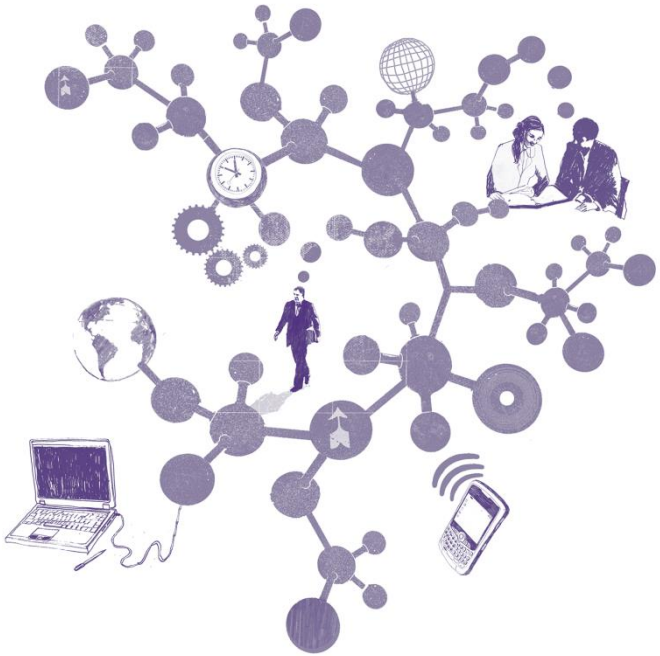
The Annual Audit Letter for Worcestershire County Council

Year ended 31 March 2017

November 2017



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Contents

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Worcestershire County Council (the Council) for the year ended 31 March 2017, including the audit of the Pension Fund.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit and Governance Committee (as those charged with governance) in our Audit Findings Reports on 21 July, 26 September and 13 October 2017.

Our responsibilities

We have carried out our audits in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements and those of the Pension Fund (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 17 October 2017, after the 30 September statutory deadline. The delay occurred primarily because insufficient Council staff time was devoted to producing the accounts and responding to the audit and a less experienced team was in place.

The difficulties are set out in section 2 of the Letter but included:

- The poor quality of the draft accounts submitted for audit
- Inadequate quality assurance of the accounts, working papers and explanations provided to us
- Failure to promptly resolve issues which we raised during our interim audit work in March.
- Difficulties in providing necessary information from the new financial systems
- Significant delays in responses to audit queries.
- Lack of ownership of key accounting judgements and decisions.

As well as creating a significant delay in completion of the audit, these issues also meant that we had to spend around 35% more time on the audit than normal, and we will therefore be charging the Council a significant additional fee (see Appendix A).

For 2017/18, the statutory deadline for publication of audited accounts comes forward by two months to 31 July. Given the issues this year, and the fact that the 2017/18 accounts will need to be produced from the new financial systems for the first time, there is a significant risk that the deadline will not be met. We are working closely with officers to ensure that lessons are learned from this year's experience and that robust plans are in place for next year.

Pension Fund opinion

We gave an unqualified opinion on the Pension Fund accounts also on 17 October 2017, but the delay was caused only by the need to give the opinion at the same time as that on the main Council accounts. The audit of the Pension Fund was much smoother and we were able to report our findings to the Audit and Governance Committee in full on 21 July.

Executive summary (continued)

Value for money conclusion
We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017 except for the inadequate arrangements in place within Children's Services as identified by Ofsted. We therefore qualified our value for money conclusion in our audit opinion on 17th October 2017 in relation to this one issue.

Whole of government accounts
We have completed work on the Council's consolidation return following guidance issued by the NAO and anticipate providing an unqualified report by 8 December 2017

Certificate
We intent to certify that we had completed the audit of the accounts of Worcestershire County Council in accordance with the requirements of the Code by 8 December 2017.

Grant Thornton UK LLP
November 2017

Audit of the accounts

Our audit approach

Materiality

We use the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £15.498 million, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year, rather than, for example, the value of its net assets.

We also set a lower level of specific materiality for senior officer remuneration, exit packages and auditors remuneration.

