The Audit Findings for Warwick District Council

Year ended 31 March 2019

30 July 2019



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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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Warwick District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Members will be aware that there were significant delays in the 2017/18 financial statements audit, as such the opinion on the 2017/18 financial statements was not given until 12 December 2018, 5 months after the reporting deadline. We are pleased to report that the Council has implemented a number of changes to its internal processes to ensure the draft financial statements were prepared and subject to quality checks prior to 31st May 2019. The Council has also been fully engaged in the use of Inflo, a system we use in order to administer and track audit working paper requests. The progress made by the finance team this year has resulted in a sound foundation on which to build further improvements. With a number potential key finance staff changes in the next 12 months it is critical that the Council focusses on its succession planning within the finance team, including robust handover processes in order that the progress made to date is not lost. 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. Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 16. We have not identified any adjustments to the financial statements which affect the Council's Comprehensive Income and Expenditure Statement. A small number of disclosure and presentation changes have been identified which are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters: - Receipt of the Assurance Letter from the Pension Fund external auditor to admitted body auditors - Completion of our work around investment balances - Receipt of management representation letter (see appendix F) - Updating our post balance sheet events review to the date of signing the opinion; and - Review of the final set of financial statements. There is one item in respect of the impact of the McCloud judgment and GMP indexation (see pages 12, 13 and 30) for which management are not proposing to amend the financial statements and which we will therefore be seeking the Finance and Audit Scrutiny Committee's approval on. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unqualified.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Warwick District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 17 to 19.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

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Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 26th March 2019, except for additional procedures which have been carried out regarding the consideration of GMP indexation and McCloud disclosures within the financial statements (see pages 12,13 and 30).

Audit opinion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Finance and Audit Scrutiny Committee meeting on 30 July 2019, as detailed in Appendix E. These outstanding items include:

- Receipt of the Assurance Letter from the Pension Fund external auditor to admitted body auditors
- Completion of our work around investment balances
- Receipt of management representation letter (see appendix F)
- Updating our post balance sheet events review to the date of signing the opinion; and
- Review of the final set of financial statements.

We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Subject to satisfactory conclusion of the outstanding matters listed above our anticipated audit report opinion will be unmodified

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Approach to Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan . We detail in the table below our determination of materiality for Warwick District Council,

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,200,000	We determined materiality for the audit of the Council's financial statements as a whole to be £1,200,000, which is 1.5% of the Council's gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Performance materiality	780,000	We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 65% of financial statement materiality for the audit of the financial statements. We have reduced this from our maximum level of 75% as a result of our consideration of a number of factors, including: • The difficulties experienced by the Council in 2017/18 in respect of closing its accounts down. • In 2017/18 there were a number of significant misstatements (primarily in the capital accounting transactions) arising as a result of the financial statements audit at the Council.
Trivial matters	60,000	We determined the threshold at which we will communicate misstatements to the Finance and Audit Scrutiny Committee to be £60,000 (5% of materiality for the financial statements).
Materiality for specific transactions, balances or disclosures	25,000	In accordance with ISA320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts.

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Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted as we have concluded that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Warwick District Council. There were no changes to our assessment as reported in the audit plan that we need to bring to your attention. Whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work at the Council has not identified any issues in respect of management override of controls, though we note that as at the time of writing we are still completing our work on journals testing. For an in depth consideration of the Council's estimates please see pages 9 to13.

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Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of Property, Plant and Equipment** The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. As part of the 2017/18 audit it was identified that there were no clear and specific instructions issued to the valuer, there were multiple valuations performed throughout the period, and there was no formal annual impairment review. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We have undertaken the following work in relation to this risk: • updated our understanding of the processes, controls and assumptions put in place by management to ensure that the PPE valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement; • assessed the competence, capabilities and objectivity of management's experts (valuers) who carried out your PPE valuations; • evaluated the instructions issued by management to their management expert (a valuer) for this estimate and the scope of the valuer's work; • communicated with the valuer about the basis on which the valuation is carried out and where necessary challenge the key assumptions • reviewed and challenge the information used by the valuer to ensure it is robust and consistent with our understanding • tested revaluations made during the year to ensure they are consistent with the valuer's report and input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value. **Findings** Council dwellings – As recorded under Note 3 – Critical Judgments, the Council continues to value its Council Dwellings and other HRA PPE as at 1st April 2019 and use this as a proxy for values as at 31st March 2019. We consider it is highly unlikely that the value of these properties would materially change overnight and we have satisfied ourselves in respect of the assumptions used by management's expert. We are therefore satisfied that the valuation as at 31st March 2019 is not materially misstated. As part of our testing we have reviewed the valuation reports provided by management's experts. We found a number of omissions and/or inconsistencies with the information provided by the valuer to the Council. The Council should thoroughly check valuation information provided by the valuer and ensure this is both in line with the agreed terms of Engagement and information within the report has been scrutinised for accuracy. The Council values different categories of assets as at different points in the year i.e. Council Dwellings as at 1st April following the current financial year, 20% of other land and building assets are revalued under the rolling programme as at 1st April of the current financial year and a sample of the 80% that isn't part of the rolling programme is valued as at 31st March of the current financial year. We have satisfied ourselves in respect of the year end position not being materially misstated but are of the view that there is scope for the Council to streamline the process to reach a position where the assets are valued as at the Balance Sheet date or a date earlier than this with evidence that the estimated value at 31st March is not materially different. **Conclusion** We have raised a number of recommendations in relation to PPE however we are satisfied that the value of Property, Plant and Equipment is not materially misstated within the financial statements.

