

The Audit Findings for Cheshire West and Chester Council

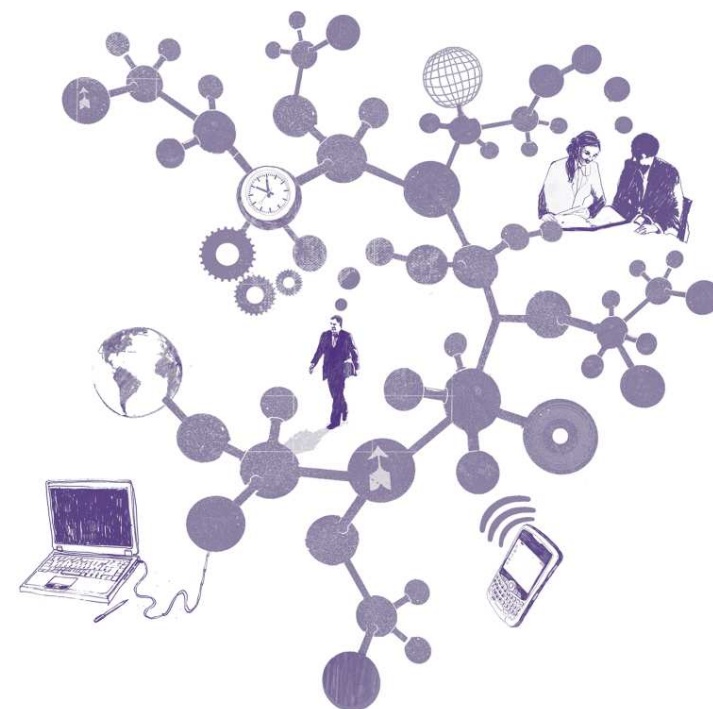
Year ended 31 March 2015

26 August 2015

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Section 1: Executive summary

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We anticipate providing an unqualified opinion on the financial statements and an unqualified value for money conclusion.

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Cheshire West and Chester Council's (the Council) group and 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 group and 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. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 5 March 2015.

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

- 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
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts.

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

Key messages

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements on 15 September 2015. We have worked closely with the Council's finance team and are pleased to report that:

- as last year, the draft accounts were prepared to a good standard and were supported by comprehensive working papers
- we were able to commence our audit as previously planned and agreed with the Council
- there are no significant amendments to the accounts as a result of our audit.

We have not identified any adjustments affecting the group and Council's reported financial position. The Council delivered an underspend of £2.0m on its service income and expenditure and the audited financial statements for the year ended 31 March 2015 record net cost of services expenditure of £257.9m.

We have agreed a small number of adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

Value for Money conclusion

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

The Council continues to demonstrate good financial performance, despite the financial and demographic pressures facing Local Government. The Council has delivered savings over the last few years by delivering radical changes to the way in which services are delivered including the use of arms length companies. Looking ahead over the next two years, on-going reductions in government funding of some £22m together with cost pressures from inflation and new commitments totalling some £14m will require the Council to continue to explore innovative ways to deliver services, whilst also delivering a savings programme of some £25m over 2015/16 and 2016/17.

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 advance of the national timetable.

Controls

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

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

As part of our audit we have identified a number of areas where the Council's IT controls can be further strengthened. Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance and his finance team.

Looking ahead, we will be discussing with officers the arrangements for bringing forward the accounts and audit completion period, including an earlier Audit and Governance Committee date, ahead of the changes to the national deadlines in 2017/18.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Head of Finance and the finance team.

Acknowledgment

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

Grant Thornton UK LLP
26 August 2015

Section 2: Audit findings

01. Executive summary

02. Audit findings

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The draft accounts were prepared to a good standard and there are no significant amendments to the accounts as a result of our audit. We anticipate providing an unqualified opinion on the financial statements.

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 and Governance Committee on 17 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 17 March 2015.

