

# Finance and Audit Scrutiny Committee

Tuesday 20 September 2016

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A meeting of the above Committee will be held at the Town Hall, Royal Leamington Spa on Tuesday 20 September 2016 at 6.00pm.

Membership:

Councillor Quinney (Chairman)	
Councillor Ashford	Councillor Harrington
Councillor Barrott	Councillor Illingworth
Councillor G Cain	Councillor Mann
Councillor Mrs Falp	Councillor Rhead
Councillor Gifford	Councillor Thompson

## 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. Apologies and Substitutes

- (a) to receive apologies for absence from any Councillor who is unable to attend; and
- (b) 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.

## 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 21 September 2016**

To consider the Statement of Accounts 2015/16 report on the Council agenda.  
**You are requested to bring your copy of that agenda to this meeting (circulated separately).**

**\*5. Infrastructure Delivery Plan Update**

To consider a report from Development Services

**Withdrawn**

Published Monday 12 September 2016

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

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E-Mail: [committee@warwickdc.gov.uk](mailto: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](mailto:F&AScrutinycommittee@warwickdc.gov.uk)

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**The agenda is also available in large print, on request, prior to the meeting by calling  
01926 456114.**

 <b>Finance and Audit Scrutiny Committee 20 September 2016</b>		<b>Agenda Item No.</b>  <b>3</b>
<b>Title</b>	Audit Findings Report from External Auditor	
<b>For further information about this report please contact</b>	Mike Snow      Tel 01926 456800 Marcus Miskinis    Tel 01926 456804	
<b>Wards of the District directly affected</b>	None	
<b>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?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>	Statement of Accounts on 21 September 2016 Council Agenda	

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

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive	12/9/2016	Chris Elliott
Head of Service	12/9/2016	Head of Finance
CMT		
Section 151 Officer	12/9/2016	Mike Snow
Monitoring Officer	12/9/2016	Andy Jones
Finance	12/9/2016	Accountants
Portfolio Holder(s)	12/9/2016	Peter Whiting

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

## **1. SUMMARY**

- 1.1 The Council's external auditors, Grant Thornton, have now issued their Audit Findings Report in respect of 2015/16, which is attached. Their audit of the 2015/16 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 21 September, following which they will be published ahead of the 30 September deadline.

## **2 RECOMMENDATION**

- 2.1 That the Finance and Audit Scrutiny Committee:
- a. Notes the 2015/16 Audit Findings Report (Appendix A); and
  - b. Approves 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 2015/16 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 minor 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 21 September.
- 3.3 Whilst work is still on-going on the audit at the time of writing this report, the auditors anticipate issuing an unqualified audit opinion on the accounts.
- 3.4 The auditors have not been able to certify the completion of the 2013/14 or 2014/15 audits due to them not having been able to conclude their work on one of the four objections received in respect of the 2013/14 accounts. As the related expenditure has continued into 2015/16, the audit for this year cannot similarly be concluded at this stage. No objections have been received in respect of the 2015/16 accounts.
- 3.5 The Council also needs to provide a Letter of Representation to the auditors before they will issue their opinion. The draft letter is included as Appendix B.
- 3.6 As at the time of writing this report, the responses to the Action Plan within the Audit Findings report have not been concluded. These will be circulated to members ahead of the meeting of the Finance & Audit Scrutiny Committee.

## **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.

## **BUDGETARY FRAMEWORK**

- 4.3 The Audit Findings Report is a review of the financial performance of the year 2015/16 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.
- 4.4 The planned cost of the audit was £53,263 as reported in April 2016 to the Committee. Grant claims are estimated to cost £9,540 for which this work is still on-going so a final figure cannot be given as yet. The Council will also incur an additional cost for the audit of the Pooling of Housing Capital Receipts return (£3,000 fee) which is outside of the scope of the grant certification figure quoted above.
- 4.5 A further report will be presented from Grant Thornton on the audit of the Grant Claims.

## **5 RISKS**

- 5.1 That the objection still outstanding to the accounts are upheld by the external auditor. Discussions are currently ongoing with the external auditor to address the issues raised.

