



# The Audit Findings for Stevenage Borough Council

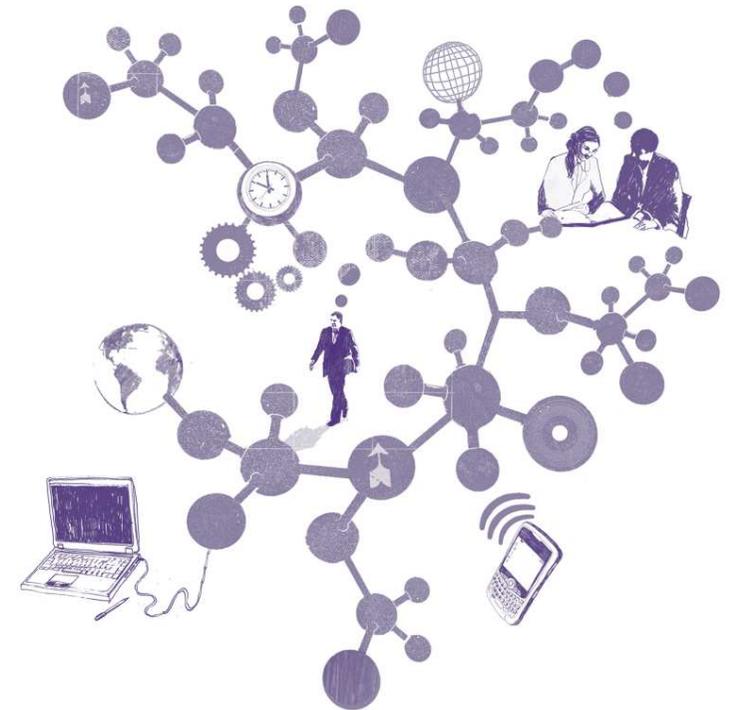
**Year ended 31 March 2015**

**23 September 2015**

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Client Name  
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23 September 2015

Dear Councillor McKay

**Audit Findings for Stevenage Borough Council for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Stevenage Borough Council, the Audit Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Iain Murray

for and on behalf of Grant Thornton UK LLP

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**Chartered Accountants**

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# Contents

| <b>Section</b>                               | <b>Page</b> |
|--|-------------|
| 1. Executive summary                         | 5           |
| 2. Audit findings                            | 7           |
| 3. Value for Money                           | 16          |
| 4. Fees, non-audit services and independence | 20          |
| 5. Communication of audit matters            | 22          |
| <b>Appendices</b>                            |             |
| A Audit opinion                              | 25          |

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Stevenage Borough Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

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

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 23 March 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- completion of our testing of journals, and operating expenditure, including housing benefit
- completion of our work on related parties
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion.

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

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of your financial statements are:

- As in previous years your draft financial statements are of a very high standard and this is reflected in the minimal level of issues arising from our work.
- You have worked hard to improve the presentation of your financial statements to make them easier to understand, for example placing the accounting policies alongside the relevant note is very effective in making the financial statements easier to follow.
- Your financial statements were supported by an excellent set of working papers and our audit has again been greatly helped by early discussions on potential financial reporting issues.

We have not identified any adjustments affecting the your reported financial position (details are recorded in section 2 of this report). We did, however, identify a small number of suggested amendments to further improve the presentation of the financial statements

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

### **Value for Money conclusion**

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

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

### **Whole of Government Accounts (WGA)**

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

## **Controls**

### **Roles and responsibilities**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to you.

### **Findings**

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

### **The way forward**

Matters arising from the financial statements audit and review of your arrangements for securing economy, efficiency and effectiveness in your use of resources have been discussed with the Assistant Director of Finance.

## **Acknowledgment**

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

**Grant Thornton UK LLP**  
**September 2015**

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 23 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 23 March 2015

## **Audit opinion**

Our proposed audit opinion is set out in Appendix A.

