

Local Government Boundary Commission England
Final audit completion report (including
management letter) 2017-18

FINANCIAL STATEMENT AUDIT

Report to those charged with governance
July 2018

This report presents our findings from the audit of 2017-18 financial statements

We anticipate recommending to the Comptroller and Auditor General (C&AG) that he should certify the 2017-18 financial statements with an unqualified audit opinion, without modification. The draft audit certificate is presented in Appendix 2 – Audit Certificate.

Our audit of the financial statements is now complete.

The total notional audit fee charged for the year is in line with that set out in our Audit Planning Report, £15,000.

Actions for the Audit and Risk Committee

The Audit and Risk Committee is invited to:

- Review the updated findings set out in this report, including the draft letter of representation and audit certificate at Appendix 1 and 2 respectively.

We would like to thank the Director of Finance and the Commission staff for their assistance during the audit process.

Robert Buysman

Audit risks (pages 6 to 8)

[Significant] Presumed risk of fraud through management override of controls:

No indications of management override of controls were noted from our testing.

Incomplete accounting for the accommodation move:

We consider the accounting for the accommodation move materially complete and accurate.

Change in payroll provider results in payroll processing errors:

Payroll controls have been confirmed as designed and implemented appropriately. No reportable error identified.

Incomplete/inaccurate identification of capital expenditure:

No reportable error identified and the Commission's capital outturn is within its voted capital expenditure limit.

Materiality

£38k

- We have reported all misstatements above £1,000.

Audit adjustments (page 10)

£0

The net effect of audit adjustments on the statement of comprehensive net expenditure and statement of financial position is nil.

Unadjusted misstatements (page 10)

£0

No unadjusted misstatements above our reporting threshold were noted.

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Findings from our work on significant risks

The risks previously communicated in our planning report are presented below.

Presumed risk of fraud through management override of controls

Details and audit response

ISA 240 requires us to presume a risk if management override in financial reporting and this cannot be rebutted.

Factors include:

- Journals may not be prepared and authorised at appropriate levels of authority;
- Any accounting judgements applied may not be supported by appropriate evidence; and
- Transactions outside the normal course of business may not have been disclosed as required by accounting standards or may be irregular.

We have:

- Confirmed the design and implementation of controls over journal entries;
- Considered the finance team's review of accounting for new significant or unusual transactions
- Tested material journals and those deemed more risky in nature and assessed the suitability of evidence to support the journals;
- Reviewed management's judgements and assumptions within significant estimates; and
- Performed analysis of ledger data to help us identify and confirm any significant or unusual transactions

Audit findings and conclusion

No indications of management override of controls were noted from our testing.

Key audit findings

Other areas of audit focus

The following are matters which we considered had a direct impact on the financial statements but did not represent significant risks of material misstatement as defined by ISA (UK) 315.

Title and description	Audit response	Audit findings and conclusion
<p>Change in payroll provider results in payroll processing errors</p> <p>The Commission changed payroll provider in April 2017. As with any change in third party service provider, there is a risk of financial error being introduced post-transfer.</p>	<p>We have obtained an understanding of management's updated payroll processes.</p> <p>We have completed standard payroll testing (starters and leavers testing and predictive analytical procedures) and a comparison of payroll before and after transfer.</p>	<p>Payroll controls were confirmed as being designed and implemented appropriately. No reportable error identified.</p>
<p>Incomplete accounting for the accommodation move</p> <p>The Commission is relocating to Windsor House. The Commission has considered the following possible impacts on the financial statements:</p> <ul style="list-style-type: none"> • that no dilapidation provision is required (on either lease); • whether an onerous lease provision is required for any rent payable for Millbank tower after the move; • the treatment of the initial rent-free period at Millbank tower (if this is clawed back by the landlord as a result of exiting the lease early); and • the treatment of Windsor House capital fit-out costs (incurred prior to year-end), including the Commission's contribution to the Cabinet Office's communal fit-out costs. 	<p>We have confirmed the Commission's conclusions, including supporting analysis of expenditure.</p>	<p>The accounting for the accommodation move is materially complete and accurate.</p>

Key audit findings

Other areas of audit focus

The following are matters which we considered had a direct impact on the financial statements but did not represent significant risks of material misstatement as defined by ISA (UK) 315.

