

The Audit Findings for Warwick District Council

Year ended 31 March 2015

22nd September 2015

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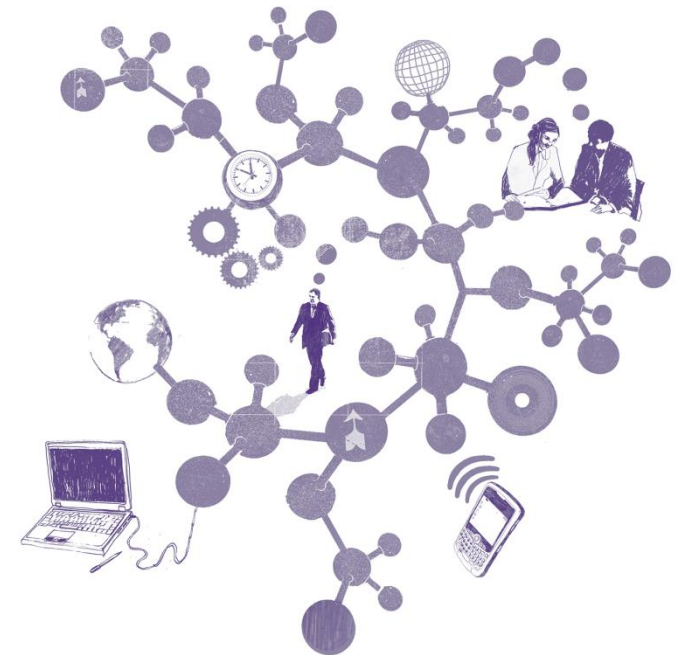
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Dear Members

Audit Findings for Warwick District Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Warwick District Council, the Finance and Audit Scrutiny Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

John Gregory

Chartered Accountants

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Warwick District Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 10 March 2015.

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

- Property, plant and equipment
- Housing Revenue Account
- Operating segments
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion

- Whole of Government Accounts
- Review of final outstanding information requested for VfM conclusion

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

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

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

- the draft accounts presented for audit were of a good quality, as in previous years,
- the value of assets included within the balance sheet was understated by £837k, however officers have amended for this error,
- working papers provided were fit for purpose, however some improvements could be made by ensuring more comprehensive use of spreadsheets rather than hand written working papers, particularly where a number of transactions are grouped together in the accounts,
- we have continued to discuss with officers the overall length of the accounts, while the overall number of pages has reduced by ten compared to previous years, they are still lengthy when compared to others who have embraced the de-cluttering agenda fully. As part of formulating a plan to achieve faster closedown for July 2018, officers should critically review the accounts and remove unnecessary information.

Value for Money conclusion

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

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

Objection to the accounts

Members will recall that we received four objections to the 2013/14 accounts from local electors, asking us to either produce a report in the public interest or to seek a declaration from the court that the accounts included unlawful items of income or expenditure. These were in relation to:

- Alleged excessive legal costs incurred by the Council
- The erroneous granting of two leases simultaneously by the Council on the same property
- The management of St Mary's Lands and the relationship between the Council and the management of the racecourse
- The alleged disproportionate costs of legal action taken to recover unpaid Council Tax from an individual.

We have determined the first three of these during recent months and in all cases have dismissed them and will not therefore be producing a report in the public interest or seeking a declaration from the court on these matters. Our work on the final objection is, however, continuing and cannot be concluded until the legal process between the objector and the Council has been concluded. We have not therefore been able to certify formal completion of the 2013/14 audit and, in view of the fact that the related expenditure continued into 2014/15, nor can we at this stage certify completion of the 2014/15 audit. We are satisfied, however, that the possible impact of the objection is not material to our opinion and will therefore still be able to issue this.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities

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

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

Findings

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

Further details are provided within section two of this report.

The way forward

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

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Head of Finance and the finance team.