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Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
4 Valuation of the pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£48 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	**Auditor commentary** We have: • documented our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. Our audit work has not identified any issues in respect of valuation of the pension fund net liability, except in relation to the McCloud judgement and GMP indexation. We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability. This is detailed below under significant findings – key judgements and estimates (pages 11 and 12).

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Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for (NNDR appeals - £4.220m (£0.695m short-term, £3.525m long-term)	The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculate the level of provision required based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	We have: • Reviewed the appropriateness of the underlying information used to determine the estimate • Considered the reasonableness of increase/decrease in estimate • Confirmed the adequacy of disclosure of estimate in the financial statements The Council have identified a misclassification issue between short term and long term provisions of £705k . This has been adjusted in the financial statements and is included in Appendix C. We are satisfied that the overall provision is not materially misstated.	Green
Land and Buildings – Council Housing - £387.206m	The Council owns 5,478 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council's last full valuation of council dwellings was from as at 1st April 2019. The year end valuation of Council Housing was £387.206m, a net increase of £16.558m from 2017/18 (£370,648m). This is made up of: ➢ Asset additions £8.628m ➢ Asset disposals (£1.741m) ➢ Revaluation Increases £9.671m ➢ **TOTAL** **£16.558m**	We have: • Assessed management's expert, • Reviewed the completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method • Considered the consistency of estimate against findings of our Auditors' Expert , Gerald Eve. • Considered the reasonableness of increase in estimate • Considered where the disclosures relating to the estimate are appropriate in the financial statements The valuation of Council Dwellings was completed as at 1st April 2019. We consider it is highly unlikely that the value of these properties would materially change overnight and we have satisfied ourselves in respect of the assumptions used by management's expert. We are therefore satisfied that the valuation as at 31st March 2019 is not materially misstated.	Green

Assessment
- Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Amber - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Yellow - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Green - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other (OLB) - £82.371m	Other land and buildings comprises specialised assets of £50.420m which include assets such as Newbold Comyn Leisure Centre, Royal Spa Centre, Pump rooms. , which are required to be valued at depreciated replacement cost (DRC) at year end. The remainder of other land and buildings (£31.950m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its own external valuer, Carter Jonas LLP, to complete the valuation of properties as at 31 March 2019 on a four yearly cyclical basis. 81% of total assets (by value) were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net decrease of £7.861m.	We have: • Assessed the objectiveness and competency of management's expert • Determined the accuracy of the underlying information used to determine the estimate • Compared the consistency of estimate against a report from Gerald Eve setting out indices movements in the year • tested the value of the properties by comparing a sample to enable us to assess the reasonableness of the increase in the estimate • Reviewed the adequacy of disclosure of estimate in the financial statements Whilst we are satisfied there is no material misstatement in the value of Other Land and Buildings we did identify improvements which could be made to the revaluation process (see page 7). These are included as recommendations at Appendix A.	● Green
Investment property valuation process – Note 16	In accordance with IFRS 13 investment property should be measured at fair value at the reporting date.	• Investment property per the financial statements Note 16 total £10.966m. • In accordance with IFRS 13 investment property should be measured at fair value at the reporting date through an annual revaluation. • We are satisfied that the Investment property value included within the financial statements is not materially misstated.	● Green

Assessment
- Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Amber - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Yellow - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £48.466m	The Authority's total net pension liability at 31 March 2019 per the draft accounts was £48,466k (PY £38,123k). The Authority uses Hymans Robertson LLP to provide actuarial valuations of the Authority's assets and liabilities derived from the Local Government Pension Scheme in which it participates, (which is the Warwickshire Pension Fund, administered by Warwickshire County Council). A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. Since the draft accounts were produced the Council has requested an estimate from its actuary of the potential impact of the McCloud ruling and GMP indexation. The actuary's estimate was of a possible increase in pension liabilities of £1.089m (£780k relating to McCloud + £309k relating to GMP indexation) Management's view is that the impact of the ruling is not material for Warwick District Council, and will be considered for future years' actuarial valuations. The Council has included a 'contingent liability' disclosure within its financial statements .	PwC were engaged by the Audit Commission (and subsequently the NAO) as consulting actuary to undertake a central review of the actuaries used by the Local Government Pension Scheme (LGPS). They produce a report designed to provide support to auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing IAS 19 figures in respect of the LGPS, Police and Fire schemes as at 31 March 2019. We have also reviewed the: • Completeness and accuracy of the underlying information used to determine the estimate • Reasonableness of the Authority's share of LGPS pension assets. • Reasonableness of increase/decrease in estimate • Adequacy of disclosure of estimate in the financial statements With the exception of the potential impact of the McCloud ruling and GMP indexation, which is included as an uncertainty in Appendix C we have no other findings to report you.	Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.4%-2.5%	(G)
Pension increase rate	2.5%	2.4% to 2.5%	(G)
Salary growth	3.10%	Scheme & Employer specific	(G)
Life expectancy – Males currently aged 45 / 65	22.5 years	20.6-23.4	(G)
Life expectancy – Females currently aged 45 / 65	24.7 years	23.2-24.8	(G)

