

The Audit Findings for Guildford Borough Council

Year ended 31 March 2016

13 September 2016

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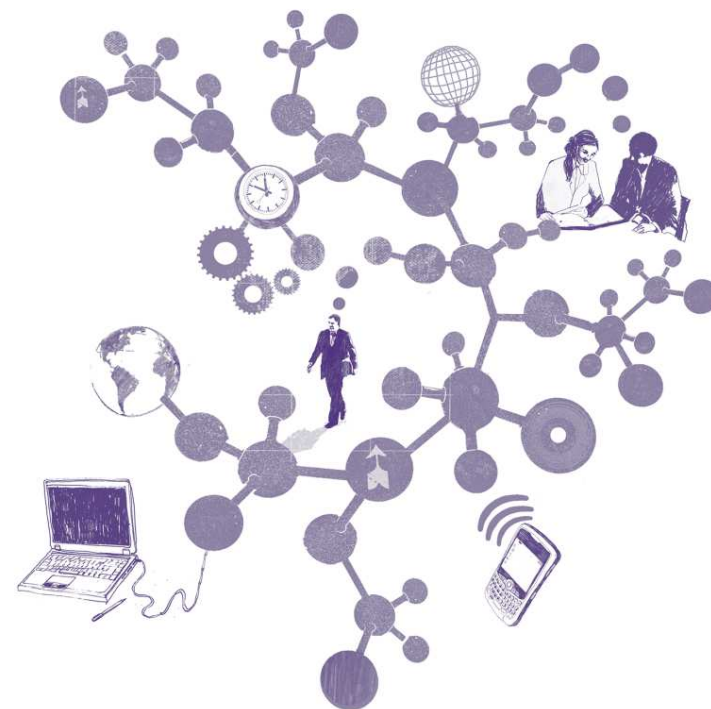
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13 September 2016

Dear Members

Audit Findings for Guildford Borough Council for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Guildford Borough Council Council, the Corporate Governance and Standards Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

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 and giving a value for money conclusion. 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

Christian Heeger
Engagement Lead

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Section 1: Executive summary

01. Executive summary

02. Audit findings

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Purpose of this report

This report highlights the key issues affecting the results of Guildford Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 31 March 2016.

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

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of the final version of the Narrative Report and Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion.

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the Council's reported financial position. There was no change to the net increase before transfer to earmarked reserves of £4.478 million on the general fund and £10.936 million on the Housing Revenue Account. We have however agreed a small number of changes to disclosures within notes to the primary statements and some improvements in the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- The Council produced a good set of financial statements supported by comprehensive working papers in line with the timescales agreed. Officers have responded promptly and helpfully to queries that we raised during the course of the audit.
- The Council has reduced the time taken to produce its statements this year. We have discussed with finance staff how the accounts production and audit processes can be further streamlined to meet the requirement in 2017/18 to produce accounts by 31 May and have them audited by 31 July.
- We have not identified any adjustments which impact on the primary statements. We have identified some changes to disclosures in the accompanying notes and suggested improvements to the presentation of the statements which officers have accepted.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

We are satisfied that the Annual Governance Statement and Narrative Report are consistent with the financial statements.

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 the Council.

Findings

We draw your attention in particular to control issues identified in relation to:

- software parameters for the calculation of NI and pension contributions in respect of childcare costs and for new starters joining part-way through a month. Officers are aware of these issues and are discussing with your payroll service provider. This is the second year we have reported this matter.
- Our IT specialist team have reviewed the general controls in place on IT systems at the Council, and made four recommendations for improving these controls.

Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We are therefore planning to provide an unqualified Value for Money conclusion.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Corporate Governance and Standards Committee, which we anticipate will be in January 2017.

Our certification and opinion work completed to date has not identified any issues that we would like to bring to your attention.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Financial Services and Deputy Chief Financial Officer

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 Deputy Chief Financial Officer and the finance team.