Audit opinion

Our proposed audit opinion is set out at Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (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>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Cheshire West and Chester Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • 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 Cheshire West and Chester Council, mean that all forms of fraud are seen as unacceptable. 	<p>We have undertaken work to:</p> <ul style="list-style-type: none"> • review your revenue recognition policies • test material revenue streams. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<p>We have undertaken work to:</p> <ul style="list-style-type: none"> • review accounting estimates, judgements and decisions made by management • test journal entries • review unusual significant transactions. 	<p>Our audit work 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>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation and identification of the processes and key controls within the operating expenses cycle • Walkthrough of controls to confirm our understanding • Substantive testing of operating expenses during the 2014-15 financial year • Agreement of creditors to system balances and control account reconciliations • Review and substantive testing of year end accruals and creditor balances including confirmation that balances due have been settled after the year end • Testing of transactions either side of the year end (Cut-off) to obtain assurance that creditors have been accounted for in the correct financial year. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. Our work included:</p> <ul style="list-style-type: none"> • testing of a sample of 12 expenditure items which did not identify any issues relating to the accuracy or classification of expenditure • review and substantive testing of a sample of 20 year end accruals and creditor balances which confirmed the validity and accuracy of balances, and that they had been correctly classified and recorded in the correct financial year • testing of a sample of 25 payments made in 2015/16 to determine whether the associated expenditure was recorded in the correct financial year. No issues arose from this work.
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation and identification of the processes and key controls within the employee remuneration cycle • Walkthrough of controls to confirm our understanding • Substantive testing of payments made to employees during the 2014-15 financial year • Use of analytical techniques to compare expected payroll costs with actual • Review of payroll reconciliations including at the year end. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Substantive testing of a sample of 12 individuals paid throughout the year did not identify any issues with the accuracy of payments or the calculation of employer "on-costs".</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
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> • Reconciliation of the welfare benefits expenditure system to the general ledger and financial statements • Reconciliation of welfare benefit income to grant claim and cash received • Substantive testing of a sample of welfare benefit payments • Substantive testing to ensure welfare benefits system is operating the correct parameters and rates • Analytical review. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Substantive testing of a sample of 20 welfare benefit payments confirmed the accuracy of the benefit entitlement assessments completed by the Council and the payments made to claimants.</p>



Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.



Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
<ul style="list-style-type: none">Cheshire West & Chester Leisure CIC (Brio)Cheshire Provider Services (Vivo Care Choices)Cosocius LtdAvenue Services	No	Analytical	None	We have agreed the consolidation schedules for group accounts to the Associate's audited financial statements.	Our audit work has not identified any issues in respect of the group consolidation.

Accounting policies, estimates & judgements

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




Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<ul style="list-style-type: none"> Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council. Council Tax and Non Domestic Rate income is recognised in the Collection Fund on an accruals basis, when it is due from the Council Tax or Non Domestic Rate payer. The Council's share of this income is recognised in the CIES. Government grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received. 	<ul style="list-style-type: none"> The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). The main elements of the Council's revenues are predictable and there is minimal judgement required from the Council. The accounting policy is appropriately disclosed in note 1 to the financial statements. 	
<p>Estimates and judgements</p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> useful lives of property, plant and equipment pension fund valuations and settlements revaluations and impairments provisions and accruals. 	<ul style="list-style-type: none"> The Council's accounting policies for key estimates and judgements are appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). The accounting policies are appropriately disclosed in notes 1 and 3 to the financial statements. Our review of Property valuations identified some inconsistencies between the valuation figure shown in numbers, and the valuation spelt out in words. There is a need for property services to review each valuation prior to the valuation report being released. Our audit testing of key estimates and judgements has considered the extent of judgement involved, the potential impact of different assumptions and the range of possible outcomes. We are satisfied that the key estimates and judgements are appropriate and adequately disclosed. 	

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
Judgements - local authority maintained schools premises	The Council's recognition criteria for schools non-current assets is determined by ownership and the rights of the legal owner. All Community Schools are recognised on the Council's balance sheet. Voluntary Controlled, Voluntary Aided and Academy Schools are not recognised on the Council's balance sheet.	<ul style="list-style-type: none"> The Council has considered the content of the CIPFA Code of Practice and supplementary guidance, and has documented its judgement with supporting evidence. The Council's accounting policy for Schools non-current assets is clearly and fully disclosed in note 3 to the financial statements, and has been consistently applied. Our review of the accounting policy, accounting treatment and evidence to support the Council's judgement has not identified any issues which we wish to bring to your attention. 	
Going concern	The Corporate Leadership Team has 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 considered the Corporate Leadership Team's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements.	
Other accounting policies	We have reviewed the Council's 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	

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.	Matters in relation to fraud	<ul style="list-style-type: none"> We have written to the Chair of the Audit and Governance Committee in relation to the risk of fraud. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed, however, to improve the disclosure, we recommended related party names are included in the related party note for increased transparency. Management has accepted this recommendation and the disclosure is being updated.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained positive direct confirmations from PWLB, and other banks for loans and short term investment balances.

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 a range of internal controls for Employee Remuneration and Operating Expenses as set out on page 9 above.