## **6 ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 No alternatives have been considered.

## **7 BACKGROUND**

- 7.1 The Statement of Accounts were duly prepared by the required date of 30 June 2016, 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 April.
- 7.2 The main issue arising from the Audit Findings Report is the auditor's anticipation of issuing an unqualified opinion on the 2015/16 Accounts. Whilst there are some minor 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.
- 7.3 Other adjustments to the accounts have been made as discussed on pages 20 and 21. None of these have had any impact on the Council's available resources.
- 7.4 The Audit Findings Report also includes details of the Value For Money Conclusion for 2015/16. The report states 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 2016.
- 7.5 The auditors have had further discussions with officers over the length of the accounts, with a view to seeking further reductions. Officers will continue to work with the auditors to agree where it is possible to make such reductions.

# The Audit Findings for Warwick District Council

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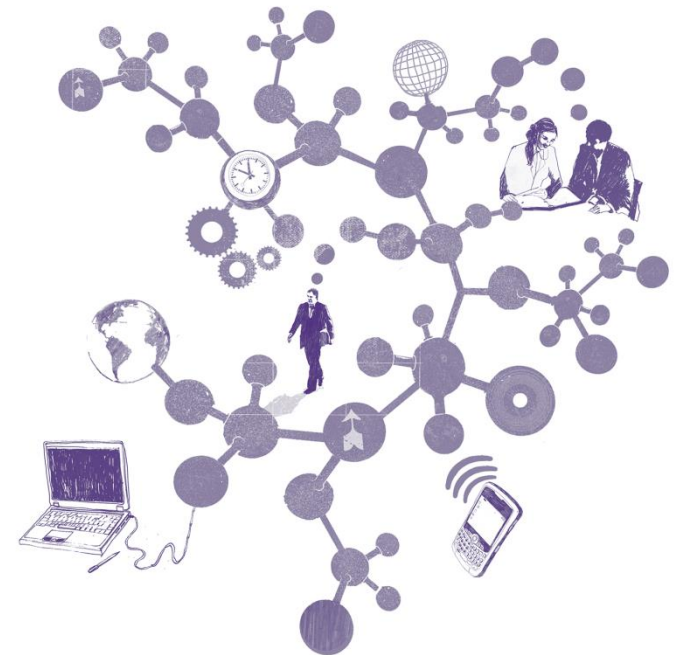
**Year ended 31 March 2016**

20 September 2016

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Warwick District Council  
Riverside House  
Milverton Hill  
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Warwickshire  
CV32 5HZ

20 September 2016

Dear Members

**Audit Findings for Warwick District Council for the year ending 31 March 2016**

This Audit Findings report highlights the key 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, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. 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 and giving a value for money conclusion. 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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## **Appendices**

- A Action plan
- B Audit opinion



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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**

## Purpose of this report

This report highlights the key issues affecting the results of Warwick District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements: whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In carrying out our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 5 April 2016.

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

- Review of the final version of the financial statements,
- Receipt of external confirmation of one investment balance
- Final review of pension fund disclosures
- Completion of work on PPE
- Obtaining and reviewing the management letter of representation
- Updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts work.

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

## Key audit and financial reporting issues

### Financial statements opinion

We have not identified any adjustments affecting the Council's reported financial position. However, we have recommended a number of adjustments to improve the presentation of the financial statements and ensure greater alignment with the Code.

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

- While some progress has been made in 'de-cluttering' the accounts, there are still further improvements that could be made. In particular, immaterial disclosure notes could be removed, and more use made of tables rather than detailed narrative. We have continued to highlight particular areas to officers where improvements could be made in future years.
- Working papers have improved from last year. However the way they are structured and filed makes it difficult to access them without assistance from the accountants who prepared them. Whilst this was easily solved during the audit, succession planning in the finance team needs to consider how easily any new member of staff would locate prior year working papers. Working papers in relation to journals and the assessment of the group boundary should be a key area of focus next year.
- The narrative report is a new requirement this year. While the Council have complied with the spirit of the Code, there were a number of areas of disclosure that had not been included. We have agreed with officers that these are not significant, but suggested that compliance is improved next year.
- The Accounts and Audit Regulation 2015 introduced a number of changes for councils in relation to the exercise of public rights. The notice of audit initially prepared was not in accordance with the new regulations, however this was identified and resolved quickly to ensure full compliance.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

### Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

## 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.

## **Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

## **Other statutory powers and duties**

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 seek a declaration from the court that the accounts included unlawful items of income or expenditure. All but one of these objections were determined during 2014/15. However we have been unable to conclude on the objection in relation to the alleged disproportionate costs of legal action taken to recover unpaid Council Tax from an individual, as the legal process which is the subject matter of the objection remains on-going. During 2014/15 we also received a further objection in relation to the same issue from a different local elector, and this will also need to be considered once the legal process has concluded.

As a result we have not therefore been able to certify formal completion of the 2013/14 audit, the 2014/15 audit, and in view of the fact that the related expenditure continued into 2015/16, nor can we at this stage certify completion of the 2015/16 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.

## **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Finance and Audit Scrutiny Committee.

We have completed the initial discovery sampling of the housing benefit claim and identified a large number of errors. While we are satisfied that this does not have a material impact on the financial statements, it will require significant further testing to be undertaken before we can certify the claim. The testing required is mandated by the DWP as part of the certification process, and will result in a qualification to the claim.

## **The way forward**

Matters arising from the financial statements audit and our 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 at Appendix A. Recommendations have been discussed and agreed with the Head of Finance and the finance team.

## **Acknowledgement**

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 2016**

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## 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

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £1,638k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have revised our overall materiality to £1,258k (being 2% of gross revenue expenditure) following the reduction in gross revenue expenditure achieved during the year

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £63k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10k

# 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><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue 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"> <li>• there is little incentive to manipulate revenue recognition,</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Warwick District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> <li>• testing of journal entries.</li> <li>• review of accounting estimates, judgements and decisions made by management.</li> <li>• review of unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride 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>While we have not identified any significant issues from our testing, we have discussed with officers the format of the reporting available in relation to journals. At present the reporting from the system does not easily provide officers with a full population of journal entries. Instead a variety of reports were needed and then explanations gained for where journals have been removed. As journals are a key way the financial accounts can be manipulated it is important that the population can be reviewed in the most efficient manner. We have discussed with officers the need to improve this reporting in future years.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

## Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<ul style="list-style-type: none"> <li>• Documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated.</li> <li>• Walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements.</li> <li>• Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>• Gained an understanding of the basis on which the IAS 19 valuation was carried out, and undertook procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• Reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work has not identified any issues in respect of the pension fund net liability.</p>



# Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Employee remuneration</b>	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle,</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding,</li> <li>reviewed the reconciliation of the payroll system to the general ledger, including proof in total of the monthly payroll to the general ledger,</li> <li>completed a trend analysis of monthly payroll data and gained appropriate explanations for variances identified, and</li> <li>tested amount paid to individual employees on a sample basis.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Operating expenses</b>	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"> <li>documented our understanding of processes and key controls over the transaction cycle,</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding,</li> <li>tested a sample of payment made after the year end to ensure that liabilities have been recorded in the correct period, and</li> <li>reviewed the balance of goods received to identify any items which have not been correctly accrued for.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Audit findings against other risks continued



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Welfare expenditure</b></p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle,</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding,</li> <li>• completed work on module 2 of HBCOUNT which tests whether the correct parameters have been entered into the housing benefit system,</li> <li>• completed the initial discovery sample testing of housing benefit payments from the housing benefit subsidy claim, and</li> <li>• reviewed the key reconciliations between the revenue and benefits systems and the ledger.</li> </ul>	<p>Testing has not identified any material errors within the welfare expenditure included within the financial statements. However the completion of the discovery sample testing for housing benefit certification purposes has identified a number of errors, which when extrapolated equates to £356k.</p> <p>The DWP have a prescribed testing methodology which must be followed when errors are identified, and this has resulted in a significant number of cases needing to be tested before the certification deadline at the end of November. We are working with officers to ensure that all of this work will be completed prior to the deadline.</p>