Acknowledgement

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 2016

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

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £2,209k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and (have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £110k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. [These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	The balance of cash and cash equivalents is material (and therefore would have been subject to audit procedures irrespective of whether or not a lower materiality had been communicated in our Audit Plan). A materiality level of £500k had been identified, as all transactions made by the Council affect the balance and it is therefore considered to be material by nature.	£500k
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k

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>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Guildford Borough Council, we have determined that the risk of fraud arising from revenue recognition can 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; and • the culture and ethical frameworks of local authorities, including Guildford Borough Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> • We reviewed and documented the Council's entity-level controls, including those around the processing and authorisation of journals. • We tested journal entries made by officers which met criteria identified from our understanding of the Council's controls. • We reviewed the key accounting estimates, judgements and decisions made by management. • We reviewed the financial statements for unusual significant transactions. We did not identify significant transactions that were unexpected for the Council. 	<p>Our audit work has not identified any evidence of management over-ride of controls. However, as in previous years.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of surplus assets and investment property and fair value disclosures under IFRS 13</p> <p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13.</p> <p>The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>This represents a significant change in the basis for estimation of these balances in the financial statements.</p> <p>There are also extensive disclosure requirements relating to financial assets and liabilities under IFRS 13 which the Council needs to comply with.</p> <p>The balance of surplus assets in the Council's financial statements is immaterial for 2015/16 and therefore our work has only covered investment properties</p>	<ul style="list-style-type: none"> • We identified and documented the controls put in place by management to ensure that the revaluation process does not give rise to a material misstatement. • We reviewed management's processes and assumptions for the calculation of the estimate, including reviewing the competence, expertise and objectivity of management's valuation experts; and reviewing the instructions issued to the valuation experts and the scope of their work. • We discussed with the valuer the basis on which the valuation was carried out and challenged the reasonableness of the key assumptions and why other assumptions were not used. • We reviewed and tested the information provided by management to the valuer in calculating the estimate to ensure it was robust and consistent with our knowledge of the assets being valued. • We tested the revaluations made during the year to ensure they were input correctly into the Council's asset register, and appropriate accounting entries were made in the financial statements. • We reviewed the disclosures made by the Council in its financial statements to ensure they were in accordance with the requirements of the CIPFA Code of Practice and IFRS 13. 	<p>Our audit work has not identified any issues in respect of the valuation of investment properties.</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 and risk	Work completed	Assurance gained & issues arising
<p>Valuation of property, plant and equipment The Council revalues its Council dwellings and Investment properties on an annual basis. In addition the Council revalues its other land and buildings on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We identified and documented the controls put in place by management to ensure that the revaluation process does not give rise to a material misstatement. • We reviewed management's processes and assumptions for the calculation of the estimate, including reviewing the competence, expertise and objectivity of management's valuation experts; and reviewing the instructions issued to the valuation experts and the scope of their work. • We discussed with the valuer the basis on which the valuation was carried out and challenged the reasonableness of the key assumptions and why other assumptions were not used. • We reviewed and tested the information provided by management to the valuer in calculating the estimate to ensure it was robust and consistent with our knowledge of the assets being valued. • We tested the revaluations made during the year to ensure they were input correctly into the Council's asset register, and appropriate accounting entries were made in the financial statements. • We evaluated assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different from current value. 	<p>As identified as part of our risk assessment procedures, management's current programme of revaluations for other land and buildings is performed on a rolling basis. While such an approach is permitted by the Code there is a risk that, between revaluation dates, the current value of the non-revalued assets changes in such a way as to become materially different from their carrying value.</p> <p>The audit team's approach has been to review management's estimation process. The Council have commissioned some information from the District Valuation Service to enable them to form a view as to whether the current value of assets not subject to formal revaluation this year is materially different from carrying value. The results of management's assessment have been reviewed by the auditor. While the assumptions made by management appear reasonable, this is a significant assumption affecting the valuation of these assets in the balance sheet. We have asked management to include a representation in respect of this in the letter of representation and to enhance the disclosure in the accounting policy of their estimation basis.</p>