Acknowledgment

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

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Finance and Audit Scrutiny Committee on 10 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 10 March 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix A.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Warwick District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • 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. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management override of controls</p>	<ul style="list-style-type: none"> • Review of the journal control environment. • Review of accounting estimates, judgments and decisions made by management. • Testing of journal entries. • Review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period. (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle, • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding, • tested a sample of operating expenses, • cut off testing on pre and post year end transactions, • reviewed the completeness of the reconciliations to the purchasing system. 	<p>Testing of cut off identified housing benefit payments that spanned the end of the financial year that hadn't been accrued for. This has been common practice for many years and the net impact of this on expenditure in the current year was quantified as £38k. Also we identified that a council tax overpayment relating to 2014/15 has been recorded in 2015/16. Again we quantified the total likely error, which resulted in a £1.3k difference. In both cases officers explained that given the immaterial nature of these balances their policy is not to accrue, however this is not detailed in the accounting policies as detailed in the published financial statements. Given the need to accelerate the closing of the accounts, more detailed policies on accruals are likely to be needed. Officers should take the opportunity to review this policy as part of their work on a fast close to the accounts in future years.</p>
Employee remuneration	Employee remuneration accrual understated (Remuneration expenses not correct)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle, • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding, • tested a sample of individual employees, • reviewed the completeness of the payroll reconciliation. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle, • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding, • substantive testing has been performed via the HBCOUNT work which provides assurances over the balances in the financial statements, • reviewed the reconciliations performed between the revenue and benefits system and the ledger. 	Work to date has not identified any significant issues in relation to the risk identified.

Significant matters discussed with management

	Significant matter	Commentary
1.	Valuation of Property, Plant and Equipment	<p>The 2013/14 Code clarified the requirements for valuing Property, Plant and Equipment, with it explicitly stating that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that Council's need to satisfy themselves that the value of the assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2015.</p> <p>As the Council has a rolling policy for valuations a detailed exercise was undertaken to demonstrate that this would not lead to a material difference in carrying value as at 31 March 2015. The exercise produced a difference of £1.234m, which while officers had determined that this wasn't material, was above our assessment of materiality for the accounts.</p> <p>We have agreed that the valuation is updated, and the associated amendments are described later in the report.</p>

Accounting policies, estimates & judgements

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

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

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient

- Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Going concern</p>	<p>Officers have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.</p>	<p style="text-align: center;">●</p> <p>Accounting policy appropriate and disclosures sufficient</p>
<p>Other accounting policies</p>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</p>	<p style="text-align: center;">●</p> <p>Accounting policy appropriate and disclosures sufficient</p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Finance and Audit Scrutiny Committee and have not been made aware of any incidents in the period and no issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found some errors and omissions in the disclosures made by the Council, the details of which are included within this report.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from PWLB for loans and requested from management permission to send confirmation requests for all bank and investment balances . This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Welfare Expenditure as set out on page 10 above.

The controls were found to be operating effectively and we have no matters to report to the Finance and Audit Scrutiny Committee.

Adjusted misstatements

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

Impact of adjusted misstatements

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

Detail	Statement/Notes effected
1 The valuation of other land and buildings was understated as at 31/3/2015 as a result of the rolling programme of valuations the Council has in place. Using a 'beacon principle approach' officers have increased the valuation of car parks in line with the sample valuations carried out by the District Valuer, the impact of which is an increase in Other Land and Buildings of £837k	Balance Sheet – Property, Plant and Equipment and Unusable Reserves, the CIES, the cash flow statement, and the associated notes. The accounting policies in respect of valuation have also been amended to demonstrate the approach taken.
2 The value of Council Dwellings has been overstated by £241k. The overstatement is as a result of officers effectively double counting assets held for sale which should have been transferred out of Council Dwellings at year end.	Balance Sheet – Property, Plant and Equipment and Unusable Reserves, the HRA and the associated notes.
3 HRA surplus assets were originally incorrectly written out in full, when the Council retained the value of the land.	Balance Sheet – Property, Plant and Equipment and Unusable Reserves, the HRA and the associated notes.
4 The valuation of Heritage Assets was received very late, which created a number of problems in terms of ensuring all of the correct entries went through the draft accounts as presented to members on the 30 th June 2015. As a result all entries were taken through the revaluation reserve, however further analysis of the revaluations demonstrates that they mostly relate to donated assets and as such are chargeable to the Capital Adjustment Account via the CIES. The impact of this change is an increase in the Capital Adjustment Account of £1.003m and a corresponding reduction in the revaluation reserve.	Balance Sheet – unusable reserves, the CIES and the associated notes.