Assessment
- Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Amber - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Yellow - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Green - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment
Net pension liability – Impact of McCloud Judgement and Guaranteed Minimum Pension (GMP) **McCloud Judgment** The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. Our Grant Thornton view was that this gave rise to a past service cost and liability within the scope of IAS 19 as the ruling created a new obligation. The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. This was confirmed on 15 July 2019 in a statement released by The Chief Secretary to the Treasury. The quote extracted and shown below is of greatest interest as it recognises remedies will need to be applied to the LGPS and hence supports the Authority's stance in the recognition of increased liabilities: *"As 'transitional protection' was offered to members of all the main public service pension schemes, the government believes that the difference in treatment will need to be remedied across all those schemes. This includes schemes for the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers. Continuing to resist the full implications of the judgment in Court would only add to the uncertainty experienced by members."* https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-07-15/HCWS1725/	Our Grant Thornton view was that the McCloud judgement gave rise to a past service cost and liability within the scope of IAS 19 as the ruling created a new obligation. IAS 19.61 states 'An entity shall account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices.' Our view is based on the fact there is a legal obligation. As set out in IAS 37.10, 'A legal obligation is an obligation that derives from:…….(c) other operation of law' i.e. the Court of Appeal ruling. The IAS 37 criteria was considered to determine if a liability exists i.e. is there a present obligation as a result of a past event, is it probable than an outflow of resources will be required to settle the obligation and can a reliable estimate be made. Where there is a liability, it would be accounted for under IAS 19 due to the IAS 37 scope exclusion in respect of employee benefits (IAS 37.5d). On the 12th June 2019 we wrote to all our local government clients setting out our views and recommending that bodies ask their actuaries to re-run the IAS19 reports with the actuary reflecting the best estimate for restitution and providing sensitivity analysis for key assumptions. The Authority requested a revised actuarial assessment from Hymans Robertson and this was received on the 5th July 2019. This reported: "*The Fund's actuary has adjusted GAD's estimate to better reflect the Warwickshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate as it applies to Warwick District Council is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.44% higher as at 31 March 2019, an increase of approximately £780k*.". The Authority has increased their pensions disclosures following receipt of the revised report. The Authority has not adjusted their primary statements, taking the view, that the combined impact of the McCloud judgement (£780k) and Guaranteed Minimum Pension (GMP) indexation (£309k), amounting to £1.089m compared to the net pension liability of £48.466m is not material to the financial statements and will be considered for future years' actuarial valuations and that additional disclosure is appropriate. We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material misstatement as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability. We have included this as an uncertainty within Appendix C and we will therefore be seeking Finance and Audit Scrutiny Committee agreement to management's decision not to amend and specific reference in the Letter of Representation.	Green

Assessment

- Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Amber- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Yellow - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment
Net pension liability – Impact of McCloud Judgement and Guaranteed Minimum Pension (GMP) **Guaranteed Minimum Pension (GMP)** On 26 October 2017, the High Court delivered its decision in a case involving Lloyds Bank, concerning the equalisation of Guaranteed Minimum Pensions (GMPs). The High Court ruled that GMPs must be equalised between men and women and that past underpayments must be corrected. Bodies will be impacted by the High Court decision where they have a defined benefit pension scheme and were contracted out of the State Second Pension in the period from 17 May 1990 to 5 April 1997. For affected bodies, the impact will be to increase the defined benefit pension obligation. In March 2016 the Government announced an "interim solution" for members in public service schemes who reach State Pension Age (SPA) between 6 April 2016 and 5 December 2018. In January 2018 they decided to extend this solution for a further two years to April 2021.	The PwC review of actuarial firms, prepared for the National Audit Office, identified that actuaries have taken differing approaches to the change in the defined benefit pension obligations that results from Guaranteed Minimum Pension equalisation. The 2018/19 PwC report highlights that paying the additional increases through the LGPS increases the costs of the benefits and hence the liabilities for employers, and that this liability should be included in the accounts. The PwC report highlighted that auditors would need to consider the impact of this based on their individual materiality levels. It also provides a high level of the estimated impact as follows: • Estimated impact for members reaching SPA between April 2016 and April 2021 = 0.1% of gross liabilities • Estimated impact for members reaching SPA post April 2021 = 0.2% of gross liabilities The majority of the actuaries (excluding Barnett Waddingham) have not made allowances for the post 2021 element in their IAS 19 estimates on the basis that these future liabilities are uncertain, and in the words of one of the actuary's "have not yet been triggered". Our internal actuary has confirmed that, in his view, it is not appropriate to allow for additional costs at this stage. The Authority requested a revised actuarial assessment from Hymans Robertson and this was received on the 5th July 2019. This reported: *"The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of Warwick District Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.* *The estimate as it applies to Warwick District Council is that total liabilities could be 0.17% higher as at 31 March 2019, an increase of approximately £309k".* The Authority has increased their pensions disclosures following receipt of the revised report. The Authority has not adjusted their primary statements, taking the view, that the combined impact of the McCloud judgement (£780k) and Guaranteed Minimum Pension (GMP) indexation (£309k), amounting to £1.089m compared to the net pension liability of £48.466m is not material to the financial statements and will be considered for future years' actuarial valuations and that additional disclosure is appropriate. We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material misstatement as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability. We have included this as an uncertainty within Appendix C and we will therefore be seeking Finance and Audit Scrutiny Committee agreement to management's decision not to amend and specific reference in the Letter of Representation.	Green