Audit findings against other risks continued

Transaction cycle and risk	Work completed	Assurance gained & issues arising
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We documented the key controls that were put in place by management to ensure that the pension fund liability and associated transactions were not materially misstated. • We walked through the key controls to assess whether they were implemented as expected to mitigate the risk of material misstatement in the financial statements. • We reviewed the competence, expertise and objectivity of the actuary who carried out the valuation of the Council's pension fund asset and liability, including using an auditor's expert to give comfort over the key assumptions used in the valuation. • We obtained assurance from the auditor of Surrey pension fund that controls around the inputs into the valuation were operating effectively to prevent material misstatement. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • We ensured that transactions and balances relating to the pension fund asset and liability and disclosures in notes to the financial statements were consistent with the valuation report from your actuary and properly processed in your financial statements. 	<p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability, or of transactions and disclosures relating to it in the financial statements.</p>
<p>Operating expenses 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"> • We documented our understanding of processes and key controls over the transaction cycle • We walked through the key controls to assess whether those controls were operating in line with our documented understanding • Searched for unrecorded liabilities by reviewing payments either side of the balance sheet date. • Documented and performed substantive testing on accruals to ensure that all amounts relating to the year of account has been recorded in the correct year. • Performed trend analysis on operating expense codes and directed testing to periods of unexpectedly high or low expenditure. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks continued


Transaction cycle and risk	Work completed	Assurance gained & issues arising
<p>Employee remuneration Employee remuneration accruals 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"> • We documented our understanding of processes and key controls over the transaction cycle, and walked through the controls to assess whether those controls were operating in line with our documented understanding. • We reconciled employee remuneration recorded in the general ledger to monthly and weekly pay runs in the payroll system to ensure that all expenditure from the payroll system was reflected in the financial statements • We performed trend analysis on payroll expenses during the year to ensure a full 12 months were included and directed testing to months where expenditure was outside expectations. • We tested from a sample of HR records to ensure that they were completely and accurately reflected on both the payroll system and general ledger. 	<p>Our testing of payments found that these were materially fairly stated but identified some internal control deficiencies in respect of payroll costs which we report further on page 21.</p> <p>No other issues were noted.</p>

Audit findings against other risks continued

Transaction cycle and risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We documented our understanding of the processes and key controls over the transaction cycle, and walked through the key controls to assess whether those controls were operating in line with our documented understanding • We tested the Council's reconciliation of housing benefit paid by the ledger to the housing benefits system and to the HB subsidy claim. • We tested a sample of payments made to HB claimants to ensure they were properly calculated in line with regulations • We performed testing using the HB Count methodology to cover: <ul style="list-style-type: none"> • Checking system parameters (Module 2); • Analytical review of expenditure against expectations (Module 4); • Confirming claim is correctly generated from the system using the software provider's guidance notes (Module 5). 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>


Accounting policies, estimates and 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 sale of goods is recognised when the Council transfers the risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential of the transaction will flow to the Council. Revenue from the provision of services is recognised when the Council can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential of the transaction will flow to the Council. Revenue relating to non-contractual, non-exchange transactions such as council tax, business rates and housing rents are measured at the full amount receivable when it is probable that the economic benefits of the transaction will flow to the Council. 	<p>The Council's accounting policy for revenue recognition covers all major revenue streams and is appropriate under the CIPFA Code. There is limited judgement involved in revenue recognition other than around the impairment of receivables, which is disclosed in the note on assumptions and sources of estimation uncertainty.</p> <p>The disclosure of the accounting policy is sufficiently clear and reflects the enhanced disclosure agreed with the Council last year.</p>	<p style="text-align: center;">  Green </p>

Assessment

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Estimates and judgements</p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> The judgement as to whether individual assets are classified as property, plant and equipment, investment property or heritage assets. The basis of valuation of property, plant and equipment and investment property. The estimated useful lives of property, plant and equipment and consequent depreciation on these assets. The valuation of pension fund asset and liability. The valuation of provision for doubtful debts The valuation of provision for losses arising from appeals against business rating decisions. 	<p>We have reviewed the basis of the estimates and judgements and the disclosure of these in the Council's financial statements.</p> <ul style="list-style-type: none"> We are satisfied with the Council's judgement as to whether assets are property, plant and equipment, investment property or heritage assets and with the disclosure of this within Note 30. We have considered the independence, objectivity and capability of your valuers and determined we could place reliance on their work. We have reviewed the basis of the valuation and ensured that you had correctly reflected the results of their work in your financial statements. We concluded that property, plant and equipment and investment property were materially fairly valued in your financial statements, including those assets which were not revalued in the current year, (although we have requested a management representation with respect to the assumptions used) and that the disclosure of the valuation in your financial statements was satisfactory. We performed a substantive analytical review of depreciation against our expectations based on the value of assets and useful economic lives and concluded that depreciation on your assets was materially fairly stated. We reviewed the disclosure of depreciation methods and useful lives in your statements, including disclosure of estimation uncertainty, and found this to be satisfactory. We have considered the independence, objectivity and capability of your pension fund actuaries and determined we could place reliance on their work. We gained assurance over the inputs into the valuation of the pension fund asset and liability from the work of the auditors of the Surrey Pension Fund. We have reviewed the actuary's report and are satisfied that you have correctly reflected the results of their work in your financial statements, including the disclosures which are required by the Code. We are also satisfied with the disclosure of estimation uncertainty in respect of this estimate. We have reviewed the basis of your calculation of the provision for doubtful debts and of the provision for losses arising from appeals against business rating decisions and are satisfied that these are materially fairly stated in your financial statements and that disclosure of the estimation uncertainty in respect of both these estimates is sufficient. 	<p style="text-align: center;">  Green </p>



Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Members and officers 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 Council's assessment and are satisfied with your assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 Green
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.	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with management, internal audit and the Corporate Governance and Standards Committee, who did not bring any matters in relation to fraud to our attention. We have not been made aware of any other incidents in the period and we have not identified any other issues during the course of our audit to bring to your attention.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From our enquiries of management and our audit procedures, we have not identified any related party transactions which have not been disclosed in the financial statements.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of, and have not identified during the course of our audit, any significant incidences of non-compliance with relevant laws and regulations.
4.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council. In particular, we have requested that management provide representations in respect of the significant assumptions used in making accounting estimates for property, plant and equipment and investment property.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from PWLB for the relevant loans the Council has with PWLB. We also requested from management permission to send confirmation requests to a number of counterparties to cash and cash equivalent balances. Management have co-ordinated the confirmation of investment and borrowings confirmation requests, although we have received such confirmation responses directly and have therefore maintained control of the process. As at 13 September 2016 we have not received confirmations in respect of 2 institutions representing balances of £10 million. We have therefore undertaken alternative procedures, including confirmation to certificates of deposit for these balances.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements.

Other communication requirements continued

	Issue	Commentary
7.	Matters on which we report by exception	<ul style="list-style-type: none"> • We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	We are not required to carry out any procedures in respect of the Council's whole of government accounts return as the Council is below the threshold where work is required.

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 Valuation of surplus assets and investment property and fair value disclosures under IFRS 13, Valuation of property, plant and equipment, Valuation of pension fund net liability, Employee Remuneration, Operating Expenses and Welfare Expenditure as set out on pages 11-15 above.





The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.



	Assessment	Issue and risk	Recommendations
Issues reported in previous years and recurring this year			
1.	●	<ul style="list-style-type: none"> From our testing of employee remuneration we identified a software issue whereby the Council's payroll system incorrectly calculates employer national insurance contributions relating to childcare payments. This led to a classification issue within gross pay costs and did not affect expenditure in the financial statements. The Council is aware of this issue and is discussing with its software provider. The Council is satisfied that the issue relates only to classification between the salary and NI subjectives, and does not result in an error in NI contributions remitted to HMRC. 	<ul style="list-style-type: none"> Continue to discuss the issues identified as part of payroll testing with your software provider and implement a fix to ensure that employer NI contributions are correctly recorded in the ledger.
2.	●	<ul style="list-style-type: none"> We identified a further software issue whereby the pension contributions were incorrectly calculated for new starters commencing employment part-way through a month. From further work performed, we are satisfied that this will not result in a material misstatement to the Council's employee remuneration costs. The Council is aware of this issue and is discussing with its software provider. The risk is that amounts remitted to Surrey Pension Fund are incorrect. We have concluded however that the amounts involved are immaterial from an accounts perspective. 	<ul style="list-style-type: none"> Continue to discuss the issues identified as part of payroll testing with your software provider and implement a fix to ensure that employer pension contributions are correctly remitted.

