March 2018

High Peak Borough Council
20 July 2018

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.



Contents



Your key Grant Thornton team members are:

Grant Patterson
Engagement Lead

T: +44 121 232 5296

E: grant.b.patterson@uk.gt.com

Avtar Sohal
Senior Audit Manager

T: +44 121 232 5420

E: avtar.sohal@uk.gt.com

Lisa Morrey
Audit in-charge

T: +44 121 232 5302

E: lisa.morrey@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	4
3. Value for money and going concern	12
4. Independence and ethics	13

Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees
- D. 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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Headlines

This table summarises the key issues arising from the statutory audit of High Peak 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 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>Our audit work was completed on site during June and July. We did not identify any adjustments to the Statement of Comprehensive Income and Expenditure. During the course of the audit we have found minor presentational and disclosure amendments (Appendix B) which you have adjusted for and have not impacted the Statement of Comprehensive Income and Expenditure. We have made one recommendation to management in respect of journals controls (Appendix A).</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Regulatory Committee meeting on 25 July 2018, as detailed in Appendix D. These outstanding items include:</p> <ul style="list-style-type: none"> receipt of the management representation letter; and review of the final set of financial statements. <p>We have concluded that the other information published with the financial statements, which includes the Chief Financial Officer's Narrative Report, the Statement of Responsibilities, the Annual Governance Statement and Glossary, are consistent with 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 High Peak Borough Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018..</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D.</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.</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), 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 Regulatory Committee meeting on 25 July 2018, as detailed in Appendix D. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

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.

Our assessment of the value of has been adjusted to reflect the receipt of the draft financial statements. We detail in the table below our assessment of materiality for High Peak Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	973,000	We have deemed the final financial statement materiality to be 2% of gross expenditure, the same benchmark we used in the prior year.
Performance materiality	730,000	We have applied a performance materiality of 75% of materiality.
Trivial matters	48,650	Triviality has been calculated at 5% of materiality
Materiality for Senior Officer Remuneration	19,000	We have calculated a specific materiality for Senior Office remuneration based on 2% of total senior officer remuneration.

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.

We did not identify improper revenue recognition of revenue as a risk requiring special audit consideration

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. 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.

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 completed the following procedures to gain assurance over this risk

- review of accounting estimates, judgements and decisions made by management
- testing of journal entries
- review of unusual significant transactions and any changes in accounting policy.

Our audit work has not identified any instances of management override of controls.

Significant audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of property, plant and equipment

The Council revalues its land and buildings every five years, 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:

- reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- considered the competence, expertise and objectivity of any management experts used.
- discussed with the valuer about the basis on which the valuation is carried out and challenge the key assumptions.
- reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding.
- tested revaluations made during the year to ensure they are 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 has satisfied themselves that these are not materially different to current value.
- we have carried out procedures to ensure that the difference between fair value and carrying value of assets not valued in year are not materially different.

From the audit procedures carried out we have gained sufficient assurance to conclude that the valuation of property, plant and equipment is free from material misstatement

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:

- identified the controls put in place by management to ensure that the pension fund liability is not materially misstated and assess 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
- gained an understanding of the basis on which the valuation is carried out
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made
- 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.

From the audit procedures carried out we have gained sufficient assurance to conclude that the valuation of the pension fund net liability is free from material misstatement.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

1

Employee remuneration

Payroll expenditure represents a significant percentage - approximately 21% - of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface between the payroll and ledger systems, 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

- 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 evaluate the design of the associated controls
- reviewed year-end payroll reconciliation and checked that amounts in the accounts are reconciled to ledger and through to payroll reports
- agreed payroll related accruals (e.g. unpaid leave accrual) to supporting documents
- completed substantive analytical procedures on payroll data

From the audit procedures completed we are satisfied that employee remuneration balances disclosed in the financial statements are free from material misstatement.

