



# The Audit Findings for Warwick District Council

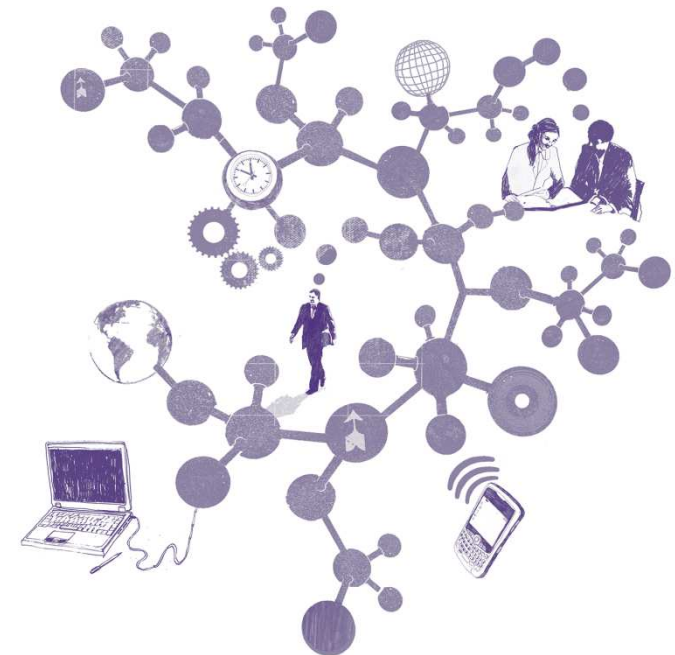
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**Year ended 31 March 2014**

September 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Section 1: Executive summary

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# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Warwick District Councils (the Council) financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

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

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 7 May 2014.

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

- review of related parties, operating segments, provisions and the explanatory foreword
- review of outstanding evidence for revenues and employee remuneration substantive testing
- completion of the initial sampling on the housing benefit certification claim
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement,

- updating our post balance sheet events review, to the date of signing the opinion, and
- completion of our work on the Whole of Government Accounts (WGA) return.

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

## Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We requested management to make a number of adjustments to improve the presentation of the accounts which are set out in section 2. Management agreed to make all the changes requested by us and therefore there are no unadjusted errors to report. None of these adjustments affected the General Fund Balance.

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

- The draft accounts presented for audit were of a good quality, as in previous years.
- Working papers provided were fit for purpose, with officers responding promptly to audit queries. This could be further enhanced by ensuring all key staff are available during the audit visit.
- We have discussed with officers the overall length of the accounts and numbers of disclosures made within them. The disclosure checklist produced by CIPFA now clearly gives councils the opportunity to not disclose certain items if they are immaterial to the accounts. We are happy to work with officers to achieve a more streamlined set of accounts in future years.

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

### Value for money conclusion

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

Further detail of our work on Value for Money is set out in section 3 of this report.

### Objection to the accounts

A local elector has made an objection to the accounts in relation to the granting of leases on land adjacent to the racecourse. We are currently considering the issues raised.

We have been made aware by a number of local electors of difficulties they have encountered in seeking to exercise their statutory rights to inspect the accounts and supporting records. The level of such requests increased significantly this year and the Council will need to ensure that it has appropriate arrangements in place to prevent a recurrence in future years.

### Controls

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

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

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

Further details are provided within section 2 of this report.

### The way forward

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

### Acknowledgment

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

**Grant Thornton UK LLP**  
**September 2014**

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## Section 2: Audit findings

01. Executive summary

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05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 7 May 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 7 May 2014.