We set a lower threshold of £761,000 to determine findings which did not merit reporting to the Audit and Governance Committee in our Audit Findings Report.

Pension Fund

For the audit of the Worcestershire Pension Fund accounts, we determined materiality to be £19.523 million, which is 1% of the Fund's net assets. We used this benchmark as, in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

We set a lower level of specific materiality for certain areas such as management expenses and related party transactions. We set a threshold of £124,000 to determine findings which did not merit reporting to the Audit and Governance Committee.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Chief Finance Officer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out on the following pages the work we performed in response to these risks and the results of this work.

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 17 October 2017, which was after the 30 September 2017 statutory deadline and more than two months after the Council had planned to publish its audited accounts. Publication was planned for 31 July, which will be the statutory deadline from the 2017/18 accounts onwards.

Delays to the audit process

Six main factors led to the delays in completion of the audit:

- Failure to promptly resolve issues which we raised during our interim audit work in March – as usual, we agreed with officers at an early stage a range of issues which were most likely to provide problematic in compiling the accounts, so that officers can give them early attention and we can review them during our interim audit visit. This year these issues included the 'telling the story' changes to the format of the accounts and also the accounting entries for the Energy-from-Waste plant. Officers had, however, made little progress in dealing with these issues at the time of our interim audit visit, and did not promptly respond to the concerns we expressed at that stage. As a result, these more difficult areas needed more attention during the final accounts audit and indeed were among the last issues to be resolved in early October.
- The poor quality of the draft accounts submitted for audit – the accounts were submitted for audit slightly later than planned, omitted both the Narrative Statement and Annual Governance Statement. and contained numerous errors. Our high level review of those accounts raised over 60 different queries for the finance team to resolve. Over half of these queries led to an amendment to the financial statements.
- Inadequate quality control of the accounts, working papers and explanations provided to us – many of the delays to the audit process could have been avoided if adequate quality assurance procedures had been in place to ensure that the accounts, supporting working papers and explanations provided to us were fit-for-purpose. While some improvements were made towards the end of the audit, there will still quality issues even at the end of the process.
- Difficulties in providing necessary information from the new financial systems – as part of our audit work, we review samples of payments made and income received in the following year to ensure that it has been correctly treated as falling in that year. This required reports of such transactions to be produced from the new financial systems and it took considerable time and effort for this to be provided.
- Significant delays in responses to audit queries – at least in part because of the transfer of staff resources onto the new systems implementation, officers were in some cases very slow to respond to queries raised by the audit team. This was compounded by the inadequate quality control, which meant that many of the responses were in any case inadequate and further explanations had to be sought.
- Lack of ownership of key judgements and decisions – in compiling a statement of accounts, officers need to take a number of important decisions and make judgements – for example in relation to how the EfW plant is to be valued and how they could be satisfied that assets not formally revalued in the year were nevertheless being disclosed at appropriate values. Officers were not proactive in making such judgements and only made them as a result of audit queries rather than as a considered part of accounts preparation.

Issues arising from our audit of the audit of the accounts

Unusually, we reported the key issues arising from the audit of the accounts on three separate occasions to the Audit and Governance Committee, and these are detailed below;

- Interim Audit Findings Report – 21 July 2017
- Updated Audit Findings Report – 26 September 2017
- Audit Findings Report, Updated Letter – 13 October 2017

Audit of the accounts continued

These reports set out a wide range of issues including:

- **Exit packages (ie severance payments).** Initial testing of note 1.08 identified a number of potential errors, plus the audit team experienced significant difficulty in obtaining the information needed to be able to verify this note. We asked officers to perform a 100% check of the note, given the sensitive nature of the expenditure. This led to an overall increase in value of the packages disclosed of £0.7m between the original accounts and the final version, with the number of packages disclosed also rising from 111 to 113.
- **Creditor balances.** Our testing identified 7 errors out of a sample of 17 balances. An evaluation of these errors identified an unadjusted misstatement of £15.4m where balances relating to s106 and s278 agreements (developer contributions to infrastructure costs) had been incorrectly treated. We acknowledge that there has been some uncertainty in the past about the correct accounting treatment and officers have agreed to review the accounting treatment used and update appropriately for the 2017/18 financial statements.
- **Cut off testing**. This was an area where significant difficulties were experienced in obtaining the necessary information to be able to complete the audit testing. Officers recognise that this was as a result of the implementation of the new financial system and that some of the necessary reporting mechanisms were not in place when the new system first went live. This has been a key area of work for the finance team and this is due to continue so that the reporting will be fit for purpose when the 2017/18 financial statements need to be produced and audited.