Assessment

- Red - We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Amber- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Yellow - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Green - We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Significant findings - Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
	Going Concern is defined as “the concept that the local authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.’ The Authority’s financial statements are prepared on going concern basis on the grounds that budgets are in place and are being measured and managed to ensure that liabilities can be met as and when they fall due. Audit procedures undertaken have not found any indication of the existence of going concern events or conditions which may cast significant doubt on the Authority's ability to continue as a going concern. The Council budgets more than a year in advance and undertakes frequent spending reviews where budgets are adjusted where required.
Work performed	**Auditor commentary**
	We have reviewed the budgetary processes in place and would note the following: • We are satisfied from our review of the Council’s reserves balance that it has sufficiency of usable reserves (i.e. general fund and earmarked reserves) to support its finances should its savings plans not be delivered, but clearly reserves can only be used once. • The Council is rightly concerned that there are a number of unknowns in its funding, especially with regard to the Business Rates Reset. However, in and of itself, this is not considered to cast significant doubt on the Council’s ability to continue as a going concern. We therefore agree with the Council’s conclusion that the going concern assumption is appropriate.

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Other communication requirements

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

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Finance and Audit Scrutiny Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A letter of representation has been requested from the Council, which is appended. We will be seeking specific representations in respect of the McCloud judgment and GMP indexation.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to those organisations with which is banks, invests and borrows from. This permission was granted. Not all requests were received and we are in the process of conducting alternative procedures. • We have identified no issues from the work performed to date.
6	**Disclosures**	• There were no significant disclosure omissions or amendments made to the draft 2018-19 draft financial statements as a result of audit procedures. • The Council has included additional disclosures regarding the McCloud ruling.
7	**Audit evidence and explanations/significant difficulties**	• All information and explanations requested from management was provided. • We commend the Council on the clear presentation of the workpapers provided for audit and the timelines of responses to our audit requests.

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Other responsibilities under the Code

	Issue	Commentary
1	**Other information**	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
3	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This is not required at Warwick District Council as the Council does not exceed the threshold for 2018/19.
4	**Certification of the closure of the audit**	We intend to certify the closure of the 2018/19 audit of Warwick District Council in the audit opinion, as detailed in Appendix E.

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Value for Money

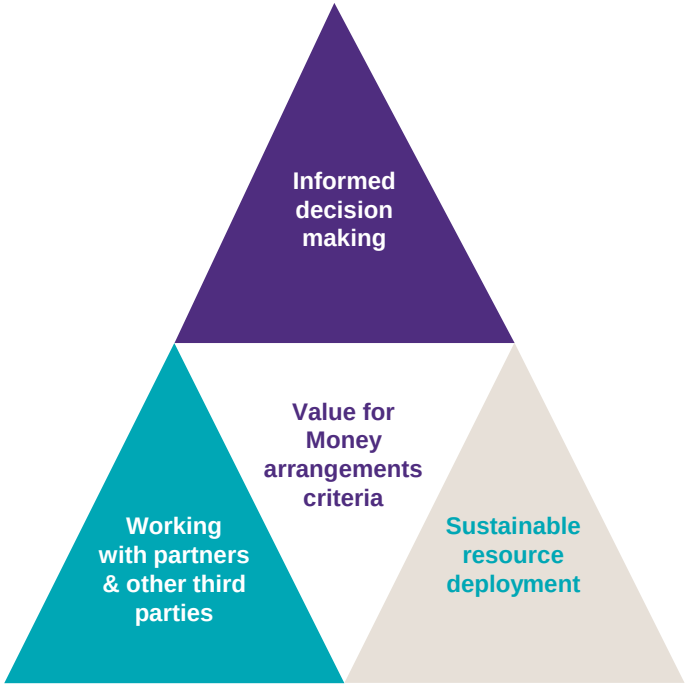
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single 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."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in December 2018 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 26th March 2019

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

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Councils outturn and cash position as at 31 March 2019
- The Council's Budget Plans up to 2022/23
- The councils financial accounts progress monitoring reports

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages [19 to 20].

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement. Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Overall conclusion

Based on the work we performed to address the significant risk, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