Misclassifications & disclosure changes

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

Adjustment type	Account balance	Impact on the financial statements
1 Disclosure	Various	Our review of the accounts highlighted some improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. Examples include a range of typographical errors, and some areas where additional clarity has been needed within the narrative disclosures to ensure compliance with the code.
2 Disclosure	Exit Packages	The note omitted one case for the value of £9k. Officers have now included this case in the revised financial statements.
3 Misclassification	Housing and Central Services	The transfer between Housing and Central Services for the Council Tax reduction scheme had not been made within the statement of accounts. The impact of this was to transfer £620k of expenditure from Housing to Central Services and £129k of income.
4 Disclosure	Note 5 to the collection fund	The following balances were incorrectly presented in the accounts: impairment allowance for doubtful debts, overpayments and prepayments and the provision for appeals. Officers have amended for these to ensure they are consistent with other areas of the financial statements.

Section 3: Value for Money

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Value for Money

Value for money conclusion

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

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

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

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

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

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

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. The outturn position for 2014/15 shows a surplus of £601k on a budget of £18.1m. 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.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. Our work has demonstrated that the Fit for the Future (FFF) programme and the Sustainable Community Strategy (SCS) remains at the heart of prioritising resources, with both officers and members demonstrating a good understanding of where resources need to be focused.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<p>A review of VFM profiles suggests that the Council continues to be well placed when compared to others with indicators for planned net expenditure for 2014/15 per head of population to be in the lowest quartile, as is actual spend for 2013/14. High areas of spending relate to culture and sport (in highest 20%) and the sustainable economy (in the highest 10%) The reasons for the levels of spend are understood and can be linked to the areas of priority for the Council. Financial resilience indicators show that levels of reserves as a whole are generally in line with other similar authorities.</p>	Green
Strategic financial planning	<p>The budget for 2015/16 is balanced with no unidentified savings. The budget demonstrates a strong understanding of the pressures on both income and expenditure that are key to the make-up of the budget. The scale of savings required are regularly reported to members, along with the necessary savings plans that need to be put in place to balance the budget in both the short and longer term. The impact of delays in implementing these plans are clearly explained. Furthermore the scale of savings required and the potential impact that savings may have on the delivery of services and statutory duties feeds through into the corporate risk register, with the associated mitigating actions monitored on a regular basis.</p> <p>The outturn report at year end highlights the challenging savings position required in future years as part of the MTFP, and this has been revised as part of a re-refresh of both the Sustainable Community Strategy and Fit for the Future Plans. In 2016/17 the revised level of projected savings required is £977k, of which plans are in place to deliver savings of £795k, a shortfall of £182k. Going beyond 2016/17, the position improves with no savings needed in 2017/18, but then a return to the need to make savings in 2018/19. Overall the predicted level of savings needed over the life of the MTFP up until 2020/21 is £1,087k, of which plans are in place for savings of £1,830k. The additional savings identified over the life of the plan, would ensure sufficient funding is in place for investment in equipment and assets needed for service delivery.</p>	Amber

Theme	Summary findings	RAG rating
Financial governance	<p>The financial governance of the authority remains strong, with a focus on long term aims rather than short term measures to balance the budget. Historically the authority have 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.</p>	Green
Financial control	<p>The authority have achieved a surplus of £601k for the year on a budget of £18.1m, the surplus being largely attributed to increases in the levels of income received from both car parking and also cemeteries and crematorium fees.</p> <p>Agreed savings as part of the MTFP are factored into the annual budget, and as such savings are monitored as part of the budget monitoring as a whole. Where identified savings are not been met, this is highlighted through the regular budget monitoring reports to members, and where necessary a revised budget agreed. Savings are also monitored through the FFF programme which continues to focus on the overall change programme for the district., the first phase of the programme has delivered savings of over £3m, with non delivery of £38k reported to members at year end. The more challenging financial environment going forward has led to a refresh of the FFF programme with new actions and a new set of savings plans agreed.</p> <p>The capital spending for the year was £10.3m against a revised budget of £15.5m, a variance of £5.2m, mainly attributable to slippage. This demonstrates that the capital budget was only 67% spent for the year, this compares to a spend of 82% of the capital budget in the prior year. The key reason for such a significant difference is slippage of a one off significant capital project of £2.9m</p>	Green
Prioritising resources	<p>Both the SCS and FFF programme set out the objectives of the authority and therefore how resources should be directed. Review of the budget for 2015/16 demonstrates that resources are continued to be focused on service delivery, with cuts made to other areas of the budget. There is no evidence of deterioration of service delivery. The longer term savings plans continue to focus on the need for service delivery to be maintained, while implementing the refreshed objectives of the SCS.</p>	Green
Improving efficiency and productivity	<p>The Council has conducted reviews of all its service areas to look for more efficient ways to deliver the service, while maintaining the quality. It continues to look for further improvements, particularly in the areas of support services and the management structure currently in place.</p>	Green