Assessment


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

Internal controls (continued)



	Assessment	Issue and risk	Recommendations
Issues raised for the first time this year			
3.		<ul style="list-style-type: none"> The Council's Acceptable Use Policy and ICT Security Policy have not been reviewed or updated since 2008 and 2013 respectively. Without regular review, there is a risk that the policies and related procedures are no longer applicable to the needs and security of the business, which may compromise the company's IT computing environment. 	<ul style="list-style-type: none"> Review ICT policies at planned intervals (at least annually) or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness. Once reviewed and approved by management, the policy should be published and communicated to all employees and relevant third parties.
4.		<p>For Selima, we noted that:</p> <ul style="list-style-type: none"> The Selima HR system does not have a restriction on the number of times a user can validate their account using incorrect authentication details. Not having a limit on the number of incorrect password attempts will make it easier for a brute force password attack to be applied on the application, leading to unauthorised access to sensitive HR information Selima's passwords expire every 100 days, and this is not in line with the Council ICT Security Policy. Leaving a password unchanged for a longer period of time increases the risk of the password being compromised. 	<ul style="list-style-type: none"> Management should enforce password settings in line with the Council's ICT Security policy: The password policy for Selima should include a maximum of 3 invalid login attempts after which the account is locked until reset by the system administrator; and the system should enforce an automatic requirement to change the password every 90 days.
5.		<ul style="list-style-type: none"> Security administrators for ICT systems rely on the line managers and HR to notify them when users leave the Council. We noted that HR only sends reports of leavers on a quarterly basis. The eFinancials team performs a weekly access review by checking the users against windows Active Directory list to ensure users not on this have access rights disabled promptly. However, there is a risk that the windows user list may not be up to date because of delays in leavers being notified. There is a potential risk that accounts belonging to leavers remain enabled within these systems. These accounts could be subject to misuse by other employees. 	<ul style="list-style-type: none"> Provide system administrators with notification of staff leaving or due to leave the Council on a timely basis (at least monthly) so their user rights on key financial systems can be disabled on a timely basis to reduce the risk of misuse.
6.		<ul style="list-style-type: none"> Documented policies and procedures had not been formally established addressing change management processes and related control requirements within applications. Without documented and approved policies and procedures, there is a risk that changes made do not have a business justification and are applied without sufficient evaluation or testing. 	<ul style="list-style-type: none"> Establish, approve and communicate formal procedures for change management processes and related control requirements (such as change testing, approvals, and documentation requirements) for key ICT systems.

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

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
6.		<ul style="list-style-type: none"> Documented policies and procedures had not been formally established addressing change management processes and related control requirements within applications. Without documented and approved policies and procedures, there is a risk that changes made do not have a business justification and are applied without sufficient evaluation or testing. 	<ul style="list-style-type: none"> Establish, approve and communicate formal procedures for change management processes and related control requirements (such as change testing, approvals, and documentation requirements) for key ICT systems.

Assessment

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

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	X	<ul style="list-style-type: none"> Discuss the issues identified as part of payroll testing with your software provider and implement a fix to ensure that employer contributions for NI and pensions are correctly remitted. 	<ul style="list-style-type: none"> Management have communicated this issue to the software provider. However the software provider has yet to provide a solution to this. We have reported these matters on p.21 above.
2.	Partly	<ul style="list-style-type: none"> Senior officers should review and authorise all journals before they are posted 	<ul style="list-style-type: none"> Management are in the process of implementing a new process that requires: <ul style="list-style-type: none"> - all journals to be supported by working papers within the e-financials system by use of the 'paperclip' function to attach the working papers directly to the journal - all journals to require authorisation by a separate member of staff to the person who has prepared the journal As this new process was only trialled towards the end of the financial year (March 2016) we have not been able to evaluate the operating effectiveness of this control.

Assessment

- ✓ Action completed
- X Not yet addressed

Misclassifications and disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	N/A	Note 10: Officers' Remuneration	One officer was incorrectly included within the £65,000-£69,999 remuneration band. The total number '4' should be reduced to '3'. This has now been corrected.
2 Disclosure	18	Note 11: External Audit Costs	The Council had omitted a £16k additional fee that was approved for 2014/15 certification work, and a £2k fee for non-audit services (Housing Capital Receipts certification). These should be included in the 2015/16 total reflecting the fact that these were approved after the 2014/15 accounts opinion, and an accompanying note included to explain this. These have now been disclosed separately in this note.
3 Disclosure	N/A	Note 28: Financial Instruments	Explanation of basis on which the fair value of PWLB loans has been calculated has been enhanced in this note.
4 Disclosure	N/A	Note 29: Financial Instruments (Fair Values of Assets and Liabilities section)	<ul style="list-style-type: none"> one loan of £5m had been incorrectly classified as aging category "Over 1 but not over 2 years" whereas the repayment date indicates this should be in the "Over 2 but not over 5 years" years category. loans totalling £45m had been incorrectly excluded from the table altogether; these should be in the "Over 5 but not over 10 years" aging category.
5 Disclosure	N/A	Collection Fund Note 2	Business rate multiplier: 2016/17 rates had been disclosed instead of 2015/16 rates. This has now been corrected.