Further matters arising from the audit are set out in the tables of significant risks overleaf – in relation to the 'telling the story' changes to the format of the accounts, accounting for the EfW plant and valuations of land and buildings.

Pension fund accounts

We also reported the key issues from our audit of accounts of the Pension Fund hosted by the Council to the Council's Audit and Governance Committee on 21 July 2017. In contrast to the main audit, the draft accounts were delivered on time with appropriate working papers. There were no adjusted or unadjusted misstatements to report that affected the financial position, with adjustments only made to improved the presentation of the financial statements and ensure greater alignment with the Code.

Annual Governance Statement and Narrative Report

Our interim AFR highlighted that we had some concerns over the consistency of the AGS with our knowledge of the authority. We noted that the draft statement did not specifically identify any significant governance issues, despite assurance statements provided by senior officers of the authority suggesting that there were areas where further work was needed. We shared examples of other AGSs with officers and the statement was revised in a way that complies more closely with the Code and gives appropriate prominence to the issues facing the authority. These discussions highlighted that the process for compiling the AGS within Worcestershire needs to change in future years and draw on practices that are happening elsewhere. In particular this needs to focus on what happens to the officers assurance statements, how are they evaluated and by whom. There needs to be clear evidence that the issues raised in these statements are considered by appropriate management of the authority and that the decision as to what to include in the AGS is not limited to finance staff.

Whole of Government Accounts (WGA)

We have carried out work on the Council's consolidation schedule in line with instructions provided by the NAO . We intend to issue a group assurance certificate which does not identify any issues for the group auditor to consider by 8 December 2017.

Audit of the accounts - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Management over-ride of controls Under ISA (UK&I) 240 there are presumed risks of management over-ride of controls being present in all entities.	We reviewed: • accounting estimates, judgements and decisions made by management • the journal entry process and control environment • a selection of unusual journal entries for testing back to supporting documentation, and unusual significant transactions	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We did note, however, that a significant number of journals are posted without any description, which weakens the audit trail.
Changes to the presentation of local authority financial statements CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	• We documented and evaluated the process for recording the required financial reporting changes to the 2016/17 financial statements. • We reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they were in line with the Authority's internal reporting structure. • We reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • Tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • Tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • Tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • Reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	This was an area where officers found it difficult to demonstrate how they had complied with the new requirements of the Code. An initial early review of the work completed on the restatement as part of our interim audit identified key errors which we reported to officers in March 2017. These issues were not actioned when the draft accounts were produced and consequentially a number of changes were required to the draft financial statements prior to the accounts being certified. There were numerous changes made to the prior period adjustment note, (note 1.01),the expenditure and funding analysis (notes 1.01a and 1.01b) and the expenditure and income analysed by nature (note 1.03.2). In addition to changes in the values stated in the notes, further additional narrative was also needed to ensure compliance with the Code.