Title and description	Audit response	Audit findings and conclusion
<p>Incomplete /inaccurate identification of capital expenditure</p> <p>The Commission has incurred material capital expenditure through the build of a new website platform and the development of its SharePoint sites.</p>	<p>We have performed sample testing of capital additions and considered the split between capital and revenue spend.</p> <p>We have confirmed that the assets being replaced have been appropriately recorded as disposed in the financial statements.</p>	<p>No reportable error identified and the Commission's capital outturn is within its voted capital expenditure limit.</p>

The following are the matters which we did not consider to represent significant risks to the financial statements but that the Audit and Risk Committee should be aware of, as they are areas of management judgement:

Description	Management's judgment	Our view
<p>Depreciation and amortisation</p> <p>Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the Commission's operations.</p>	<p>Management should assess each year the remaining useful economic lives for its assets taking account of the actual existence and use of assets as well as the need for any impairment in the value of assets.</p>	<p>We are content with the assessment of UELs and the material accuracy of the depreciation and amortisation balances.</p>
<p>Accruals</p> <p>Significant revenue and capital accruals have been raised at year-end for the Windsor House fit-out costs as well as rent, rates and service charges.</p>	<p>Where invoices have not yet been received, estimates of the liabilities based on the best available information have been made.</p>	<p>No reportable error identified. Estimates have been included in the accounts for Windsor House related costs.</p> <p>Corroboration to the Cabinet Office's records has not indicated any more up to date estimate is available post the balance sheet date.</p>

Adjusted misstatements

Misstatements that we have identified, have been adjusted and are above our clearly trivial threshold of £1,000. The net effect of these adjustments on the statement of comprehensive net expenditure and/or statement of financial position was £nil.

There were no uncorrected misstatements above our reporting threshold.

Adjusted misstatements

	SoCNE DR £000	SoCNE Cr £000	SoFP Dr £000	SoFP Cr £000
Misclassification of permanent staff costs as other staff costs	3	3		
Total	3	3	0	0

Financial statement disclosures

We have made some suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the FReM and other relevant guidance.

In particular, we have made suggestions to improve the disclosures relating to the future implementation of new accounting standards (IFRS, 15, 9 and 16).

We are content with the overall neutrality, consistency and clarity of the disclosures in the financial statements as well as judgments made in formulating any sensitive financial statement disclosures.

Accounting policies and financial reporting

As part of our audit, we consider the quality and acceptability of the Commission's accounting policies and financial reporting. We are content that the accounting policies are complete, accurate and compliant with the relevant standards and have been appropriately applied. The judgements made by the Commission on their accounting policies were found to be appropriate to the entity and its activities. There were no new or changed policies in 2017-18.

Regularity, propriety and losses

We found one instance of an extra-contractual payment (in lieu of notice) of £3k being made to a staff leaver. While this payment is not irregular, we have not been provided with evidence of approval from the Commission (as we would expect for a special exit payment, per LGBCE's particular governance arrangements and the applicable requirements of Managing Public Money).

There were no losses disclosed in the accounts; this was deemed to be accurate.

Follow up to recommendations made in the previous year

In 2016-17 we made the below recommendations to the Commission and throughout this year's audit we have followed up with management on progress in implementing the accepted recommendations. Below is an update on the status of these recommendations.

Management of non-current assets	Low risk
Finding	Our recommendation
<p>Our testing identified numerous non-current assets that, by the current year end, had been fully depreciated to a nil net carrying value.</p> <p>However, all of these assets were reported by the Commission to be still in use with positive economic value, at the year end.</p> <p>This indicated that the useful economic lives of these assets have historically been underestimated, leading to an overstatement of depreciation and amortisation in prior years, with an [immaterial] understatement in their carrying value in 2016-17 and, potentially, in future years.</p>	<p>Status</p> <p><i>Partially implemented.</i></p> <p>We were informed that the year-end existence review was limited to small portable items that were below the Commission's capitalisation threshold, and therefore provides no assurance over the existence of capitalised items in the Commission's accounts.</p> <p>Disposals were recognised after we requested this was considered during audit fieldwork.</p>

We have conducted our audit of the 2017-18 financial statements in accordance with International Standards on Auditing (UK) issued by the Financial Reporting Council and with the audit planning report presented to the Audit and Risk Committee in February 2018.

We have also read the content of the draft annual report and the governance statement to confirm that:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Local Democracy, Economic Development and Construction Act 2009;
- in the light of the knowledge and understanding of the Commission and its environment obtained in the course of the audit, we have not identified any material misstatements in the Performance Report or the Accountability Report;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- that the governance statement has been prepared in accordance with HM Treasury guidance.

As part of our audit, we assessed:

- whether the accounting policies are appropriate to the Commission's circumstances and have been adequately disclosed;
- the reasonableness of significant accounting estimates made by the Accounting Officer; and
- the overall presentation of the financial statements.

We are also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

We have reviewed evidence to demonstrate that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

Independence

We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities/public interest entities. We have fulfilled our ethical responsibilities in accordance with these requirements and have developed important safeguards and procedures in order to ensure our independence and objectivity.

Information on NAO quality standards and independence can be found on the NAO website:
<https://www.nao.org.uk/about-us/our-work/governance-of-the-nao/transparency/>.

International standards on Auditing (UK)

We consider that there are no additional matters in respect of items requiring communication to you, per International Standards on Auditing (UK), that have not been raised elsewhere in this report or our audit planning report. Items requiring communication cover:

- Fraud
- Going concern
- The Commission's compliance with laws and regulations
- Significant difficulties completing the audit
- Disagreements or other significant matters discussed with management

Cooperation with other auditors

Internal Audit

We did not plan to place direct reliance on Internal Audit work this year, however we have liaised with them through the course of the audit, reviewed the findings from their work (particularly key financial controls, which did not raise any significant areas of risk) and considered the implications for our audit on an ongoing basis.

