



The Annual Audit Letter for Warwick District Council

Year ended 31 March 2015

October 2015

John Gregory

Engagement Lead

T 0121 232 5333

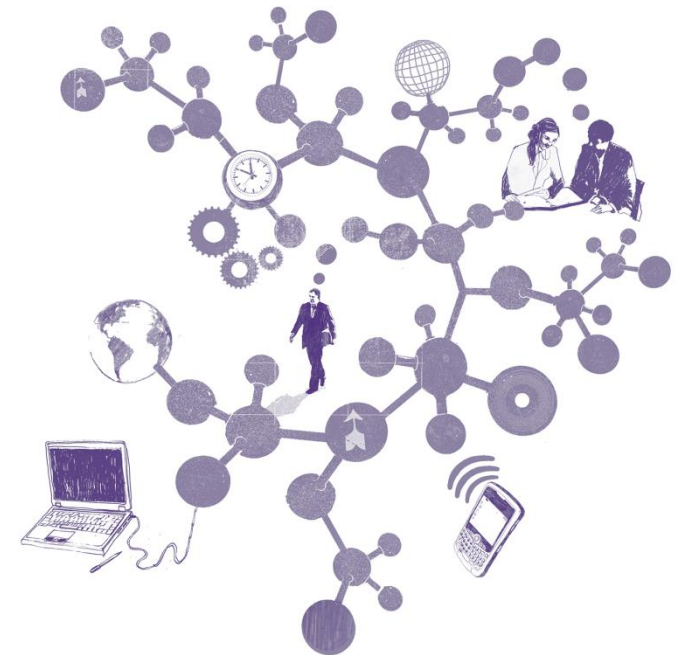
E john.gregory@uk.go.com

Helen Lillington

Audit Manager

T 0121 232 5312

E helen.m.lillington@uk.gt.com



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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Warwick District Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 10 March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

| | |
|--|--|
| <p>Financial statements audit (including audit opinion)</p> | <p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 22 September to the Finance and Audit Scrutiny Committee. The key messages reported were:</p> <ul style="list-style-type: none"> • The draft accounts presented for audit were of a good quality, as in previous years, • The value of assets included within the balance sheet was understated by £837k, however officers amended for this error, • Working papers were fit for purpose, however some improvements could be made by ensuring more comprehensive use of spreadsheets rather than hand written working papers, and • We have continued to discuss the length of the accounts with officers, and the areas where the level of disclosure could be reduced. <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 29 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p> |
| <p>Value for Money (VfM) conclusion</p> | <p>We issued an unqualified VfM conclusion for 2014/15 on 29 September 2015.</p> <p>Overall our work highlighted that the Council, like many other nationally, continues to face challenges in how to balance its budget in the longer term. Savings have continued to be delivered, with only a very small proportion of original savings not been achieved. Overall, we consider the Council's medium term financial planning to be strong and that it has appropriate budget setting and monitoring arrangements in place. In addition we have reviewed the mechanisms the Council has in place for prioritising its resources, and consider that both officers and members demonstrate a good understanding of where resources need to be focused.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p> |

Key messages continued

| | |
|---|---|
| Certification of housing benefit grant claim | Work on the certification of the housing benefit grant claim is currently in progress. The claim is required to be certified by the end of November, and the results of this work will be reported in our grant certification report as required upon completion. |
| Audit fee | Our fee for 2014/15 was £71,497 excluding VAT which was in line with our planned fee for the year. Further detail is included within appendix B. |