Audit of the accounts – Council (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Energy from Waste PFI Accounting Entries The Energy from Waste PFI is due to become operational in February 2017 which will result in the asset being brought onto the Council's balance sheet.	• We reviewed the accounting transactions in respect of the Energy for Waste PFI to ensure that they were in line with guidance. • We considered the justification for the value of the property, plant and equipment balances in respect of the EfW scheme which the Council has included in its balance sheet.	As a significant risk we considered this with officers as part of the interim audit, however at this stage no work had been completed on the likely entries to be posted in the financial statements. The work was delayed until the draft financial statements were produced, and this raised a number of technical questions for officers to consider. These were addressed as part of the recovery visit in August, with officers providing an appropriate justification working paper in late September. The review concluded that management had made appropriate accounting judgements in relation to the PFI scheme. We did however identify the need for greater narrative disclosure within the notes to the financial statements, and identified some non material errors in the schedules of payments due to be made under the PFI contracts.
Property, plant and equipment The Asset register is currently held on a spreadsheet. As part of the introduction of the new financial system this information will be recorded in a new fixed asset module. Part of this transfer of data will involve a data cleanse exercise, which may impact on the year end position for 2016/17.	• Discussed with the Council the planned work to identify and document the controls in place over the exercise. • Reviewed the work completed to ensure that the assets transferred to the new general ledger is accurate. • Considered the impact of changes to the asset register on the 2016/17 financial statements. • Tested any material changes to the 2016/17 accounts as a result of this exercise.	The arrangements over the management of the asset register remain an area where the Council needs to improve. Our work at interim highlighted a number of issues with the arrangements in place with Place Partnership to gain assurance over both the assets valued in year, and the assets that weren't due to be revalued. These issues were not resolved as part of the financial statement preparation, which meant that the information provided by the valuer was unchallenged by the Council. Our audit work identified potential material differences in the value of assets not revalued in year and as a result officers undertook additional work to provide the necessary assurance over the value of the asset base as a whole. This exercise identified an error in the valuation initially provided by PPL, the impact of which was £3.1m. In addition, in performing this work officers also identified a number of differences between the valuation report and the asset register. We have also reported that the format of the note 2.01.1 is not in accordance with the Code in the way assets under construction are shown as effectively negative additions. We have discussed this in previous years with officers who maintain that this disclosure is appropriate and fits better with how they record the information. Our view is that this remains a confusing presentation for the reader of the accounts which lacks the ability for comparison with other similar authorities. Consideration should be given to aligning this note with the examples provided in the Code. We will work with officers during our interim audit to ensure that appropriate arrangements are put in place for year end.

Audit of the accounts – Council (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of pension fund net liability The Council's pension fund asset and liability, as reflected in its balance sheet ,represents a significant estimate in the financial statements.	• Identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. • Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • 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. • Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. • Performed procedures to confirm the reasonableness of the actuarial assumptions made.	We have completed our review of the controls in place by management over the pension fund net liability and also the review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. In addition we have gained an understanding of the basis of which the IAS 19 valuation has been carried out. Our review of the disclosures identified one error in the cash flow figure reported in note 2.12.7. This was amended for in the final version of the financial statements.

Audit of the accounts – Pension Fund

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the audit of the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Management over-ride of controls Under ISA (UK&I) 240 there are presumed risks of management over-ride of controls being present in all entities and that revenue may be misstated due to the improper recognition of revenue.	We reviewed: • accounting estimates, judgements and decisions made by management • the journal entry process and control environment • a selection of unusual journal entries for testing back to supporting documentation, and unusual significant transactions	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.
Level 3 Investments (Valuation is incorrect) Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	• We updated our understanding of your process for valuing Level 3 investments through discussions with relevant personnel from the Pension Fund during the interim audit. • We performed walkthrough tests of the controls identified in the process. • On a sample basis we tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreed those to the fund manager reports at that date. In addition, we reconciled those values to the values at 31st March with reference to known movements in the intervening period. • We reviewed the qualification of the fund managers as experts to value the level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached. • We reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments. • We reviewed the competence, expertise and objectivity of management experts used.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit of the accounts (continued)

Looking forwards

The statutory deadline for publication of audited accounts comes forward for 2017/18 accounts to 31 July. Given the difficulties encountered this year and the fact that the 2017/18 accounts will be the first to be produced from the Council's new financial systems, there is a clear need for the Council to learn lessons from this year's process and apply these in planning for the 2017/18 accounts.

We are encouraged by the willingness of officers to establish the causes of this year's issues and learn the lessons and we have fed our views into this process. There is, however, a lot of crucial work to be done to ensure that the Council has a robust and properly-resourced plan for next summer. We will continue to work with officers to ensure the process is as smooth as possible.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in the table overleaf.

