

Finance and Audit Scrutiny Committee

Tuesday 23 September 2014

A meeting of the above Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 23 September 2014 at 6.00pm.

Membership:

	Councillor Barrott (Chairman)	
Councillor Mrs Bunker		Councillor Pittarello
Councillor Dhillon		Councillor Pratt
Councillor Mrs Knight		Councillor Rhead
Councillor MacKay		Councillor Mrs Syson
Councillor Mrs Mellor		Councillor Williams

Emergency Procedure

At the commencement of the meeting, the Chairman will announce the emergency procedure for the Town Hall.

Agenda

Part A – General Items

***1. Substitutes**

To receive the name of any Councillor who is to act as a substitute, notice of which has been given to the Chief Executive, together with the name of the Councillor for whom they are acting.

***2. Declarations of Interest**

Members to declare the existence and nature of interests in items on the agenda in accordance with the adopted Code of Conduct.

Declarations should be entered on the form to be circulated with the attendance sheet and declared during this item. However, the existence and nature of any interest that subsequently becomes apparent during the course of the meeting must be disclosed immediately. If the interest is not registered, Members must notify the Monitoring Officer of the interest within 28 days.

Members are also reminded of the need to declare predetermination on any matter.

If Members are unsure about whether or not they have an interest, or about its nature, they are strongly advised to seek advice from officers prior to the meeting.

Part B – Audit Items

*3. **Audit Findings Report from External Auditor**

To consider a report from Finance

(Item 3/Page 1)

Part C – Scrutiny Items

*4. **Council Agenda – Wednesday 24 September 2014**

To consider the Statement of Accounts 2013/14 report on the Council agenda.

You are requested to bring your copy of that agenda to this meeting (circulated separately).

(*Denotes those items upon which decisions will be made under delegated powers, as previously granted by Council)

Published 15 September 2014

General Enquiries: Please contact Warwick District Council, Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5HZ.

Telephone: 01926 353362

Facsimile: 01926 456121

E-Mail: committee@warwickdc.gov.uk

Enquiries about specific reports: Please contact the officers named in the reports.


You can e-mail the members of the this Committee at

F&AScrutinycommittee@warwickdc.gov.uk

Details of all the Council's committees, councillors and agenda papers are available via our website www.warwickdc.gov.uk/committees

Please note that the majority of the meetings are held on the first floor at the Town Hall. If you feel that this may restrict you attending this meeting, please call (01926) 353362 prior to this meeting, so that we can assist you and make any necessary arrangements to help you attend the meeting.

The agenda is also available in large print, on request, prior to the meeting by calling 01926 353362.

 Finance & Audit Scrutiny Committee - 23 September 2014		Agenda Item No. 3
Title	Audit Findings Report from External Auditor	
For further information about this report please contact	Mike Snow Tel 01926 456800 Marcus Miskinis Tel 01926 456804	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers	Statement of Accounts issued with 24 September 2014 Council Agenda	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive	11/9/2014	Chris Elliott
Head of Service	11/9/2014	Head of Finance
CMT	11/9/2014	
Section 151 Officer	11/9/2014	Mike Snow
Monitoring Officer	11/9/2014	Andy Jones
Finance	11/9/2014	Accountants
Portfolio Holder(s)	11/9/2014	Stephen Cross

Consultation & Community Engagement	
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1. SUMMARY

- 1.1 The Council's external auditors, Grant Thornton, have now issued their Audit Findings Report in respect of 2013/14, which is attached. Their audit of the 2013/14 Statement of Accounts is substantially complete, although some work is being finalised; the auditors anticipate issuing an unqualified audit opinion. The audited accounts are due to be agreed by full Council on 24 September, following which they will be published ahead of the 30 September deadline.

2 RECOMMENDATION

- 2.1 That the Finance and Audit Scrutiny Committee note the 2013/14 Audit Findings Report (Appendix A).
- 2.2 Approve the letter of representation (Appendix B), on behalf of the Council before the District Auditor issues his opinion and conclusion.