Management of personal data

During the course of our audit we have had access to personal data to support our audit testing.

The General Data Protection Regulations (GDPR) came into force in May 2018. These regulations make no difference to the C&G's access rights.

The Data Protection Act provides the C&AG with an exemption from the individual rights provisions where to apply the provisions would be likely to prejudice the proper discharge of the C&AG functions. For example this would mean that we would not need to inform an individual about processing nor could an individual object to processing of their information for audit purposes where that would disrupt an efficient audit.

We take our obligations under GDPR seriously. We have appointed a Data Protection Officer and all our staff are required to comply with formal data protection policies, guidelines and procedures designed to keep third party data secure and support privacy by design. We will destroy, return, or store personal data as necessary on completion of our work.

We confirm that we have discharged those responsibilities communicated to you in the NAO's Statement on Management of Personal Data.

The statement on the Management of Personal Data is available on the NAO website:

<http://www.nao.org.uk/freedom-of-information/publication-scheme/how-we-make-decisions/our-policies-and-procedures/policies-and-procedures-for-conducting-our-business>

Communication with the NAO

Organisations we audit tell us they find it helpful to know about our new publications, cross-government insight and good practice.

We share this through our [e:newsletter](#), [Round-up for Audit and Risk Committees](#) and email notifications about to our work on particular sectors or topics. If you would like to receive any of these, please sign up at: <http://bit.ly/NAOoptin>. You will always have the option to amend your preferences or unsubscribe from these emails at any time.

Appendices

The Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
LONDON
SW1W 9SP

LETTER OF REPRESENTATION: LOCAL GOVERNMENT BOUNDARY COMMISSION FOR ENGLAND 2017-18

I acknowledge as Accounting Officer of the Local Government Boundary Commission for England my responsibility for preparing accounts that give a true and fair view of the state of affairs, net cost of operations, changes in taxpayers' equity and cash flows of the Commission for the year ended 31 March 2018.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and
- make an assessment that the Commission is a going concern and will continue to be in operation throughout the next year; and ensure that this has been appropriately disclosed in the financial statements.

I confirm that for the financial year ended 31 March 2018:

- neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in Managing Public Money;
- having considered and enquired as to the Commission's compliance with law and regulations, I am not aware of any actual or potential non-compliance that could have a material effect on the ability of the Commission to conduct its business or on the results and financial position disclosed in the accounts;
- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by the Commission have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and
- the information provided regarding the identification of related parties is complete; and the related party disclosures in the financial statements are adequate.

I acknowledge as Accounting Officer my responsibility for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with HM Treasury guidance on the Governance Statement.

FRAUD

I acknowledge as Accounting Officer my responsibility for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the Commission and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

ASSETS

General

All assets included in the statement of financial position were in existence at the reporting date and owned by the Commission, and free from any lien, encumbrance or charge, except as disclosed in the accounts. The statement of financial position includes all tangible assets owned by the Commission.

Non-Current Assets

All assets over £5,000 are capitalised. They are revalued annually using indexation where material. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the Commission's operations.

Other Current Assets

On realisation in the ordinary course of the Commission's operations the other current assets in the statement of financial position are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to the Commission which are known, or may be expected, to be irrecoverable.

LIABILITIES

General

All liabilities have been recorded in the statement of financial position. There were no significant losses in the year and no provisions for losses were required at the year-end.

Contingent Liabilities

I am not aware of any pending litigation which may result in significant loss to the Commission, and I am not aware of any action which is or may be brought against the Commission under the Insolvency Act 1986.

OTHER DISCLOSURES

Results

Except as disclosed in the accounts, the results for the year were not materially affected by transactions of a sort not usually undertaken by the Commission, or circumstances of an exceptional or non-recurring nature.

Unadjusted Errors

No unadjusted errors have been brought to my attention.

Events after the Reporting Period

Except as disclosed in the accounts, there have been no material changes since the reporting date affecting assets, liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

Management of Personal Data

Except as disclosed in the relevant sections of the Annual Report, there have been no personal data related incidents in the accounting period subject to audit which are required to be reported.

Jolyon Jackson, Chief Executive and Accounting Officer
July 2018

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of the Local Government Boundary Commission for England for the year ended 31 March 2018 under the Local Democracy, Economic Development and Construction Act 2009. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Commission's affairs as at 31 March 2018 and of the Commission's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Democracy, Economic Development and Construction Act 2009 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Local Government Boundary Commission for England in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Local Democracy, Economic Development and Construction Act 2009.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 the Local Government Boundary Commission for England's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Local Government Boundary Commission for England's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Local Democracy, Economic Development and Construction Act 2009;
- in the light of the knowledge and understanding of the Local Government Boundary Commission for England and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date