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 conclusion

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated 31 March 2016.

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

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness. We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council is developing its arrangements to address the identified gaps in its medium term financial strategy. It has identified project leads for different areas of savings and investments and agreed an overall approach with Society Executive Advisory Board.
- Work to firm up savings plans and transformations in service has progressed after the period under review. In considering the arrangements in place during the year we had regard to the Council's achievement of an underspend of £2.25 million against its budget for the year. The Council has prudently set aside earmarked reserves of just under £30 million of which £2.8 million is badged as being to offset 'budget pressures' and to provide funding for initiatives which are expected to make future savings. There is a further £4.7m to offset anticipated reductions in business rates income from planned developments in Guildford.
- These could be used to offset the reduction in the Council's available resources and need for further savings to balance its budget in the short to medium term. However, the Council recognises that this is not a sustainable solution in the longer term.
- The Council's arrangements for managing and monitoring performance against its budget continue to be robust. There is more transparent communication of these to Members and to the public including quarterly reporting of financial performance.
- As in previous years, the Council has significantly underspent against its capital programme. The reasons for this include delays in agreeing a development agreement for North Street, delays in other major projects, and the unavailability of suitable investment properties for purchase. The Council recognises the reasons for delay and has set these out in its reporting to Members.

Overall conclusion

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work overleaf.

Based on the work we performed to address the significant risks and our consideration of the key aspects of arrangements summarised on the previous page, we concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources for the year ended 31 March 2016. The text of our report, which confirms this can be found at Appendix B.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

- The Council needs to put in place a detailed project management approach to identify areas for saving, the actions required to achieve them, and scenario modelling of the savings to be achieved. Officers across the Council need to contribute to this process both within and across services, to address the known gap in its medium term financial plan to 2021.
- The Council also needs to implement the same approach in modelling its capital programme so that it has a more realistic timetable for the completion of projects that it can build this into its overall financial modelling.

Management's response to these can be found in the Action Plan at Appendix A.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment. We did not identify any further risks through our ongoing review of documents and discussions with officers.

Significant risk	Work to address	Findings and conclusions
<p>Medium financial term planning</p> <p>The Council identified a cumulative gap of some £5.5 million between projected resources and budgeted expenditure over the four years to 2019/20. In part this relies on continuing to deliver the budgeted level of savings from existing projects. The Council has identified a need for longer term transformation of service delivery to be able to deliver sustainable services in the period covered by the medium term financial strategy.</p>	<p>We reviewed the framework established by the Council to manage the medium term financial planning process, including identification and assessment of savings plans, risk assessment and management and arrangements for Members to scrutinise and agree the projects included in the medium term financial strategy.</p>	<p>The Council has identified project managers to lead on particular areas of the already identified savings programme which is mapped across the 4 years of the medium term financial strategy.</p> <p>The Corporate Management Team have agreed a number of opportunities and threats to its financial position and has started to identify actions to take in response to these. Part of this has been a decision by Society EAB around the future shape of the Council.</p> <p>Officers have been tasked to identify savings plans to address these opportunities and threats. This process is in progress at the time of reporting and will require further work to complete and update to address the gap in the strategy going forward. Progress has been limited in identifying actual savings against the plans agreed although this has been offset by increased income from purchase of investment properties during 2016/17.</p> <p>Senior management recognise that more work is required and that the Council cannot continue to expect to underspend year on year. All services will need to identify clear and realistic savings plans which identify the impact on service delivery.</p> <p>Part of the Council's response to the constraints in public sector funding has been to set aside underspends in previous years to fund budget pressures, anticipated gaps in business rates income and to put aside monies to enable the Council to invest to make savings in future years. The total of earmarked reserves held by the Council at 31 March is just under £30 million which is considerably higher than the gap in the Council's medium term financial strategy.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place for planning finances effectively to support the sustainable delivery of strategic priorities.</p> <p>We recommend that the Council put in place a disciplined project management approach to identify areas for saving, the actions required to achieve them, and scenario modelling of the savings to be achieved, to address the known gap in its medium term financial plan to 2021.</p>

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

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

Fees

	Proposed fee £	Final fee £
Council audit	57,533	57,533
Grant certification	13,925	tbc
Total audit fees (excluding VAT)	71,458	tbc

The proposed audit fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Work on the housing benefit subsidy certification is not yet complete. However, as we are required to carry out more work this year as a result of errors identified in 2014/15, it is likely that the actual certification fee will be higher than the scale fee proposed. We will confirm this in our report to those charged with governance later this year.