As part of our Audit Findings report agreed with the Council in July 2017, we did not identify any specific recommendations. We did however note that the Council had a detailed action plan in place to respond to the Ofsted report on Children's services and that it was being monitored on a regular basis through a variety of mechanisms, including monitoring visits by Ofsted to review the progress being made.

Since we completed our work on this areas, we are aware that a revised Direction was issued to the Council on 19 September 2017 which requires the Council to develop an options analysis for alternative models for provision of children's services. This followed publication of a report by the Government appointed Commissioner, which confirmed that there are deep-seated issues within Children's services in the County. This options analysis is now well underway.

More recently, and since we issued our VFM conclusion, the Council has received more positive feedback in the form of the report of the most recent monitoring visit, which concluded "The local authority has taken steps to tackle the serious weaknesses and is now beginning to make progress to improve services for children and young people.". Understandably, it notes that many of the improvements have yet to make a significant impact, and that some significant weaknesses remain, but it presents an encouraging picture of progress within the timescales.

We will continue to monitor developments and take account of progress in next year's value-for-money conclusion.

Overall VfM conclusion

We are satisfied that, the Council had proper arrangements in place in all significant respects, except for the matter we identified in respect of Children's services. As such we issued a qualified 'except for' conclusion on your arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ending 31 March 2017.

Value for Money

Table 2: Value for money risks

Significant risk	Work to address	Findings and conclusions
Medium Term Financial Plan The budget position for 2017/18 and beyond remains challenging. The December 2016 cabinet report highlighted a gap of £2.9m needed to balance the budget for 2016/17. It further set out the level of savings required in future years, with the shortfall in funding for 2018/19 of £31m, and then falling to £22m in years 2019/20 and 2020/21.	We have reviewed the Council's arrangements for identifying and agreeing savings plans, and communicating key findings to the Council and key decision making committees.	Historically the Council has a strong track record of meeting its financial targets. The outturn position after the transfers to directorate reserves shows that break even has been achieved for 2016/17. The achievement of break even has only been possible by an increased reliance on use of reserves and one off funding, demonstrating the consistently more challenging financial environment that the Council operates within. Significant cost pressures continue to exist in both adult and children's services. Adult services reported an underlying overspend of £6.7m, which has primarily resulted from cost pressures due to demographic and market pressures, and delays in achieving the savings plans. Children's services also reported an underlying overspend, this time of £5.2m, which has, like Adult services been met from use of reserves. In previous years we have reported on the overspends in Children's services and the cost pressures arising from looked after children placements. The budget has been strengthened, and this combined with cost management has resulted in an improved budget position during the year. It is however worth noting that the forecast underspend in this area was reduced towards the end of the year, as looked after children numbers increased following the Ofsted review. The most significant pressure in Children's services during the year has been as a result of Home to School Transport, where a growth in special needs provision, a delay in the achievement of savings and a reduction in income have all contributed to an overspend. The original savings target has not been delivered, with £6.5m of the savings been carried forward and included in the 2017/18 targets as part of the medium term financial plan. This represents 26% of the savings target, and compares to non delivery against the savings target last year of 11%. The Council continues to demonstrate that it has the necessary reserves in place to manage the slippage of these savings plans in the medium term. Like many other similar local authorities, the financial outlook remains challenging with the latest medium term financial plan identifying savings of £26.5m in 2017/18, with further savings of £31.9m in 2018/19 and £21.7m in 2019/20 and £22m in 2020/21. For 2017/18 plans are in place for achieving the target, with work advancing on how savings could be achieved in future years.