The matters that we identified during the course of our audit are set out in the table below. We report these matters on an exception basis. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.		<p>Our review of the IT control environment at the Council and CoSocius (where appropriate), identified potential risks relating to:</p> <ul style="list-style-type: none"> • the segregation of user roles within the Oracle system • Inappropriate access to business process controls. <p>These weaknesses can result in an increased risk that inappropriate postings may go undetected.</p>	<ul style="list-style-type: none"> • The Council should ensure appropriate segregation of duties to the Oracle system as well as access rights to business process controls.

Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

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.

Amendments, misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	333,049	Operational land and buildings	Note 13 - bases of Valuation table (spread of valuations undertaken over past 5 years). The 2014/15 amount for Operational land & buildings of £302,462k is incorrect, the correct figure is £333,049k. This is a disclosure only amendment with no impact on the income and expenditure position or balance sheet. Management have amended this disclosure note.

Unadjusted misstatements

The table below provides details of adjustments identified which have not been processed in the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 Property Plant and Equipment Reduction to expenditure Increase to PPE asset values Our additions testing of Property, Plant and Equipment identified a credit note which had been excluded from additions.	11	(11)	The amount of £11,000 is considered trivial.
Overall impact	£11	£(11)	

Section 3: Value for Money

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We are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015

Value for Money

Value for money conclusion

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

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

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

These criteria are:

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

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

Key findings

Securing financial resilience

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

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

Overall our work highlighted that the Council continues to demonstrate good financial performance, despite the financial and demographic pressures facing Local Government. The Council has good financial planning and review processes in place, and a track record of delivering financial plans and savings but continues to face financial pressures to deliver the medium term financial plan (MTFP) from 2015/16 onwards. For 2015/16 and 2016/17, budget pressures total some £36m, mainly resulting from reduced government funding (£22m) and cost pressures from inflation and new commitments (£14m). Whilst the Council expects there to be an increase in other funding sources and savings on centrally managed budgets, there remains a challenging savings requirement of £13m in 2015/16 and £11.6m in 2016/17.

The Council has delivered savings over the last few years by delivering radical changes to the way in which services are delivered including the use of arms length companies, along with a more recent management restructure across the Council. Looking ahead over the next two years, the Council will need to continue to explore new and innovative ways of working to deliver services, whilst also delivering a challenging savings programme of some £25m over 2015/16 and 2016/17. This sizeable savings programme may well constrain the Council's ability to deliver new commitments.

Challenging economy, efficiency and effectiveness

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

- Prioritising resources
- Improving efficiency & productivity

Value for Money continued

The Executive and Senior Management demonstrate clear leadership and challenge to prioritise the Council's resources. The Council has a good record of delivering savings to contain expenditure within available resources, and continues to work well with partners across the NHS and Local Government to prioritise resources effectively and deliver efficiencies. The creation of CoSocius with East Cheshire Council is an example of partnership working using a new service model to share support services.

The Council is only too aware of the importance of devolution. There is a recognition that devolution needs to be considered by the Council and its partners and stakeholders, ultimately providing possible new ways of working and delivering integrated services whilst having increased responsibility from central government.

For the first time and to allow stakeholders to have a better understanding of the Council's budget intentions, the 2015/16 budget was agreed in October 2014, some four months ahead of the previous year.