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

| No | Issue and recommendation | Priority | Management response/ responsible office/ due date |
|----|---|---|--|
| 1. | <p>While the overall number of pages of the accounts has reduced by ten compared to previous years, they are still lengthy when compared to others who have embraced the de-cluttering agenda fully.</p> <p>Recommendation: Officers should critically review the published financial statements and ensure that only significant items are included. This should form the basis of an action plan that will help the Council achieve a faster more streamlined approach to the production of the accounts, in preparation for the deadlines coming forward in future years.</p> | Deficiency – risk of inconsequential misstatement | <p>Management response: Consideration will be given to seek how the number of pages will be reduced whilst still complying with all the necessary requirements, having regard to practices elsewhere and in discussion with the external auditors.</p> <p>Responsible office: Audit and Risk Manager – Annual Governance Statement. Principal Accountants (Revenue/Capital) – Statement of Accounts</p> <p>Due date: March 2016</p> |
| 2. | <p>Testing of operating expenditure highlighted errors in cut off. In both cases officers explained that expenditure had not been correctly apportioned across the year end because of the immaterial nature of the balances, however this was not explicitly stated within the policy on income recognition.</p> <p>Recommendation: Officers should review the accounting policy on income recognition and ensure that it accurately reflects current practices, and that it is fit for purpose given the faster close agenda.</p> | Deficiency – risk of inconsequential misstatement | <p>Management response: Policies will be reviewed as part of 1 above.</p> <p>Responsible office: Principal Accountants (Revenue/Capital)</p> <p>Due date: March 2016</p> |
| 3. | <p>Some working papers provided were difficult to follow, particularly when these were hand written notes, where large number of transactions were being grouped together in the financial statements.</p> <p>Recommendation: Working papers could be improved, with greater use being made of spreadsheets to demonstrate the audit trail between ledger balances and the financial statements.</p> | Deficiency- risk of inconsequential misstatement | <p>Management response: Discussion to be held with external auditors to clarify specifically where working papers can be improved, to allow for improvements for 2015/16 accounts.</p> <p>Responsible office: Principal Accountants (Revenue/Capital)</p> <p>Due date: March 2016</p> |

Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

| | Per Audit plan £ | Actual fees £ |
|--|---------------------|------------------|
| Council audit | 71,497 | 71,497 |
| Housing benefit grant certification fee | 8,530 | tbc |
| Fees for dealing with Local Government objections - determined | 12,857 | 12,857 |
| Fees for dealing with Local Government objections – on-going | tbc | tbc |
| Total audit fees | 92,884 | tbc |

We will report the final certification fee for the housing benefit claim as part of the grant certification report, which will be issued on completion of the work. The work in relation to a local government objection on the 2013-14 accounts is also on-going, officers and members will be updated on a regular basis, with the final fee being agreed upon conclusion of the work.

Reports issued

| Report | Date issued |
|-----------------------|-------------------|
| Audit Plan | 10 March 2015 |
| Audit Findings Report | 22 September 2015 |
| Certification Report | tbc |
| Annual Audit Letter | October 2015 |

Fees for other services

| Non-audit related services | Fees £ |
|--|--------------|
| Tax advice on the options appraisal for Kenilworth Public Service Centre | 6,000 |
| Tax advice – new residential developments | 8,000-10,000 |

In addition to the fees for other services outlined above we are also discussing with officers the possibility of undertaking some audit related services for the certification of the pooled housing receipt claim, which has fallen outside of the Audit Commission regime, and is now required to be the subject of a separate engagement.

Appendix C : How we have worked with you during the year

Senior officer team

We:

- met regularly with the Deputy Chief Executive and the Head of Finance to discuss some of your major projects and to share our insight into national Local Government issues,
- met regularly with both the Head of Internal Audit, and key accountants to provide regular feedback on emerging issues,
- shared our annual reports on Local Government Governance and Financial Resilience,
- worked with the finance department to suggest ways the accounts could be streamlined and provided good practice examples of 'de-cluttered' accounts and annual governance statements,
- provided technical advice on the accounting treatments required for housing projects,
- shared our understanding of some of the key issues facing Local Government through our thought leadership reports covering Welfare Reform, Alternative Delivery Models and Financial Sustainability in Local Government,
- provided an opportunity to network with other Local Government bodies at our workshops covering taxation issues, building a successful local authority trading company, Local Government financial self sufficiency and 20:20 vision.

Audit committee Members

We:

- met regularly with the Audit Committee to ensure you were kept up to date with the audit progress, as well as emerging issues affecting the wider Local Government Sector
- invested in regular dialogue with the audit committee to ensure there were no surprises and to maintain a robust and independent stance
- provided independent external audit commentary and insight on the Council's issues through senior attendance at every audit committee
- provided regular, timely and transparent reports from our work and briefing notes on key sector developments.

Other councillors

We:

- met with the finance portfolio holder to brief him on the on-going work in relation to the objection to the 2013-14 accounts,
- discussed potential alternative investment models with the finance portfolio holder, and provided a commentary on our experience with other similar local authorities.



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