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Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
1 **Future Savings Plans** Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For 2018/19 the Authority amended its budget upwards by £0.7m and is forecasting to break-even upon its revised budget. These continuing pressures, combined with continuing uncertainty on long term local government funding has led the Council to estimate that the Council will have a funding gap, after savings identified, of £0.6m for 2019/20, £0.1m in 2020/21, £0.9m in 2021/22 and £0.7m in 2022/23. The authority has historically been able to achieve savings through making incremental changes to services and ways of working, however, there is a growing acceptance that more challenging decisions are needed to ensure financial stability in the longer term. As part of the Future Fit Scheme savings of £300k were identified in relation to councils office relocation in 2020/21. We understand this may now need to be reprofiled following the withdrawal of one of the development partners. **Work proposed to address risk:** We will review the Council's arrangements for identifying and agreeing savings plans to ensure that the Council is resilient to the increasing financial challenges of coming years.	**Outturn position 2018/19** Historically, the Council has a strong track record of delivering against its financial objectives, and this continues to be the case for 2018/19 with a favourable variance of £322k on the General Fund (GF) budget and £116k on the Housing Revenue Account (HRA) being reported to the Executive on 10th July 2019. There are a number of significant variances (both adverse and favourable) which have contributed to the net favourable outturn of £322k for the General Fund. The main variances have been summarised in the July report to the Executive and the main variances are £986,700 favourable variances and £900,300 adverse. For 2018/19 the Council has seen slippage in its capital programme of £2.581m on a budgeted programme of £29.045m. **MTFS** The Council's MTFS was presented to members in February 2019, this has been subsequently updated and savings reprofiled and reported to Executive on 10th July . This has been summarised in the table below. *Savings reported in February 2019* / *Savings required - reported 10th July 2019* / Variance 2020/21: 330 / 309 / -21 2021/22: 1,025 / 494 / -531 2022/23: 456 / 664 / 208 2023/24: 574 / 733 / 159 2,385 / 2,200 / -185 2024/25: 483 Within the update the proposed office move savings of £385k have now been factored from April 2022. As part of the MTFS the council has also recognised that from 2020/21 there may be substantial changes to figures due to the Fair Funding Review and the Business Rate Retention (BRR) scheme anticipated to change from 50% to 75%. The Council has taken a prudent stance in its forecasting. **Savings plans** Council savings plans were submitted for approval to Executive on 10th July. The executive agreed the service area plans which represent the councils programme of work for the 19/20 financial year. The Council has already recognised that the HQ relocation and town Hall use savings of £385k are still to be delivered and need to be monitored closely. **Reserves** Each year the Council reviews the level of reserves and balances it holds as part of setting the budget, as in previous years the s151 officer concluded that there were sufficient level of reserves. A review of balances as at the end of the period confirms that the Council's total usable reserves have increased by £2m from £68m to £70m.	**Auditor view** • The Council's financial stability going forward is highly dependent on the factors set out in our findings. The Council will need to monitor decisions from the Government with regard to funding and respond accordingly. As well as responding to any Government decisions it also needs to ensure that it makes appropriate decisions with regard to its own income generation schemes and that savings plans are delivered in full or alternatives identified. • Based on the work we performed to address the significant risk, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
2	**Publication of financial statements** In 2017/18, the statutory date for publication of audited local government accounts was brought forward to 31st July, across the whole sector. The Authority did not achieve this deadline and the financial statement audit opinion was given on 12th December 2018. The Council has a detailed action plan in place in order to ensure the deadlines for 2018/19 are met but the risk of missing the deadlines remains. **Work proposed to address risk:** We will review the Council's progress against its action plan and the changes in arrangements for meeting the publication deadlines	Members will be aware that there were significant delays in the 2017/18 financial statements audit, as such the opinion on the 2017/18 financial statements was not given until 12th December 2018, some 5 months after the reporting deadline of 31st July 2018. The Authority's Value for Money conclusion was qualified in this respect. We are pleased to report that over the past year the Council has implemented a number of changes to its internal processes to ensure draft financial statements were prepared and subject to quality checks prior to 31st May 2019. Following the 2017/18 audit closure there was a detailed wash up meeting which included all members of the Finance team and other staff where required. The audit team attended this meeting in part. This meeting was then followed up with regular updates in order to develop a detailed action plan to ensure lessons were learnt resulting in the 2018/19 financial statements delivered to the appropriate quality standard and on time. We have reviewed the working document used to monitor progress and can confirm that this document has been updated on at least a weekly basis. This information formed the basis of the progress update report which has been reported to the Finance and Audit Scrutiny Committee since December 2018. We have met with the Council's finance team on a number of occasions throughout the year. The Council has also been fully engaged in the use of Inflo, a system used by the audit team to administer and track audit working paper and evidence requests. They have raised technical points or queries with the audit team in a timely manner which has enabled early testing to be completed where necessary, for example, the consideration of Group accounting and review of revised Accruals policy. The progress made by the finance team this year has resulted in a sound foundation on which to build further improvements. With a number potential key finance staff changes in the next 12 months it is critical that the Council focusses on its succession planning within the finance team, including robust handover processes.	**Auditor view** We are satisfied that the Council has made significant progress in its final accounts preparation process and upon completion of our audit procedures will issue our audit opinion to the Finance and Audit Scrutiny Committee the 30th July 2019. The council must remain proactive and seek to improve processes further in particular relating to Property, Plant and Equipment valuation procedures. The council also needs to focus on succession planning within the finance department and ensure detailed handover arrangements are in place between staff.

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Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and 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.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	£3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £41,290 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Grant Claim	£14,250	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,250 in comparison to the total fee for the audit of £41,290 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Finance and Audit Scrutiny Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms are included in Appendix D.

None of the services provided are subject to contingent fees.

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Action plan

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1.	Amber	**Year end procedures** The positive progress made by the finance team this year is evident and has resulted in a sound foundation on which to build further improvements. With a number potential key finance staff changes in the next 12 months it is critical that the Council focusses on its succession planning within the finance team, including robust handover processes.	The Council should focus on its succession planning within the finance team, including robust handover processes. **Management response** Planning for 2019/20 Closedown is priority for the Accounting Team. This includes succession planning, knowledge sharing and procedure documentation. A new Action Plan is to be produced based on the review of the 2018/19 Closedown.
2.	Amber	**Property, Plant and Equipment - General** As part of our testing we have reviewed the valuation reports provided by managements experts and found there to be a number of omissions and/or inconsistencies with the information provided. Due to the number of queries arising from this our work in relation to Property, Plant and Equipment has taken longer than anticipated.	The Council should thoroughly check valuation information provided by the valuer and ensure this is both in line with the agreed Terms of Engagement and information within the report has been scrutinised for accuracy. **Management response** Officers are meeting with the valuers to review the valuation process for 2018/19 and any problems encountered. The timetable for 2019/20 will include time for further scrutiny of the information supplied by the valuers.
3	Amber	**Property, Plant and Equipment valuations** There should be clear working papers demonstrating that the Council has provided the valuer with all of the appropriate information and that it has considered whether the information provided back from the valuer is complete and reasonable. The Council may also wish to review the timing of these valuations, because at present valuations are undertaken at varying points in the year, making the process more complicated than we see at other similar Councils	To reduce the risk of carrying value being materially different to current value the Council should value its assets as at the balance sheet date. **Management response** As part of the discussions with valuers, the valuation dates will be reviewed to streamline the process, and to seek to reduce the amount of work required at year end.

Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

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Prior Year Recommendations

As part of the 2017/18 financial statements audit process we identified 9 recommendations of sufficient important to report to those charged with governance for the Council. These were included in the Annual Audit Letter (AAL) and presented to the Audit and Risk Committee on 5th March 2019. Updated have been provided to the Audit and Finance Scrutiny Committee throughout the year. We have updated this assessment and identified whether we believe the action to be complete.

Assessment	Issue and risk	Recommendations	Action complete
● RED	Valuation arrangements. We identified a number of weaknesses in the arrangement over the valuation of assets. This has led to a number of material changes in the financial statements.	The Council needs to ensure that it formally documents the process for valuations, and that the valuer is provided with detailed instructions for the annual valuation exercise. There should be clear working papers demonstrating that the Council has provided the valuer with all of the appropriate information and that it has considered whether the information provided back from the valuer is complete and reasonable. The Council may also wish to review the timing of these valuations, because at present valuations are undertaken at varying points in the year, making the process more complicated than we see at other similar Councils **Management response** • The information to be sought from the valuer, and timing thereof, will be considered by the Head of Finance and Principal Accountants in early December ahead of a formal instruction to the valuer being issued. The valuation process will be pro-actively monitored and shared with the Accountancy Team. **Progress made against the recommendation** • **As reported at 5th March 2019 -** As part of the January update, the timing of this recommendation has slipped into January. This will continued to be monitored on a regular basis. • **As reported at 2nd April 2019 -** Valuation work commenced but much cannot be completed until early April. Valuation request letter formally shared with auditors. • **As at 22nd July 2019-** Approach discussed and agreed with valuers, with letter and detailed instructions drafted by Project Manager and shared with rest of relevant team members. Formal letter and instructions sent to valuers February 2019. **Auditor commentary** We are satisfied that the Council has made progress in relation to the early engagement with the valuer however, not all elements of this recommendation have been completed fully. This recommendation has been closed and an updated recommendation added in Appendix A which reflects the progress made against this recommendation and the further improvements required.	**Partially**

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Prior Year Recommendations (continued)

Assessment	Issue and risk	Recommendations	Action complete
● RED	Impairment review. There were no formal arrangements in place at the Council to demonstrate that all assets had been considered for impairment as required by the Code.	The arrangements for an impairment review should be considered and documented. These arrangements should be implemented as part of the 2018/19 closedown process. **Management response** • The approach to the impairment review will be reviewed ahead of seeking information from the valuer (above). This will involved the full team and the Council's Estates Manager, and in accordance with the Code of Practice. **Progress made against the recommendation** • **As reported at 5th March 2019 -** As above, this will now be considered during January. • **As reported at 2nd April 2019 -** Initial letter with valuers. Work on valuations commenced. Some further details being collated to send to valuers. Impairment details being sought from SMT+. • **As at 22nd July 2019-** The approach to the impairment review was discussed in advance with valuers, ahead of seeking information from the valuer (above). All key stakeholders involved in process, including Senior Management Team. Approach discussed and agreed with auditors.	✓
● RED	Timeliness of financial reporting	The report of the Chief Executive includes a detailed action plan to ensure that the issues that have occurred this year are not repeated. It is key that this action plan is implemented and considered in light of the recommendations we have made as part of this AFR to ensure that all issues are addressed as part of the production of the financial statements in future years. **Management response** • Progress on the action plan is being actively managed with weekly updates to CMT and monthly reports to Executive and Audit and Risk Committee. **Progress made against the recommendation** • **As reported at 5th March 2019** - Regular updates are being provided. • **As reported at 2nd April 2019** - Alongside the Action Plan within the Chief Executive's report, the Accountancy Team have a more detailed plan that that was reported to Executive in January 2019 and is being kept up to date. Any dates at risk of being missed are being scrutinised and plans agreed to ensure completion of the task. Considered in detail at Principal Accountants Meeting 12/3/2019. • **As at 22nd July 2019-** Action Plan monitored weekly by Corporate Management Team and monthly by Executive/Finance and Audit Scrutiny Committee. Any risks arising raised as part of that reporting process. Alongside the Action Plan, the Accountancy Team have a more detailed plan that is monitored on a more regular basis. Fortnightly team meetings are held to discuss and resolve ongoing and future issues from the plan alongside regular 1:1 meetings across all levels of the team. **Auditor commentary** We have also reviewed the timeliness of financial reporting as part of our Value for Money procedures	✓

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Prior Year Recommendations (continued)