# Audit findings against significant risks

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

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

|    | Risks identified in our audit plan  | Work completed  | Assurance gained and issues arising   |
|----|---|---|---|
| 1. | <p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p> | <ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>                                 | <p>The presumed risk was rebutted at the planning stage as there is little incentive or opportunity to perpetrate fraud arising from revenue recognition, and the culture and ethical framework of the council mean all fraud is seen as unacceptable.</p> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>               |
| 2. | <p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>                    | <ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries (– in progress)</li> <li>• review of unusual significant transactions</li> </ul> | <p>Our audit work to date has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p> |

# Audit findings against other risks

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

| Transaction cycle                   | Description of risk   | Work completed   | Assurance gained & issues arising  |
|-------------------------------------|---|--|--|
| <p><b>Operating expenses</b></p>    | <p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p> | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• performed substantive testing of the expenditure incurred during the year</li> <li>• testing of creditor payments, including accruals, for completeness, classification and occurrence (– in progress)</li> <li>• review of control account reconciliations</li> <li>• cut-off testing</li> </ul> | <p>Our audit work to date has not identified any significant issues in relation to the risk identified</p> |
| <p><b>Employee remuneration</b></p> | <p>Employee remuneration accrual understated (Remuneration expenses not correct)</p>                | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• reviewed the reconciliation between the payroll system and the general ledger</li> <li>• undertaken trend analysis on the employee remuneration expenses incurred during the year</li> <li>• performed substantive testing of the payroll expenditure incurred during the year</li> </ul>         | <p>Our audit work has not identified any significant issues in relation to the risk identified</p>         |

# Audit findings against other risks continued

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

| Transaction cycle                           | Description of risk                        | Work completed  | Assurance gained & issues arising  |
|---|--|---|--|
| <p><b>Property, Plant and Equipment</b></p> | <p>Revaluation measurement not correct</p> | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>● We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were arising from this work.</li> <li>● We have tested the ownership and existence of a sample of assets on the asset register to gain assurance over the opening balances.</li> <li>● We have reviewed the work performed by internal and external valuation specialists - including ensuring that all valuations undertaken have been completed in accordance with the requirements of the appropriate accounting and professional standards.</li> <li>● We have reviewed the Council's fixed asset register to ensure that revised valuations have been correctly accounted for in the financial statements.</li> <li>● We have reviewed the valuation of housing stock to ensure it reflects the fair value as at 31 March 2015.</li> </ul> | <p>The valuation of housing stock was carried out as at 1 April 2014, as directed by the DCLG housing valuation guidance. This valuation was uplifted by 5% to reflect movement in house prices in the 12 months since the effective valuation date. The use of indexation is not in strict accordance with the CIPFA Code. However, by comparing the uplift to publically available data on house price movements, and in lieu of an external valuers report for 31 March 2015, we are satisfied that the uplifted valuation is a reasonable estimate of the fair value of your housing stock as at 31 March 2015.</p> <p>Our audit work has not identified any other significant issues in relation to the risk identified</p> |

# Accounting policies, estimates & judgements

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

| Accounting area                 | Summary of policy  | Comments   | Assessment  |
|---------------------------------|--|--|---|
| <b>Revenue recognition</b>      | <ul style="list-style-type: none"> <li>The recognition policy for major sources of revenue is set out with the accounting policies. The Council has disclosed the policy for recognising revenue from the sale of goods and the provision of services.</li> </ul>  | <p>The accounting policy is adequately disclosed in line with the requirements of the CIPFA Code.</p> <p>Our testing of your various revenue sources did not identify any instances of inappropriate revenue recognition.</p>  | <br><b>Green</b> |
| <b>Estimates and judgements</b> | <ul style="list-style-type: none"> <li>Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>Useful life of capital equipment</li> <li>Pension fund valuations and settlements</li> <li>Impairments</li> <li>PPE revaluations (covered on Page 14)</li> <li>Depreciation</li> <li>Bad debt provisions</li> <li>Business rate appeals</li> <li>Accruals</li> </ul> </li> </ul> | <p>Your critical judgements and estimation uncertainties are disclosed within the relevant notes of the financial statements, and are in line with the requirements of the CIPFA Code.</p> <p>We have reviewed your Business rate appeals provision, along with the calculation of depreciation in respect of Council Dwellings, and are satisfied with the approaches taken in each of these areas.</p> | <br><b>Green</b> |

## Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgements continued

| Accounting area                  | Summary of policy   | Comments   | Assessment  |
|----------------------------------|---|--|---|
| <b>Going concern</b>             | The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.  | We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.  | <br><b>Green</b> |
| <b>Assets Held for Sale</b>      | When it becomes probable that the carrying amount of an asset will be recovered principally through the a sale transaction rather than its continued use, it is reclassified as an asset held for sale and revalued. Assets held for sale are only recognised where a property is being actively marketed, and is likely to result in a probably sale within 12 months of the balance sheet date. | The two assets held for sale as current assets and valued at £1.55m in the statement of accounts were not being actively marketed at year end. However, we are satisfied that management's assessment that it is likely they will be sold prior to year end is reasonable. | <br><b>Amber</b> |
| <b>Other accounting policies</b> | We have reviewed your accounting policies against the requirements of the CIPFA Code and accounting standards.  | Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.   | <br><b>Green</b> |

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Other communication requirements

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

|    | Issue  | Commentary   |
|----|--|--|
| 1. | <b>Matters in relation to fraud</b>                | <ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>   |
| 2. | <b>Matters in relation to laws and regulations</b> | <ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>   |
| 3. | <b>Written representations</b>                     | <ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council.</li> <li>In particular, representations will be requested from management in respect of the significant assumptions used in making accounting estimates for valuation of council dwellings and confirming the status of assets held for sale.</li> </ul>  |
| 4. | <b>Disclosures</b>                                 | <ul style="list-style-type: none"> <li>Our work to date has found no non-trivial omissions in the financial statements.</li> </ul>   |
| 5. | <b>Matters in relation to related parties</b>      | <ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed from the work we have completed.</li> </ul>  |
| 6. | <b>Confirmation requests from third parties</b>    | <ul style="list-style-type: none"> <li>We obtained direct confirmations from the PWLB for loans and requested from management permission to send confirmation requests to Lancashire County Council for loans and Santander, Bank of Scotland, NatWest, Handelsbanken, Barclays, Standard Chartered, Morgan Stanley, Nationwide, Salford City Council, Wolverhampton City Council, Warrington Borough Council, Lancashire County Council and Glasgow City Council, for bank and investment balances. This permission was granted and the requests were sent. All but one of these requests were returned with positive confirmation. The Bank of Scotland return remains outstanding.</li> </ul> |

## Adjusted misstatements

Apart from a few trivial errors that have been corrected, the results of our audit work have not identified any significant adjusted or unadjusted misstatements that require any of the financial statements or their associated notes to be changed.

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Property, Plant and Equipment valuations as set out on page 10.

The controls were found to be operating effectively and we have no matters to report to the Audit Committee.

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money conclusion

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

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

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

These criteria are:

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

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

## Key findings

### Securing financial resilience

We have undertaken a review which considered your arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall we have found that you continue to have robust financial management arrangements in place, with a detailed Medium Term Financial Strategy updated on an annual basis. However, your current planning indicates that there are unidentified savings of £335k in 2016/17 and a further £600k in both 2017/18 and 2018/19. Your track record in recent years of successfully identifying and delivering savings needs to continue in order to secure your medium term financial health.

### Challenging economy, efficiency and effectiveness

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

- Prioritising resources
- Improving efficiency & productivity

Our work highlighted that again you have sound arrangements in place. Further details are included in the following pages.

## Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. We are therefore proposing an unqualified VfM conclusion.

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

|              |   |
|--------------|---|
| <b>Green</b> | Adequate arrangements                             |
| <b>Amber</b> | Adequate arrangements, with areas for development |
| <b>Red</b>   | Inadequate arrangements                           |