3 REASONS FOR THE RECOMMENDATION

- 3.1 The Finance and Audit Scrutiny Committee, as the Council's audit committee, is expected to consider the Audit Findings Report. Under the International Standard on Auditing 260, the Council's External Auditors, Grant Thornton, are required to report on their findings from the 2013/14 audit. This is included as Appendix A. This report identifies the key issues that members should consider before the auditors issue their opinion, conclusion and certificate.
- 3.2 Some changes were proposed to the original Statement of Accounts prepared in June. All changes have been included within the Statement of Accounts due to be approved by Council on 24 September.
- 3.3 The Council also needs to provide a Letter of Representation to the auditors before they will issue their opinion.

4 POLICY FRAMEWORK

- 4.1 **Policy Framework** – By considering and scrutinising the report members are acting in accordance with the priority of managing services openly, effectively and efficiently.
- 4.2 **Fit for the Future** – This report has no direct impact on Fit for The Future as it is a review of the past year's performance.

5 BUDGETARY FRAMEWORK

- 5.1 The Audit Findings Report is a review of the financial performance of the year 2013/14 and has no direct impact on budgets. The changes to the accounts arising from the Audit Findings Report do not have any effect on the Council's overall financial standing.
- 5.2 The planned cost of the audit was £70,597 as reported in May to the Committee. Grant claims are estimated to cost £10,880 for which this work is still on-going so a final figure cannot be given as yet. Actual fees have increased by £900 compared to the audit plan. This is following approval by the Audit Commission for all Local Government bodies that a fee variation was

appropriate as a result of the extra work required on business rates following the change in the accounting requirements.

5.3 The work on the objection to the accounts from a local resident is still on-going. The cost of this work is not reflected in the original fee. The final fee will be reported to members as part of the Annual Audit Letter when the audit is completed.

5.4 A further report will be presented from Grant Thornton on the audit of the Grant Claims.

6 RISKS

6.1 That objections to the accounts are upheld by the external auditor. Discussions are currently ongoing with the external auditor to address the issues raised.

7 ALTERNATIVE OPTION(S) CONSIDERED

7.1 No alternatives have been considered.

8 BACKGROUND

8.1 The Statement of Accounts were duly prepared by the required date of 30 June 2014, and signed by the Responsible Financial Officer. These were subsequently presented to the Finance and Audit Scrutiny Committee in July for consideration. The audit of the accounts by Grant Thornton commenced in August. Details of the Audit Plan were presented to the Committee May.

8.2 The main issue arising from the Audit Findings Report is the auditor's anticipation of issuing an unqualified opinion on the 2013/14 Accounts. Whilst there are some changes proposed to the unaudited Accounts that members considered in July, these are not believed to be significant and not untypical for any local authority given the complexity of the accounting requirements.

8.3 The main changes proposed to the accounts are detailed on page 14 of the report entitled "Adjusted Misstatements" and "Misclassifications & disclosure changes" on page 15. All of these changes only affect the details within the notes to the accounts. These changes were:-

- £614k wrongly included as revaluations and not de-recognition within the notes to the accounts and cashflow statement. The figures within the balance sheet and cashflow statement were not affected.
- Presentation and disclosure. These mainly included a small number of improvements for clarity.

Overall the audit has gone well, with the auditors being very pleased with the standard of the supporting working papers and responses from officers.

8.4 The Audit Findings Report also includes details of the Value For Money Conclusion for 2013/14. The report states that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

8.5 An objection to the accounts has been made by a local elector in relation to the granting of leases on land adjacent to the racecourse. This is currently being

considered by the auditors. This is delaying the formal conclusion of the audit and the issue of an audit certificate.

- 8.6 This year there have been more requests from the public to inspect the accounts and supporting documents. This has presented more work for the Accountants in responding to these requests. Consideration is being given to how it may be possible to streamline the public's right to inspect the accounts ahead of the inspection period for the 2014/15 accounts next Summer.
- 8.7 The Council's previous external auditors, the Audit Commission, issued an Annual Governance Report on the conclusion of the audit. This Audit Findings report replaces that report.