Assessment	Issue and risk	Recommendations	Action complete
● RED	Quality and completeness of evidence provided for audit. We have previously reported to members that the quality and completeness of working papers provided to the audit team during the financial statements has not been of the standard we would expect. We have discussed this with finance officers during the audit who now have a much greater understanding of what is required to produce an appropriate working paper.	The Head of Finance should ensure that an appropriate training programme is in place for all officers that produce working papers to support the financial statements. The training should include the features of a good working paper and a reminder that a good working paper should enable another suitably qualified professional with no prior knowledge of the authority the means upon which to re-perform the work. **Management response** • Training on the production of quality working papers for all the Accountancy Team will be provided by the Final Accounts Project Manager early in the New Year. **Progress made against the recommendation** • **As reported at 5th March 2019 -** Following the dissemination and discussion of the closure plan with the accountancy team on the 4th January, training is planned to be provided. The training is being run by Rugby's training officer, and will be delivered to the Finance teams of Warwick, Rugby and Nuneaton on the 27th February. • **As reported at 2nd April 2019 -** Working Paper requirements, and examples shared with the team and subject to discussion • **As at 22nd July 2019-** Working Paper requirements, and examples shared with the team and subject to discussion. This was supplemented with 1:1 training. Working papers checked by Principal Accountants and Strategic Finance Manager as appropriate prior to submission to auditors, and supporting evidence attached to all journals posted in the ledger.	✓

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Prior Year Recommendations (continued)

Assessment	Issue and risk	Recommendations	Action complete
Amber	Pension liabilities are a key estimate in the accounts. We have reviewed the estimation technique used in determining this estimate and are satisfied with the methodology used. We have noted that officers have not evidenced any formal challenge of the assumptions used by the actuary.	A working paper should be provided at year end which demonstrates how the Council has considered the work of the actuary and its reasonableness. **Management response** • This has been discussed with the Pension Fund Actuaries. An approach is planned that will enable variances to be identified, challenged, and explained. **Progress made against the recommendation** • **As reported at 5th March 2019** - No further progress to report. • **As reported at 2nd April 2019 -** This is being explicitly included in Closedown plan. • **As at 22nd July 2019-** This has been discussed with the Pension Fund Actuaries. Variances identified, challenged, and explained. Paper prepared to show variances and explanations.	✓
Amber	The accounting polices do not include a specific de minims level for accruals of income and expenditure.	Greater consideration should be given to whether more areas of the accounts would benefit from an increased reliance on estimation techniques to aid faster close. **Management response** • The accruals process will be reviewed early in 2019, ensuring all parties are clear about their responsibilities, timings, and relevant de minimis levels. **Progress made against the recommendation** • **As reported at 5th March 2019 -** The approach has been discussed with the audit team as part of the January planning visit, officers will need to undertake further work to demonstrate that the levels considered will not have a material impact on the accounts. • **As reported at 2nd April 2019 -** New Accruals policy shared with all budget managers. The success of this policy, including time-saving, should be part of post mortem review of closure. • **As at 22nd July 2019-** New accruals policy discussed with Accountants and Auditors, with proposed de-minimis levels agreed. Incorporated into Closedown plan for Budget Managers (circulated 11/2/19), with supporting forms. The success of the new policy, including time saving, to be part of the review of closure	✓

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

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Prior Year Recommendations (continued)

Assessment	Issue and risk	Recommendations	Action complete
Amber	There are a number of areas highlighted throughout the AFR where we have agreed with officers that disclosure omissions will be corrected in future years.	The Head of Finance should ensure that the identified areas are actioned in future years. **Management response** • The disclosure omissions will be reviewed as part of the preparation for closedown. It should be noted that some disclosure were previously removed with the support of the auditors as part of the "de-cluttering" of the accounts. **Progress made against the recommendation** • **As reported at 5th March 2019** - No further progress to report • **As reported at 2nd April 2019** - This is being looked at by Project Manager. • **As at 22nd July 2019-** The disclosure omissions addressed within draft accounts.	✓
Red	**Journals** While we are satisfied that journals have not been used to override management controls, it is clear that improvements can still be made to the Council's overall journal control process to ensure that the issues that have occurred this year do not re-occur in future years. In particular, there needs to be appropriate, and evidenced review of journals prepared by contract staff.	Controls around journals should be improved, particularly in relation to those prepared by contract staff. **Management response** • The Head of Finance and Principal Accountants are reviewing journal controls to tighten procedures. New controls will be in place by January 2019. **Progress made against the recommendation** • **As reported at 5th March 2019** - The new process has been mapped and is expected to go live in mid January. • **As reported at 2nd April 2019 -** New process in place • **As at 22nd July 2019-** New controls on journals in place from 1st January 2019. System to control being refined to improve its efficiency and timeliness. All journals posted to have relevant supporting information as required	✓

Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

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Prior Year Recommendations (continued)

Assessment	Issue and risk	Recommendations	Action complete
● Amber	In reviewing the final set of financial statements the audit team identified a number of amendments had been made that were not in line with expectations. Officers were able to fully support these amendments however these were not material. In future, the Head of Finance might want to consider whether these type of changes are needed to the final set of financial statements, as a mechanism for further streamlining the process.	In future years officers should keep a full list of any proposed changes to the draft financial statements presented for audit. This list should be reviewed by the Head of Finance, in discussion with the auditors prior to any changes being made to the ledger and final set of financial statements. **Management response** • Full controls will be implemented to ensure all proposed changes to the Statements are fully documented for discussion and agreement with the auditors. **Progress made against the recommendation** • **As reported at 5th March 2019 -** No further progress to report. • **As reported at 2nd April 2019 -** Full controls will be implemented to ensure all proposed changes to the Statements are fully documented for discussion and agreement with the auditors. • **As at 22nd July 2019-** Process set up to log any proposed changes to accounts, this having been shared with relevant staff. Details of audited proposed changes to accounts has been reviewed, with updates to the draft accounts being made in a controlled, systematic manner with relevant authorisation.	✓