Value for Money continued

Significant risk	Work to address	Findings and conclusions
Medium Term Financial Plan continued	We have reviewed the Council's arrangements for identifying and agreeing savings plans, and communicating key findings to the Council and key decision making committees.	We have reviewed the budget reports and the information presented to members, particularly in relation to the rationale for holding balances and reserves. We note the improvements that have been made in this area. While the long term funding of the Council continues to reduce, there are appropriate arrangements in place to balance the budget. Officers and members continue to demonstrate a good understanding of the financial constraints that they are working within, and how these can be managed to produce the best outcome for residents.
Ofsted inspection of children's services Ofsted issued a report on the Council's children's services in January 2017 which rated these as 'inadequate'. Until such time as Ofsted has confirmed that adequate arrangements are in place this presents a significant risk to the Council's arrangements	We have reviewed the Council's response to the report and discussed progress on the plan with officers.	The Council have responded positively to the Ofsted report and has a detailed improvement plan in place which has been submitted to Ofsted. The high level eight point plan is supported by detailed work streams, and is being monitored by the Children's Social Care Service Improvement Board. This board is made up of a combination of both officers and elected members to oversee the delivery of the improvement plan and ensure progress is made. Officers were aware of the issues identified in the Ofsted report while producing the 2017/18 budget and medium term financial plan, and therefore ensured that additional resources were put in place to be able to meet the needs identified in the improvement plan. This resulted in an additional £2.5m of revenue funding, and a further £1m of capital investment for social care systems and information technology as part of the transformation project. Officers have looked to other authorities for best practice and advice in how best to turn the service around. They have welcomed the appointment of Trevor Doughty who is Director of Children's Services for Cornwall County Council, as the commissioner for Children's Services. At the time of forming a conclusion on the arrangements in place the improvement plan is still in its early stages and therefore there is limited evidence of the impact of the plan. We have therefore concluded that the weaknesses in the arrangements identified by Ofsted during 2016/17 remain in place up until year end and have issued an except for VFM conclusion.

Appendix A: Reports issued and fees

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

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	95,446	130,518	95,446
Statutory audit of Pension Fund	24,963	26,156	26,156
Total fees (excluding VAT)	**120,409**	**156,674**	**121,602**

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

The assumptions within the audit plan assumes that draft financial statements and working papers are provided at the agreed date in accordance with the agreed upon information list. Our reports in the year have highlighted the significant additional work that the audit team has had to undertake to deliver an opinion on the Council financial statements. We have discussed a fee variation of £35,072 with the interim Chief Financial Officer and intend to submit this for approval via PSAA as required before invoicing.

The fee variation for the Pension Fund of £1,193 has previously been agreed and approved by PSAA and is in relation to the work that we are required to carry out for other auditors around IAS 19 assurances.

Reports issued

Report	Date issued
Audit Plan	24 March 2017
Interim Audit Findings Report	21 July 2017
Updated Audit Findings Report	26 September 2017
Audit Findings Report – updated letter	13 October 2017
Annual Audit Letter	xx November 2017

Fees for other services

Service	Fees £
Audit related services:	
SFA compliance	4,000
Teachers Pension Claim (for year ending March 2017) *	4,200
Non-audit services	
CFO Insights (full cost of 2 year subscription)	9,995

* Note that at the time of production of the AAL the letter of engagement for the Teachers Pension Claim was still being agreed.

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as set in the table below.

Reports issued and fees continued

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks.

	Service provided to	Fees	Threat identified	Safeguards
Audit related services	SFA compliance certification (2016/17)	£4,000	• Self interest	This is a recurring fee and therefore a small self interest threat exits. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£95,446) for the Council and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to audit services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self interest threat to an acceptable level.
	Teachers Pension Claim (2016/17)	£4,200	• Self interest	This is a recurring fee and therefore a small self interest threat exits. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£95,446) for the Council and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to audit services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self interest threat to an acceptable level.
Non-audit services	CFO insights – Online tool for Council's aspiring to improve the financial performance of their Local Authority (Full cost of 2 year subscription)	£9,995	• Self interest	£9,995 for a two year subscription to CFO insights was paid by the Council in 2016/17 and this was reported in our 2016/17 audit plan. This is a recurring fee and therefore a small self interest threat exits. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£95,446) for the Council and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to non-audit related services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self interest threat to an acceptable level.
	TOTAL	£18,195		

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