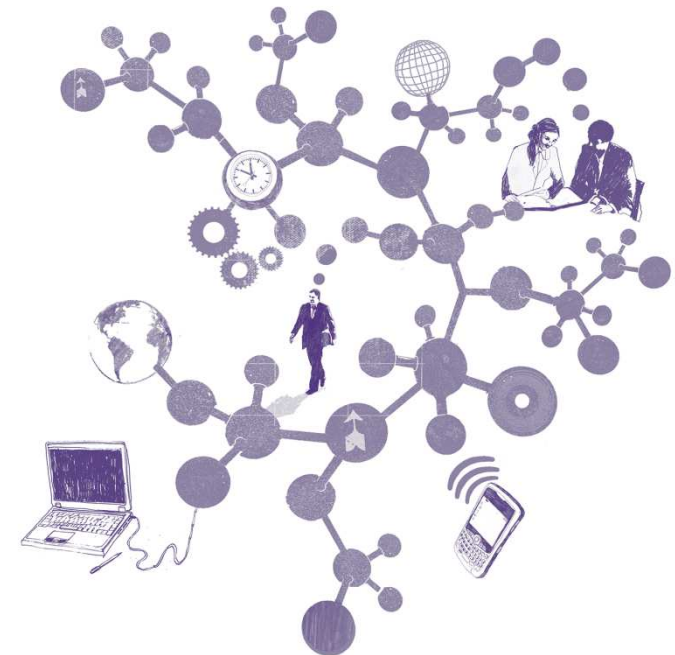
The Audit Findings for Warwick District Council

Year ended 31 March 2014

September 2014

John Gregory
Engagement Lead
T 0121 232 5333
E john.gregory@uk.gt.com

Helen Lillington
Audit Manager
T 0121 232 5312
E helen.m.lillington@uk.gt.com



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

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

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

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

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

Introduction

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

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

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

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

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

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

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

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

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

Value for money conclusion

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

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

Objection to the accounts

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

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

Controls

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

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

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

Further details are provided within section 2 of this report.

The way forward

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

Acknowledgment

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

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

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

Changes to Audit Plan

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

Audit opinion

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

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams 	<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 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements 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	<p>Creditors understated or not recorded in the correct period. (Completeness)</p> <p>Reasonably Possible Risk (RPR)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> Conducted a walkthrough of the key controls for this system, Reviewed the monthly trend analysis of payments, Performed cut off testing of purchase orders and goods received notes (both before and after year end), Reviewed the completeness of the reconciliations to the purchasing system, and Tested a sample of operating expenses and creditors. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
Employee remuneration	<p>Employee remuneration accrual understated. (Completeness)</p> <p>RPR</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> Conducted a walkthrough of the key controls for this system, Reviewed the completeness of the reconciliations of information from the payroll system to the general ledger and financial statements, Performed cut off testing of payments made in April and May to ensure payroll expenditure is recorded in the correct year, Reviewed the monthly trend analysis of total payroll, and Tested a sample of employee remuneration payments. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

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

Accounting policies, estimates & judgements


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

Accounting area	Summary of policy	Comments	Assessment
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
Judgements and estimates	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 but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

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

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

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

Impact of adjusted misstatements

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

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

Misclassifications & disclosure changes

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

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

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 not been made aware of any incidents in the period and no other 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 no material omissions in the financial statements
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.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

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Value for Money

Value for Money conclusion

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

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

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

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

Key findings

Securing financial resilience

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

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

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

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

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

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

Challenging economy, efficiency and effectiveness

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

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

Overall VFM conclusion

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

Section 4: Fees, non audit services and independence

01. Executive summary

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05. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit.

Fees

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

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

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

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

Fees for other services

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

Independence and ethics

We confirm that there are no significant facts or matters that in fact or in appearance compromise our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

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) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

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

Respective responsibilities

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

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

Opinion on the Authority financial statements

We have audited the financial statements of Warwick District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Warwick District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

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

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

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

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

Conclusion

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

Delay in certification of completion of the audit

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



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Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT
23 September 2014

Dear Mr Gregory

Warwick District Council

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

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 financial statements in accordance with proper practices as set out in the CIPFA/LA SAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us 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 further material judgements that need to be disclosed.
- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IA S19 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 retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

- vii 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.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix We have not adjusted the financial statements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi 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

- xii We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the 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.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv 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.
- xvi 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.

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

xviii 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.

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

Annual Governance Statement

xx 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

Approval

The approval of this letter of representation was minutes by the Council's Finance and Audit Scrutiny Committee at its meeting on 23rd September.

Signed on behalf of the Committee

Name... ..

Position... ..

Date... ..