Controls
- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

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Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

There are no adjusted misstatements to disclose other than misclassification and disclosure changes below:

Misclassification and disclosure changes

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

Disclosure note	Detail	Auditor recommendations	Adjusted?
Balance Sheet	• The Balance Sheet of the Draft financial statements did not include reference to a note for all material values	All material values on the face of the Balance Sheet need to be cross referenced to a supporting note. These include : ➢ Long term investments £6.233 ➢ Long term debtors £6.198m ➢ Short term investments £35.427m ➢ Long term borrowing £136.157m	✓
Note 14 – Capital commitments	• In accordance with the CIPFA code para 4.1.4.3 ' *the financial statements shall also disclose the amount of contractual commitments for the acquisition of property, plant and equipment'* • The Property, Plant and equipment note 14 includes disclosures regarding capital commitments. These commitments are not all supported by external contractual arrangements.	The Council should update its capital commitments note to include only those commitments which are contractual.	✓
Minor amendments	• Various	A small number of other minor amendments were made to correct typing errors, page numbering and incorporate additional narrative information. We do not deem these significant enough to bring to the attention of those charged with governance.	✓

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Audit Adjustments

Impact of Adjusted misstatements misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have been made within the final set of financial statements.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	**Capital Grants received in advance** Council officers have identified as part of its review of working papers that there is a misclassification error in regard to CIL receipts (totalling £438k), which were originally classed as Capital Grants in Advance on the Balance Sheet. It has been subsequently discovered that CIL receipts should be classed as Capital Grants Unapplied. Capital Grants in Advance are included within the Long Term Liabilities section of the Balance Sheet whereas Capital Grants Unapplied are included within the Usable Reserves section.	0	0	0	N/A this has been adjusted
2	**Note 23 – Provisions** The council has identified as part of its review of working papers that there is a misclassification error within the split of provisions due within and over one year. Business rate appeals payable in more than one year are overstated by £705k Business rate appeals payable in less than one year are understated by £705k	0	0	0	N/A this has been adjusted
	Overall impact	**0**	**0**	**0**	

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Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Finance and Audit Scrutiny Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	**Potential impact of the McCloud determination and GMP indexation** The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented. Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies. The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling and GMP indexation. The actuary's estimate was of a possible increase in pension liabilities of £1,089k. We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.	£1,089k (Increase in Expenditure)	(£1,089k) (Increase in Liability)		The figures provided by the actuary are an estimate, and not a formal actuarial valuation. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we are satisfied that the differences are not likely to be material. This issue will be considered as part of the next actuarial valuation exercise in 2019/20.
	Overall impact	**£1,089k**	**£1,089k**	**£0**	

NB: If adjusted, the entries would impact upon the Statement of Comprehensive Income and Expenditure, Balance Sheet and MiRS and various other accounts disclosures in relation to the pensions liability but would ultimately be reversed out to the pensions reserve under statute (Cr MIRS: Adjustments affecting Pension Reserve £1.089m and Dr Balance Sheet: Pension Reserve £1.089m). There would therefore be no impact on the General Fund or HRA reserves and council tax.

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Fees

We confirm below our final fees charged for the audit . There were no fees for the provision of non audit services.

Audit Fees	Proposed fee	Final fee	2017/18 Fee
Council Audit – as reported in our fee letter (without the 2017/18 fee variation)	£41,290	£41,290	£53,623
Total audit fees (excluding VAT)	**£41,290**	**£41,290**	**£53,623**
Fee Variations: Assessing the impact of the McCloud ruling - The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements. Pensions – IAS 19 - The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year. PPE Valuation – work of experts - The Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	**£4,500**		
Revised total audit fee (excluding VAT)	**£45,790**	**£TBC**	**£53,623**

All of the fee variations above have been driven by additional work required as the result of either sector challenges or in response to FRC feedback not as the result of weaknesses in the Council's arrangements in the preparation of its financial statements. The revised fee for the year is being discussed with management and is subject to approval by Public Sector Appointments Ltd (PSAA) but it should be noted that £45,790 would still be a 15% fee reduction on the initial prior year fee (before variations for the 2017/18 delayed audit).

Note 31 External Audit Costs includes £41k which agrees to the proposed fee for 2018/19 as shown above. Additional fees will be billed separately.

Non Audit Fees	Grant Certification	Fees £
	Certification of Housing benefit grant claim.	14,250
	Fees for other services	
	Audit related services:	
	Certification of Housing capital receipts grant	3,000
		£17,250

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

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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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Warwick District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income & Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Notes to the Accounts, including a summary of significant accounting policies, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Notes to the Housing Revenue Account, the Collection Fund and Notes to the Collection Fund. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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Audit Opinion

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters**.**

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 11 and 12, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance 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

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Audit Opinion

authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2019.

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Audit Opinion

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature]

Grant Patterson, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

[Date]

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Management Letter of Representation

Warwick District Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance. ding outcome of audit.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

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Management Letter of Representation

x. We have considered the adjusted misstatements, misclassification and disclosures changes and unadjusted misstatement schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

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Management Letter of Representation

xxiv. Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

xxvi. Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

xxviii. Approval

The approval of this letter of representation was minuted by the Council's Audit and Risk Committee at its meeting on 30 July 2019.

Yours faithfully

Name……

Position……..

Date……..

Signed on behalf of the Governing Body

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