## **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion.



## 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 315).

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

|    | Risks identified in our audit plan   | Work completed  | Assurance gained and issues arising   |
|----|--|---|---|
| 1. | <p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p> | <ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> </ul>   | <p>Our audit work has not identified any issues in respect of revenue recognition.</p>  |
| 2. | <p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>                    | <ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> </ul> | <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p> |

## Audit findings against other risks



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

| Transaction cycle            | Description of risk  | Work completed  | Assurance gained & issues arising   |
|------------------------------|--|---|---|
| <b>Operating expenses</b>    | <p>Creditors understated or not recorded in the correct period. (Completeness)</p> <p>Reasonably Possible Risk (RPR)</p> | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>Conducted a walkthrough of the key controls for this system,</li> <li>Reviewed the monthly trend analysis of payments,</li> <li>Performed cut off testing of purchase orders and goods received notes (both before and after year end),</li> <li>Reviewed the completeness of the reconciliations to the purchasing system, and</li> <li>Tested a sample of operating expenses and creditors.</li> </ul>  | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> |
| <b>Employee remuneration</b> | <p>Employee remuneration accrual understated. (Completeness)</p> <p>RPR</p>  | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>Conducted a walkthrough of the key controls for this system,</li> <li>Reviewed the completeness of the reconciliations of information from the payroll system to the general ledger and financial statements,</li> <li>Performed cut off testing of payments made in April and May to ensure payroll expenditure is recorded in the correct year,</li> <li>Reviewed the monthly trend analysis of total payroll, and</li> <li>Tested a sample of employee remuneration payments.</li> </ul> | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> |

| Transaction cycle                          | Description of risk  | Work completed  | Assurance gained & issues arising   |
|--|--|---|---|
| <p><b>Welfare Expenditure</b></p>          | <p>Welfare benefit expenditure improperly computed (Valuation Gross)</p> <p>RPR</p>  | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Conducted a walkthrough of the key controls for this system, and</li> <li>• A sample of expenditure was tested to ensure compliance with the Local Council Tax Scheme requirements, and</li> <li>• Completion of the Audit Commission Housing Benefit HB Count methodology.</li> </ul>  | <p>Our audit work to date has not identified any significant issues in relation to the risk identified.</p> <p>Work is still in progress in relation to the detailed housing benefit testing workbooks.</p> |
| <p><b>Housing Rent Revenue Account</b></p> | <p>Revenue transactions not recorded (Completeness)</p> <p>RPR</p>   | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Conducted a walkthrough of the key controls for this system, and</li> <li>• Completed various analytical procedures, and</li> <li>• Sample tested items to ensure they have been accurately accounted for and in the correct period.</li> </ul>   | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>   |
| <p><b>Business Rates</b></p>               | <p>The introduction of the new arrangements for Business Rates presents a risk to the Council. The key changes for the accounts will be ensuring the correct accounting treatment is followed in preparing the accounts and the calculation of the provision for rating appeals.</p> <p>Non- RPR</p> | <p>We have undertaken the following work in relation to the risk:</p> <ul style="list-style-type: none"> <li>• We have discussed with officers the implications of the introduction of the new scheme, and</li> <li>• Completed substantive tests to confirm that the authority's accounting treatment is compliant with the CIPFA Local Authority accounting guidance, and</li> <li>• Reviewed the basis for the calculation of the provision and discussed with management the rationale for the accounting estimate used.</li> </ul> | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>   |

## Accounting policies, estimates & judgements


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

| Accounting area                 | Summary of policy   | Comments  | Assessment  |
|---------------------------------|---|---|---|
| <b>Revenue recognition</b>      | Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. | <ul style="list-style-type: none"> <li>The Council's policy is appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice</li> <li>Minimal judgement is involved</li> <li>The accounting policy is properly disclosed</li> </ul>  | <br>Accounting policy appropriate and disclosures sufficient |
| <b>Judgements and estimates</b> | Key estimates and judgements include: <ul style="list-style-type: none"> <li>Future levels of funding for Local Government,</li> <li>Useful life of assets,</li> <li>Provisions,</li> <li>Pensions liability, and</li> <li>Collection rate of arrears.</li> </ul>   | We have considered: <ul style="list-style-type: none"> <li>Appropriateness of the policy under relevant accounting framework</li> <li>Extent of judgement involved</li> <li>Potential financial statement impact of different assumptions, and</li> <li>Adequacy of disclosure of the accounting policy.</li> </ul> Our review of key estimates and judgements has not highlighted any issues which we wish to bring to your attention. | <br>Accounting policy appropriate and disclosures sufficient |

### Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

## Accounting policies, estimates & judgements continued

| Accounting area                  | Summary of policy  | Comments   | Assessment   |
|----------------------------------|--|--|--|
| <b>Other accounting policies</b> | <ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul> | <ul style="list-style-type: none"> <li>We have reviewed the accounting policies and these are generally in line with expectations.</li> <li>The accounting policy for heritage assets states that these assets should be revalued every 5 years. A valuation was due in 2013/14 however this has not been commissioned until 2014/15. We have had correspondence with the newly appointed valuer and taken assurance from his expert view that the value of these assets would not be materially different from that held in the balance sheet at year end.</li> <li>The valuation policy for tangible assets is not in strict compliance with the revised IAS16 for LG bodies, which specifies that all assets within a category are revalued within a short period. Officers have completed an exercise to demonstrate that the impact of this does not have a material impact on the carrying value of the assets at the year end.</li> <li>The Annual Governance Statement is required to include a specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officers in Local Governments (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. This has been omitted from the Statement. Officers have agreed to undertake a compliance review against these requirements to enable the statement to be included in future years.</li> </ul> |  <p>Accounting policy appropriate but scope for improved disclosure</p> |

### Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

## Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

### Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

| Detail   | Statement/Notes effected  |
|--|---|
| <p>£ 614k had been incorrectly included within Note 12 as a revaluation, when it should have been included as a de-recognition. This relates to the valuation of the assets held for sale in 12/13 and subsequently sold in 13/14 and therefore not recognised within council dwellings – but within assets held for sale.</p> | <p>This has impacts on note 12 and also the capital financing notes, HRA notes and the cash flow statement.</p> |

## Misclassifications & disclosure changes

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

| Adjustment type             | Account balance | Impact on the financial statements   |
|-----------------------------|-----------------|--|
| Presentation and disclosure | Various         | <p>Our review of the accounts highlighted a small number of improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. Examples of the types of errors are included below;</p> <ul style="list-style-type: none"> <li>• Note 5 HRA Summary of Capital Expenditure and Funding Sources. The note within the draft accounts had not been updated to include the current year data.</li> <li>• Note 29 Amounts Reported for Resource Allocation Decisions – Inconsistency on prior year figure identified in the reconciliation,</li> <li>• Note 34 Grant Income – Incorrect descriptor used for Homelessness Prevention Grant of £85k,</li> <li>• Balance Sheet – Reference note for Capital Grants and Contributions was incorrect,</li> <li>• Accounting policies – A number of accounting policies contained detailed supporting information which should be included in other supporting notes rather than the accounting policies themselves.</li> </ul> |

## Other communication requirements

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

|    | Issue  | Commentary   |
|----|--|--|
| 1. | <b>Matters in relation to fraud</b>                | <ul style="list-style-type: none"> <li>We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>      |
| 2. | <b>Matters in relation to laws and regulations</b> | <ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>                                     |
| 3. | <b>Written representations</b>                     | <ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council.</li> </ul>  |
| 4. | <b>Disclosures</b>                                 | <ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>   |
| 5. | <b>Matters in relation to related parties</b>      | <ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>   |
| 6. | <b>Going concern</b>                               | <ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.</li> </ul> |



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## Section 3: Value for Money

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## Value for Money

### Value for Money conclusion

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

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

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

- The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### Key findings

#### Securing financial resilience

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

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

The Council, like many others nationally, continues to face challenges in how to balance its budget. The revenue outturn position for 2013/14 shows that the budget has been achieved with a reported overall surplus of £476k which represents 2.9% of net expenditure. This overall position does however mask an underspend of £3.008m against net cost of services, with underspends being reported in almost all services. In addition to underspends on revenue, the Council also reported a capital underspend of £2.237m against a budget of £12.399m, which represents 18%. As for revenue, these underspends are across a range of projects, with reasons for the variations clearly understood by members, and adequately reported to members. Officers have already identified these variations as a potential weakness in both budget setting and monitoring, and a review of these procedures is currently underway.