2

Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage 67% 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:

- 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
- documented the accruals process and challenge underlying assumptions, source date and basis for calculation
- tested a sample of payments and ensure that they have been charged in the appropriate year
- reviewed the year end accounts payable reconciliation and investigate significant reconciling items.

From the audit procedures completed we are satisfied that operating expenses disclosed in the financial statements are free from material misstatement.

Other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Auditor view
<p>1 We have carried out a review of the Council's assessment of the joint operation with ANSA for the waste collection under the company Alliance Environmental Services.</p>	<p>Our review has found that we are satisfied with the conclusions drawn by the Council's assessment of the joint operation and accounting for it line with IFRS 11 i.e. the authority's share of the assets and liabilities, income and expenditure and cash flows of such a collaborative arrangement are consolidated line by line into the Council's own Comprehensive Income and Expenditure Statement, Cash Flow Statement and Balance Sheet. Therefore there is no requirement for group accounts.</p> <p>As part of our final audit procedures we are satisfied that the consolidation into the financial statements are in line with our expectations and that the financial statements are free from material misstatement.</p>

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Activity is accounted for the year that it takes place, not simply when cash payments are made or received. Revenue from the sale of goods is recognised when the Authority 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 Authority Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority 	We are satisfied that the policy is appropriate and in line with sector guidance, the CIPFA Code of Practice and Industry norms.	 (Green) Policy is appropriate and disclosure sufficient
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Classification of leases Revaluations Impairments Accruals Valuation of pension fund net liability Provision for NNDR appeals Joint arrangements 	We have reviewed the adequacy and implementation of the key estimates and judgements included in the Council's financial statements and are satisfied that the policies are in line with sector guidance, CIPFA Code of Practice and industry norms.	 (Green) Policy is appropriate and disclosure sufficient
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) Policies are appropriate and disclosure sufficient

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	<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

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 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 – refer to appendix D</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 2017/18 audit of High Peak Borough Council in the audit opinion, as detailed in Appendix D</p>

Value for Money

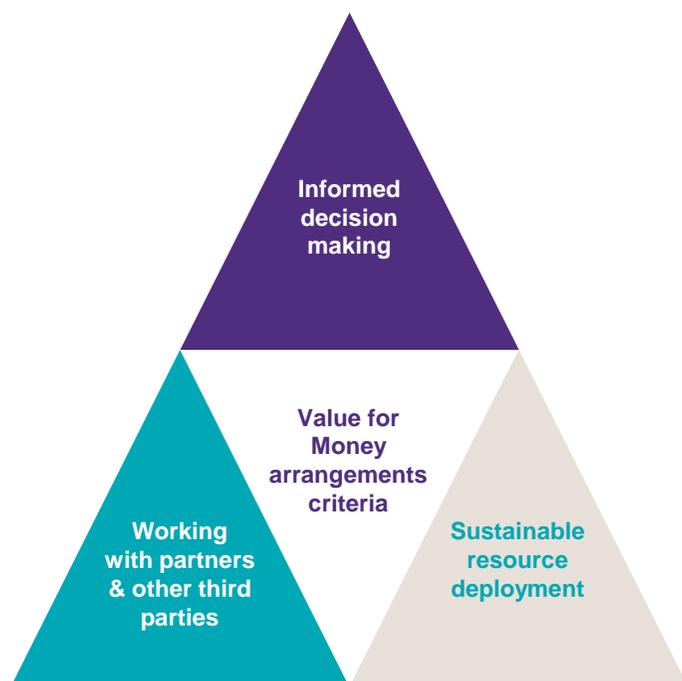
Background to our VFM approach

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 and did not identify any significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

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

For 2017/18 the Council set an original net Revenue budget of £10.4m, financed from £9.9m of in year revenue leaving funding of £0.5m from general reserves. The actual performance resulted in £1.5m operating surplus and therefore reserves of £0.5m were not required to be drawn from.