Overall VfM conclusion

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

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

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

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

Theme	Summary findings	RAG rating
Key indicators of financial performance	<p>The Council continues to demonstrate good financial performance, despite the continuing financial and demographic pressures facing Local Government. The 2014/15 accounts show an underspend of £2.0m against the net revenue budget of £284.2m. As in previous years, the Council continues to manage its budget effectively and has delivered a small underspend against budget. The impact of the underspend was that the Council added £0.5 m to the General Fund compared to a budget drawdown of £1.5m. The Council along with all authorities continues to face financial pressures and whilst it has a good track record of delivering savings and meeting budget, it will need to continue to be diligent in closely monitoring its financial position and savings being achieved going forward.</p> <p>The Council has delivered significant capital investment of £114.9m during 2014/15 to support the Council's wider objective to deliver services and support economic growth against a budget of £126.1m. Significant schemes include Northwich Memorial Court, Barons Quay and on-going investment in the Council's housing stock.</p> <p>The Council has in place financial health indicators for its financial planning process to measure its exposure to long term debt and interest costs. In addition, the Council maintains a set of treasury management Prudential Indicators as well as comparative measures in respect of the balance sheet and revenue performance. These are regularly reviewed as part of the decision making process. The Collection Fund surplus for the year was £10.1m. There has been a slight reduction in Council Tax collection performance during 2014/15 at 97.5% compared with 97.6% in 2013/14 as well as with business rates collection performance, 97.3% compared to 98.4% in 2013/14.</p>	Green
Strategic financial planning	<p>The Council has a good track record in delivering its revenue budget and managing financial performance. To deliver its 2014/15 budget the Council achieved savings of £19m compared to a budget savings target of £20m. Looking ahead, the Council has set out a savings target of £13m in 2015/16 and £11.6m in 2016/17. The 2015/16 and 2016/17 budgets do not require any usage of the Council's General Fund and this reserve is anticipated to remain at £20.1m over the planning period. The savings generated over the last year have come from a range of areas but mainly relate to the externalisation of services to Council controlled companies for example Cosoious and Vivo care choices as well as the on-going reorganisation within the Council, and more general savings schemes. Overall, staff numbers (excluding schools) has fallen from 3,450 FTEs to 3,352 FTEs.</p> <p>In October 2014, the Council set a 2 year budget instead of just setting the longer MTFs at this time. The next MTFs update is in September 2015. The reason for this change was that the Council wanted to bring forward the detailed budget setting process from March and link it to the MTFs review. As a result, for the first time the budget has been agreed much earlier and also provides stakeholders with a clear view of the Council's intentions for 2015/16 and 2016/17. This has only been possible given the Council's track record of delivering budgets set in previous years.</p>	Green

Theme	Summary findings	RAG rating
Financial governance	<p>The Council has effective financial governance arrangements in place. The Council's financial environment and its financial performance is understood at all levels of the organisation. The Council has a good track record of delivering performance in line with budgets.</p> <p>The Council has been considering all options in order to achieve large scale efficiency savings across the Council's services. As part of this process, the Council has created a number of Council owned companies to deliver services in the most efficient way, for example, during 2013/14, the Council transferred its Adult Social Care activities to Cheshire Provider Services (Vivo Care Choices) and during 2014/15 established in conjunction with Cheshire East Council, CoSocius to supply back office support services to the two Councils.</p> <p>The Council has a good understanding of its financial environment at all levels and there is clear integration between business and financial planning. Through the business planning and budget setting processes the Council's financial position and its financial performance are understood, monitored and managed at all levels of the organisation. There is clear and comprehensive reporting at appropriate levels and the Council has a good track record overall of performing in line with budgets.</p>	Green
Financial control	<p>The Council manages budgets well and has a good track record of delivering its financial plans. Capital and revenue monitoring reports are provided to the Executive regularly throughout the year, providing detailed analysis of financial performance to date with supporting narrative and clear identification of any budget changes or variances. Following Council elections in May 2015, the Cabinet replaced the Executive.</p> <p>The Council has a robust and effective business planning and budget setting process and maintaining spend within the overall budget is seen as a priority. The Council has successfully delivered savings in previous years but needs to continue to carefully monitor savings being delivered to allow appropriate action for slippage or under achievement.</p> <p>The Council has an effective in-house internal audit function which complies with the standards within the CIPFA Code of Practice for Internal Audit. Internal Audit plans are approved by the Audit and Governance Committee with regular progress reports against the Plan being presented.</p> <p>The Council has an experienced finance team and the main financial systems provide reliable and timely financial monitoring information to enable the Council to identify and manage financial risks.</p> <p>Following the organisational restructure in October 2014, service risk registers were produced for all 13 service areas by March 2015 and used to update the Corporate Risk Register. Risk Management forms part of the Council's internal control and corporate governance arrangements. The Corporate Risk Register is also supplemented with risk heat maps which map out all risks to provide a visual representation of the risks faced. The Council has a risk manager in post recognising the importance of effective risk management with regular reporting taking place. The Council is currently introducing a draft Risk Maturity Questionnaire, whilst this is currently in pilot form, it is being considered for wider rollout later in the year.</p>	Green