Fit for the Future (FFF) remains the key mechanism for helping the Council achieve the level of savings it requires as part of the medium term financial plan. For 2013/14 a target level of savings of £407k was set, of which £363k has been achieved. This is an underachievement of £44k, which represents 11% of the original target. This underachievement of savings is not considered significant in the short to medium term, particularly given the level of underspends made elsewhere in the budget during 2014/15. It is however an important reminder that in the longer term the financial settlement is likely to mean more difficult decisions are required to balance the budget and ensure the sustainability of the district.

Our review of financial governance asks us to consider a range of indicators, one of which is the number of pending legal cases or any on-going regulatory proceedings. Our attention has been drawn to two legal issues which are yet to be resolved. One is in relation to the granting of leases on the Warwick Race Course site, the other is in relation to the pursuit of outstanding housing benefit debt. As both of these cases are in progress, the full costs relating to these cases is not known, however through our discussion with officers we do not consider these costs material to our overall conclusion.

We also consider executive and member engagement as part of the financial governance of the authority. While we have no significant concerns around the processes in place for the receipt and investigation of complaints made against officers and members, it is worth noting the high level of standards activity during 2013/14. A review of the log of complaints shows that there were 19 complaints recorded and resolved during the period, from our experience of other similar authorities this is unusual.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within.

The Council continues to be effective in reducing costs while maintaining services. The FFF programme is designed to identify efficiencies, cost savings and income generation options. This is typified by the Lean Systems approach where activities that do not add value, either internally or to the customer, are eliminated. As we have commented in previous years FFF provides robust challenge to the current ways of working, seeking to generate efficiency savings without compromising service quality, this remains unchanged.

### Overall VFM conclusion

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

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

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## Fees, non audit services and independence

We confirm below our final fees charged for the audit.

### Fees

|   | Per Audit plan<br>£ | Actual fees<br>£ |
|---|---------------------|------------------|
| Council audit*                                  | 70,597              | 71,497           |
| Grant certification                             | 10,880              | TBC              |
| Fee for dealing with Local Government Objection | 0                   | TBC              |
| <b>Total audit fees</b>                         | <b>81,477</b>       | <b>TBC</b>       |

\* Actual fees have increased by £900 compared to the audit plan. This is following approval by the Audit Commission for all Local Government bodies that a fee variation was appropriate as a result of the extra work required on business rates following the change in the accounting requirements.

As previously mentioned we have also received an objection to the accounts from a local resident. The work required for us to discharge our statutory duties is not included within the scale fee and therefore the costs associated with this work will be charged to the Council. We will keep officers informed of progress and the likely costs associated with this work.

We will report the final audit fee to the Council in our Annual Audit Letter, with the final certification fee being reported as part of the grant certification report.

### Fees for other services

| Service  | Fees £ |
|--|--------|
| Appraisal of options for Kenilworth Public Service Centre (Tax advisory) | 6,000  |

### Independence and ethics

We confirm that there are no significant facts or matters that in fact 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.

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## Section 5: Communication of audit matters

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# Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 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 the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

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

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

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

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

# Appendices



# Appendix A : Audit Opinion

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICK DISTRICT COUNCIL

### Opinion on the Authority financial statements

We have audited the financial statements of Warwick District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement 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 2013/14.

This report is made solely to the members of Warwick District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Warwick District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA / LA SAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

## Opinion on other matters

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

## Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

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

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Warwick District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack and concluded our work on the objection to the accounts. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



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