This was the first year of the Council's 4 year Efficiency and Rationalisation programme which targets to save £2.1m by 31/3/2021 to offset the 4 year shortfall in the medium term financial plan. The in year efficiency target of £0.31m has been achieved following the implementation of various measures by the council. The HRA Financial Improvement plan identified £1.2m to be saved for the period 2017/18 to 2020/21 and during 2017/18 the efficiency target of £0.62m has been met. The contract with ANSA has proceeded as anticipated.

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 have concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources for the year ended 31 March 2018.

Financial Resilience & 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 2017/18 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, have an efficiency and rationalisation programme to meet these challenges and have met their savings targets for 2017/18.

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
- We have reviewed the councils outturn position and have noted that they have made surplus of £1.5m and did not require drawdown from reserves as originally anticipated.

Concluding comments

Auditor commentary

- We propose to issue an unmodified opinion for 2017/18.

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 2016/17 (January 2018)	2,400	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 £2,400 in comparison to the total fee for the audit of £47,273 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.
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 £47,273 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 £47,273 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 recommendation 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	 Low	Audit testing identified that there was not a formal written journal policy for the council in relation who posts and authorises journals.	<ul style="list-style-type: none"> We recommend the council puts in a written policy in respect to journal processing and authorisation
2	 Low	In year the council had a migration of payroll information to a new IT system and it was noted there were some issues in migration of data causing some errors in calculations.	<ul style="list-style-type: none"> We recommend when transferring data to a new IT system it is essential that the Council carry out data migration testing to ensure such information has transferred over to the new system correctly and is complete.

Controls

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

Audit Adjustments

Adjusted and unadjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There are no adjusted or unadjusted misstatements that we are required to report to you.

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 1c	We noted a mapping error which meant that employee expenses was overstated as it included in interest costs in error, which should have been allocated to other service expenditure. Employee expenditure costs should be £13,709k and other service expenditure should total £34,935k. There is no impact on the CIES.	We recommend that the Council should make these classification changes.	✓
Note 3a Other Operating Expenditure	We have identified that the note needs to also separately include an increase of capital receipts to £1,692k and an increase in expenditure derecognition to £4,078k as these were original shown at a net position. There is no impact on the CIES	We recommend that the Council should make these classification changes.	✓
Note 3d Other third party funds	Testing identified note 3d 'other third party funds' was understated by £70k and the total balance will increase from £21,252k to £21,322k. There is no impact on the CIES.	We recommend that the Council should make these classification changes.	✓
Note 3d Other third party funds	We have noted an error in the compilation of note 3d. The revised note should show housing benefits subsidy at £19,773k, a new line for administration grant of £262k, other third party funds £370k and new burdens of £125k. There is no impact on the CIES.	We recommend that the Council should make these classification changes.	✓
Presentation and Disclosure of notes	The audit team found a number of minor presentational and disclosure amendments for the Council which we do not need to bring to the attention of the Audit Committee individually	We recommended that the Council enhanced some disclosures in the financial statements and also remove non material notes.	✓

Fees

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

Audit Fees

	Proposed fee	Final fee
Council Audit	£47,273	£47,273
Grant Certification – Housing Benefits Subsidy	£8,699	TBC – Certification to be completed
Total audit fees (excluding VAT)	£55,972	£TBC

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'.

Non Audit Fees

Fees for other services	Fees £
Audit related services:	
• Pooling of Capital Receipts	£2,400
Non-audit services	
• CFO Insights (subscription)	£5,625
• PLACE Analytics (subscription)	£5,625
Total non audit fees (excluding VAT)	£13,650

Draft 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 2018 which comprise the Statement of Accounting Policy, 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 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 & 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 & 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 & Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 2 to 112 and the 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 on pages 2 to 112 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 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 and Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 25, 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 & Chief Financial Officer. The Executive Director & 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 2017/18, which give a true and fair view, and for such internal control as the Executive Director & 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 & 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 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 Regulatory 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.

[Signature]

Grant Patterson

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

The Colmore Building, 20 Colmore Plaza, Birmingham B4 6AT

xx July 2018



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.