Fees for other services

Service	Fees £
Audit related services:	
• Housing Capital Receipts	£1,500
Non-audit services	0

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 Auditing Practices Board'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 to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other 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 Public Sector Audit Appointments Limited (<http://www.psa.a.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). 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. 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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	Continue to discuss the issues identified as part of payroll testing with your software provider and implement a fix to ensure that employer contributions for NI and pensions are correctly remitted.	High	<ol style="list-style-type: none"> In relation to childcare vouchers; the issue identified relates solely to our internal costing process within the General Ledger, which applies the employer NI saving from childcare vouchers (salary sacrifice) against the salary subjective (A***1) rather than as a saving against the NI subjective (A***2) . There is no risk that the amounts remitted to HMRC and Surrey Pensions is incorrect, the other half of the double entry within the Selima system correctly records NI and it is the Selima system that is used to pay HMRC and Surrey Pension Fund. The Payroll software supplier is aware of this issue, but hasn't offered a fix. In relation to Pension Contributions; we accept this is a problem, and it could result in the incorrect calculation of pension contributions. To counter this we have added an item to the new starter check list and any system calculation will be manually overridden, until the payroll supplier provides a system fix. However, it is not clear from Selima that there will be a system fix. 	Payroll Manager March 2017

Appendix A: Action plan (continued)

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
2.	Review IT policies at least annually or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness. Once reviewed and approved by management, the policy should be published and communicated to all employees and relevant third parties.	Medium	ICT is currently undergoing a structure review under the leadership of a new ICT Manager. ICT policies will be looked at and regular maintenance schedules will be reviewed as part of this restructure.	ICT Manager March 2017
3.	<p>Management should enforce password settings for all systems in line with its ICT Security policy.</p> <p>The password policy for Selima should include a limit on the number of incorrect password attempts in line with password settings on other applications, i.e. users should be allowed a maximum of 3 invalid login attempts, after which their account should be locked until it is reset by a system administrator.</p> <p>Additionally, the system should enforce an automatic requirement to change a password at a routine, risk-based frequency (e.g., every 90 days).</p>	Medium	<ol style="list-style-type: none"> 1. We have already changed the system so that it now locks the user out after 4 failed log-on attempts. 2. Since July 2008 the users have been required to re-set their password after 100 days (the audit recommendation is 90 days). The majority of users use the system to view payslips. Setting the change parameter at 90 days would potentially time the user out between 2nd and 3rd month. At 100 days it would enable 3rd month's payslip to be viewed, but the user will be prompted to change the password (which will expire before the following month's payslip is generated) . We feel this is sufficient control and do not propose at present to change it and will update the ICT security policy to reflect this. 	HR Systems Administrator & ICT Manager December 2016

Appendix A: Action plan continued

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
4.	<p>All logical access within financially critical systems belonging to leavers should be revoked in a timely manner upon their departure from Council. Security/System administrators should be provided with (a) timely, proactive notifications from HR of leaver activity for anticipated terminations and (b) timely, per-occurrence notifications for unanticipated terminations (e.g. monthly rather than quarterly). Security/system administrators should then use these notifications to either (a) end-date user accounts associated with anticipated leaver's date or (b) immediately disable user accounts associated with unanticipated leavers.</p>	Medium	<p>The majority of new pc users at Guildford Borough Council are not paid through the Selima system. A large number of staff who are paid through Selima do not have access to a pc and have no contact with ICT. HR are not usually informed when agency or casual staff leave (the managers simply stop paying their timesheets/invoices) and HR have no involvement with consultants, who are paid directly by Financial Services.</p> <p>Guildford Borough Council is unusual in that we use an exceptionally high number of agency, casual and consultants. HR did set up an automated email function in April 2013, which emails nominated users when leavers are put through the HR system. ICT do not receive these emails because the majority of the affected staff do not have system access. This is therefore an extremely inefficient way to manage users with a significantly increased risk of genuine leaver records being lost in the high volume of causal staff notifications.</p> <p>HR and IT have continually reviewed the situation and are aware of the residual risks. It is therefore proposed to commission a full review of the processes for starters, movers and leavers. This review will need to involve key stakeholders including hiring managers, HR, Payroll, ICT and Financial Services.</p> <p>The outcome of this HR lead review will be to deliver a single policy and supporting processes for GBC to reduce the identified risks and support accurate reporting of all employees including permanent staff, casuals, agency workers and consultants for consideration by CMT.</p>	<p>ICT Manager & HR Systems Administrator December 2016</p>