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission, and additional indicators identified by ourselves. The audit plan dated 10 March 2015, confirmed that work was in progress on the risk assessment, and that further detail would be reported to members once the work had been completed. Following completion of the risk assessment the following risks to the VfM conclusion were noted, we also report our summary findings in these areas.

Residual risk identified	Summary findings	RAG rating
<p>Review of the VfM profiles for the Council identified that costs for both the sustainable economy and management and support costs were high compared with other comparable councils.</p>	<p>Services within the sustainable economy heading include economic development, highways, building control, development control and planning policy. Officers were able to demonstrate that the key reason for the difference was as a result of the treatment of the on street parking arrangements. Similarly for management and support costs, officers were aware of the comparative position, and had already begun looking at this area and considering how costs could be brought into line with others. The work demonstrated that officers had a good understanding of how costs compare to others.</p>	<p>Green</p>
<p>The Audit Findings Report last year highlighted the high level of standards activity during 2013/14. We noted that this was an area of on-going monitoring by the authority, with plans in place to refresh both officer and member protocols.</p>	<p>The arrangements have been strengthened in year. The new member code of conduct and member/officer protocol was approved in February 2015, with a new employee code of conduct approved in November 2014. Councillors have all received training on these new codes, through various training and induction sessions. Training on the new employee code of conduct is being rolled out during September and October 2015 to all staff. Discussions with officers and review of minutes confirm that there has been a lot less activity this year in terms of standards complaints. The register of complaints shows just 3 complaints against members in the 2014/15 financial year, and in all cases no action was needed to be taken. There have been no complaints against officers.</p>	<p>Green</p>
<p>The Council was one of a small number of Local Authorities that had been placed under special monitoring by the Information Commissioner for their performance in responding to requests, and also for significant delays in some specific requests.</p>	<p>The process for dealing with FOI requests has improved significantly over the last 12 months. The Council had previously recognised that it did not have sufficient resources in place to deal with the volume of requests that were been received, and therefore increased resources were made available to manage requests. The Council now produces a weekly list of requests due as a reminder for Heads of Service to act upon. All backlog requests have now been dealt with. As a result of the progress made, the Council are no longer being monitored on responses by the Information Commissioner.</p>	<p>Green</p>

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Council audit	71,497	71,497
Grant certification on behalf of Audit Commission	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 audit fee to the Council in our Annual Audit Letter, with the final certification fee being reported as part of the grant certification report.

Fees for other services

Service	Fees £
Tax advice on the options appraisal for Kenilworth Public Service Centre	6,000
Tax Advice – New Residential Developments	8,000-10,000

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Findings Report. Any changes will be reported in our Annual Audit Letter. Initial discussions have been held with officers regarding the certification arrangements for the pooling of housing capital receipts, which are now outside of the Audit Commission regime will still require and audit certificate.

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 Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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

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

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

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

Appendices

Appendix A: Audit opinion

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

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

We have audited the financial statements of Warwick District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Balance Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Warwick District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Warwick District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Warwick District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion

John Gregory
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

Date:

Appendix B: Action plan

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	Officers should critical 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.	Deficiency		
2.	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.	Deficiency		
3.	Working papers could be improved, with greater use being made of spreadsheets to demonstrate the audit trail between ledger balances and the financial statements.	Deficiency		



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