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

| Theme  | Summary findings  | RAG rating   |
|--|---|--------------|
| <b>Key indicators of performance</b>           | <ul style="list-style-type: none"> <li>You achieved a £1.3m underspend against your General Fund revenue budget for 2014/15, of which £0.3m has been carried forward to 2015/16, and a surplus of £4.3m on the Housing Revenue Account.</li> <li>At £6.1m, your General Fund Balance is currently significantly in excess of your minimum risk assessed level of £2.5m.</li> </ul>  | <b>Green</b> |
| <b>Strategic financial planning</b>            | <ul style="list-style-type: none"> <li>In recent years, capital receipts to support the General Fund (GF) capital programme have been minimal, and your Asset Management Review has not realised significant opportunities to meet the shortfall in resources. In response, you have developed a new capital strategy with an integrated financial planning process that includes a bid process for all prospective schemes. Prudential borrowing is now primarily limited to schemes capable of generating a return, with the remainder being financed from a single revenue reserve for capital. This new approach has helped to place the GF programme on a more sustainable footing.</li> <li>You have set a balanced budget for 2015-16, but your current planning indicates that there are unidentified savings of £335k in 2016/17 and a further £600k in both 2017/18 and 2018/19. Although you have a proven track record of delivering savings, over £11m since 2007-08, the identification and delivery of these savings remains a risk to your medium term financial health.</li> </ul> | <b>Amber</b> |
| <b>Financial governance</b>                    | <ul style="list-style-type: none"> <li>Our review of your financial governance and financial control arrangements has not identified any significant risks to the value for money conclusion.</li> </ul>  | <b>Green</b> |
| <b>Financial control</b>                       |   | <b>Green</b> |
| <b>Prioritising resources</b>                  | <ul style="list-style-type: none"> <li>Our review of your arrangements for prioritising resources and improving efficiency and productivity has not identified any significant risks to the value for money conclusion.</li> </ul>  | <b>Green</b> |
| <b>Improving efficiency &amp; productivity</b> |   | <b>Green</b> |

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission and additional indicators identified by ourselves. Following completion of our work we noted the following residual risk to our VfM conclusion:

| Theme                                      | Residual risk identified  | Management comments   |
|--|---|---|
| <p><b>Strategic Financial Planning</b></p> | <p>You have set a balanced budget for 2015-16, but your current planning indicates that there are unidentified savings of £335k in 2016/17 and a further £600k in both 2017/18 and 2018/19. Although you have a proven track record of delivering savings, over £11m since 2007/08, the identification and delivery of these savings remains a risk to your medium term financial health.</p> | <p>The Council takes a three year view to finding budget reductions and uses the Priority Based Budgeting (PBB) approach to find them. The September 2015 MTFS identifies an revised approach to capturing savings going forward, via the 'financial freedom' work stream.</p> <p>This identifies a range of potential areas of activity. The MTFS has also recommended a allocation of £150,000 to help bring options to fruition. It should also be noted that of the £917,000 target for 2016/17 only £335,000 remains unidentified and there are a range of options that will be considered by the Executive in November to bridge the remaining gap in 2016/17 and for the next two years.</p> |

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## Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non-audit services and independence**

05. Communication of audit matters

# Fees, non-audit services and independence

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

## Fees

|  | Per Audit plan<br>£ | Actual fees<br>£ |
|--|---------------------|------------------|
| Council audit  | 84,438              | 84,438           |
| Grant certification on behalf of<br>Audit Commission | 12,180              | 12,180           |
| <b>Total audit fees</b>                              | <b>106,618</b>      | <b>106,618</b>   |

## 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 Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

## Fees for other services

| Service   | Fees £ |
|---|--------|
| <b>Audit related services</b> [e.g. grants outside AC regime] |        |
| - Pooling of housing capital receipts                         | 1,000  |
| - HCA Decent home   | 1,800  |
| <b>Non audit related services</b>                             |        |
| • Tax services  | 23,000 |

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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

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

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

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

| Our communication plan   | Audit Plan | Audit Findings |
|--|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance  | ✓          |                |
| Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications   | ✓          |                |
| Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought  |            | ✓              |
| Confirmation of independence and objectivity   | ✓          | ✓              |
| A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.<br>Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged<br>Details of safeguards applied to threats to independence | ✓          | ✓              |
| Material weaknesses in internal control identified during the audit  |            | ✓              |
| Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements   |            | ✓              |
| Compliance with laws and regulations   |            | ✓              |
| Expected auditor's report  |            | ✓              |
| Uncorrected misstatements  |            | ✓              |
| Significant matters arising in connection with related parties   |            | ✓              |
| Significant matters in relation to going concern   |            | ✓              |

# Appendices

# Appendix A: Audit opinion

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEVENAGE BOROUGH COUNCIL**

We have audited the financial statements of Stevenage Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Stevenage Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Assistant Director (Finance) (Chief Financial Officer) Responsibilities, the 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall

presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Stevenage Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

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

### **Matters on which we report by exception**

We are required to report to you if:

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

We have nothing to report in these respects.

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

# Appendix A: Audit opinion (continued)

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

## ***Respective responsibilities of the Authority and the auditor***

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

## ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:  
securing financial resilience; and  
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Stevenage Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

## **Certificate**

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

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

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xx September 2015



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