Appendix A: Action plan continued

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
5.	<p>Documented policies and procedures addressing change management processes and related control requirements (such as change testing, approvals, and documentation requirements) should be established, formally approved by the appropriate members of the organisation. These should then be communicated to relevant personnel responsible for implementing them and/or abiding by them.</p>	Medium	<p>eFinancials</p> <p>Change management for larger projects is stipulated by the PID's and Project Plans agreed by the relevant project boards.</p> <p>In service, system specific changes such as new users, cost centres, a fix etc are carried out by the system admins. Data changes have email requests and confirmation of completion. Fixes are tested by affected parties before application to the live environment, normally always out of core hours.</p> <p>Formally documenting these processes could be done before the next audit.</p> <p>ICT</p> <p>ICT is currently undergoing a structure review under the leadership of a new ICT Manager. ICT policies will be looked at and regular maintenance schedules will be reviewed as part of this restructure</p>	<p>Finance Systems Manager March 2017</p> <p>ICT Manager March 2017</p>

Appendix A: Action plan continued

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
6.	<p>Establish a disciplined project management approach to identify areas for saving, the actions required to achieve them, and scenario modelling of the savings to be achieved. Officers across the Council need to contribute to this process both within and across services, to address the known gap in its medium term financial plan to 2021.</p>	Medium	<p>Savings and efficiency projects identified through the Council's business planning process are managed through the Council Project Management System Verto which requires regular highlight reporting.</p> <p>Management team and EAB recently considered a list of further projects that should help address the medium term budget gap. It is proposed that responsible officers are identified for this list of projects and that a newly established Lead Councillor / Officer Transformation Board to monitor the progress of the projects and the identification of savings. This will also be monitored through bi-weekly reporting to CMT.</p>	<p>Director of Resources February 2017</p>
7.	<p>Improve the process for modelling and profiling the capital programme so more timescales for completion of the projects can be built into overall financial monitoring.</p>	Medium	<p>Since the implementation of Verto for project management and capital bid completion the profiling has improved slightly particularly as Verto encourages users to think about the profiling across months and financial years. Capital projects and their profiling are monitored through the capital programme monitoring group chaired by the Principal Accountant for Capital, Assets and Treasury and further training to service managers will be provided as part of the groups work. Part of the problem has been trying to predict the timing of some large property acquisitions , particularly those associated with redevelopment projects. The profile of redevelopment projects will continue to be difficult to predict.</p>	<p>Head of Financial Services February 2017</p>

Appendix A: Action plan continued

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
8.	Larger categories of Other Land & Buildings, currently subject to a rolling programme of revaluation, should be revalued on a more frequent basis.	High	<p>We will revalue larger categories of Other Land & Buildings more frequently when our market review suggests that the value of these categories has reduced or increased by more than a significant amount, in line with our revaluation policy.</p> <p>Increasing the frequency of valuation when this is not the case would incur additional expenditure, with no benefit to users of the accounts.</p>	Head of Financial Services April 2017

Appendix B: Draft Audit opinion

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

DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUILDFORD BOROUGH COUNCIL

We have audited the financial statements of Guildford Borough Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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 2015/16, which 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 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 Chief Financial Officer's Narrative Report and the Annual Governance Statement 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: present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Chief Financial Officer's Narrative Report and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if: in our opinion the Annual Governance Statement does not comply with the guidance included in '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 24 of the Act; or we make a written recommendation to the Authority under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

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

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

[Signature]

Christian Heeger
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Fleming Way
Manor Royal
Crawley
RH10 9GT

[Date] 2016



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