Theme	Summary findings	RAG rating
Prioritising resources	<p>The Executive and Senior Management demonstrate clear leadership and challenge to prioritise the Council's resources. There has been a clear focus on outcomes, with a resultant shift in the allocation and prioritisation of resources. As part of this shift the Council has created a number of arms length companies including Vivo care choices and CoSocius and continues to consider new and radical ways of working and service delivery models with partner organisations.</p> <p>The Council is seeking to enable an integrated and joined up community based health and care service by working together with West Cheshire Clinical Commissioning Group and Vale Royal Clinical Commissioning Group. As outlined within Cheshire West and Chester Council's Better Care Fund plans, this is predicated on integrated teams based on a locality footprint referring into a broad range of services. We understand this is supported this year by the pooling of £24.3m health & social care spend (approx. 5% of total health & social spend) as part of the national Better Care Fund requirements.</p> <p>The Council continues to work with its partners to develop and deliver ambitious plans for investment and regeneration across the borough, mainly through two major developments at Barons Quay and Northgate. We have continued to meet with senior officers throughout the year to consider the progress being made. The Council has engaged professional advisors from the inception of these projects and continues to use specialists to advise them at each stage. We understand two anchor tenants have been signed for Barons Quay accounting for over 50% of the facility. These two major regeneration schemes continue to be well managed but it is important for on-going close monitoring and reporting given the scale and complexity of these schemes.</p>	Green
Improving efficiency & productivity	<p>The Council has a proven track record of delivering savings to contain expenditure within available resources. The Council has arrangements in place to monitor service delivery, with a performance monitoring framework that identifies key outcome measures across each of the Council's service areas.</p> <p>The recent management restructure along with the creation of arms length companies to deliver services have delivered savings in back office costs, resulting in cultural changes as well as to roles and responsibilities. The impact of these changes need to continue to be monitored to ensure any potential weaknesses are addressed.</p> <p>The Council seeks to understand its costs and to identify opportunities for cost reductions and efficiencies, particularly through partnership working with other Councils, including Cheshire East Council. The Council is currently liaising with Staffordshire County Council to explore opportunities for closer working between the two pension funds.</p> <p>The Council recognises the importance of devolution. There is a recognition that devolution needs to be considered by the Council and its partners and stakeholders, ultimately providing possible new ways of working and delivering integrated services whilst having increased responsibility from central government.</p>	Green

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

We confirm below our final fees charged for the audit and other fees for the provision of non audit services to the Council and related Council companies.

Fees

	Per Audit plan £	Actual fees £
Council audit	204,203	204,203
Grant certification on behalf of Audit Commission	36,650	36,650
Total audit fees	240,853	240,853

Fees for other services

Service	Fees £
Services provided directly to Cheshire West and Chester Council	
Regional Growth Fund (RGF) Accountants Reports – Ellesmere Port	TBC
Homes and Communities Agency (HCA) – Non Decent Homes Backlog Maintenance Accountants Report	TBC
Teachers Pensions Agency Accountants Report	£4,200
Place Analytics	£20,000
External Audit Services Provided to the Council's Group Companies	
Cheshire Provider Services (Vivo Care Choices) – 100% owed by the Council	£14,750
Cosocius – 50% owned by the Council, 50% owned by Cheshire East Council	£15,800

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.

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).

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.

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.

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

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Our review of the IT control environment at the Council and CoSocius (where appropriate), identified potential risks relating to:</p> <ul style="list-style-type: none"> the segregation of user roles within the Oracle system Inappropriate access to business process controls. <p>The Council should ensure appropriate segregation of duties to the Oracle system as well as access rights to business process controls.</p>	Medium	<p>Responsibility for ensuring segregation of user roles and accesses to the Oracle system is with line managers. Managers should ensure that staff have the appropriate access to Oracle to allow them to undertake their duties.</p> <p>A review will however be undertaken of the current responsibilities to ensure there is no issue with segregation of user roles. In addition, a phased review of the current access rights across the Oracle System will be undertaken</p>	<p>Technical Finance Manager to liaise with the ICT Department and CoSocius</p> <p>March 2016</p>
2	<p>Our review of Property valuations identified some inconsistencies between the valuation figure shown in numbers, and the valuation spelt out in words. There is a need for property services to review each valuation prior to the valuation report being released.</p>	Low	<p>The Property Valuation Team are taking steps to ensure that valuation reports are produced using a blank template and they are reviewed and counter signed by another Valuer.</p>	<p>Principal Property and Information Manager</p> <p>December 2015</p>

Priority
High, Medium or Low

Appendix B: Audit opinion - Draft

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESHIRE WEST AND CHESTER COUNCIL

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

This report is made solely to the members of Cheshire West and Chester 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 Statement of the Chief Financial Officer's 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 and Group'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 and the Group accounts overview 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 Cheshire West and Chester 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 Group 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 and the Group accounts overview 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

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, Cheshire West and Chester 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 Cheshire West and Chester Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Robin Baker
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Royal Liver Building
Liverpool L3 1PS

xx September 2015



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