## Significant matters discussed with management

	Significant matter	Commentary
1	De-cluttering the accounts.	While some progress has been made in de-cluttering the accounts, there are still further improvements that could be made. The number of pages in the accounts have marginally reduced from the prior year, but they still remain over 100 pages long. The accounts continue to include a number of immaterial, non statutory notes which could be removed. Greater use could be made of tables and diagrams within the accounts rather than detailed narrative, which would have greater impact and reduce the overall volume of the accounts. We have continued to highlight particular areas to officers where improvements could be made in future years, including the need to critically review the statement of accounts document against the disclosure checklist to identify areas where disclosures could be removed or improved.
2	Working papers to support the accounts.	<p>Working papers have improved from last year. However they remain difficult to locate within the filing structure created by the finance team. There were many instances where officers' assistance was needed to ensure we could locate and understand the working papers produced to support the figures within the financial statements. We have a good working relationship with the accountants who currently produce the financial statements and therefore this issue was easily solved during the audit. However should the finance team change, understanding how the accounts have been prepared could be more difficult.</p> <p>We provide officers with a detailed list of working papers required to support the accounts production process as part of planning the audit. This could be used to ensure consistency and ease of filling.</p> <p>As the accounts timetable becomes more compressed it will become even more important to find efficiencies in the process. Producing clear working papers and filing them as the accounts are produced is one way to improve efficiency. We have also discussed with officers the need to consider as early in the process as possible where estimates can be made, rather than waiting for actuals to be available, and how this can best be evidenced. Little progress was made in this area in the current year due to staff sickness, however it will be key to achieving earlier closedown, as will a clear commitment from staff across the authority and not just in the finance team.</p>
3	Disclosures within the narrative report.	The narrative report is a new requirement this year and was the subject of a Code update in January 2016 to reflect a number of changes to accounting regulations, including those as set out in the Accounts and Audit Regulations 2015. The purpose of the Narrative Report is to offer interested parties an effective guide to the most significant matters reported in the accounts, it should be fair, balanced and understandable for the users of the financial statements. The Narrative Report as produced by officers complies with this purpose. However the updated code sets out a number of key items that should be included, such as an explanation of any pension liabilities, significant provisions made and current borrowing facilities, which are not specifically referred to. We are satisfied that the key information is available to a reader of the accounts when taking the entirety of the financial statements into account and therefore have recommended no changes to the narrative report this year, with officers instead reviewing the content of the report against the Code in readiness for next year's accounts.
4	Notice of audit.	The Accounts and Audit Regulations 2015 introduced a number of changes for Councils in relation to the exercise of public rights. One of the key changes is that the auditor no longer sets the period for public inspection - instead the period is triggered by the Chief Financial Officer publishing the unaudited statements. Unlike in previous years, the period of inspection is for 30 working days and for 2015/16 financial year needed to include the 1st-14th July. In addition members of the public can now only raise questions with the auditor and make objections within that 30 working day period. The Council initially incorrectly published the arrangements for the public inspection period. However this was identified by the Head of Finance and clarification was sought immediately from the audit team, resulting in a revised notice of audit being published to ensure that the Council complied with the regulations.



# Accounting policies, estimates and judgements

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

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probably that economic benefits of service potential associated with the transaction will flow to the Council.	<ul style="list-style-type: none"> <li>The Council's policy is appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice.</li> <li>Minimal judgement is involved.</li> <li>The accounting policy is properly disclosed.</li> </ul>	 <p>Accounting policy appropriate and disclosures sufficient</p>
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>Valuation and classification of assets,</li> <li>Useful life of assets,</li> <li>Provisions,</li> <li>Pension liability, and</li> <li>Accruals.</li> </ul> </li> </ul>	<p>We have considered:</p> <ul style="list-style-type: none"> <li>Appropriateness of policy under relevant accounting framework,</li> <li>Extent of judgement involved</li> <li>Potential financial statement impact of different assumptions</li> <li>Adequacy of disclosure of accounting policy.</li> </ul> <p>Our review of key estimates has not highlighted any issues which we wish to bring to your attention. We have discussed with officers the judgements made around the group boundary and suggested improvements to the process for future years along with some additional narrative disclosures to be added to the accounts.</p> <p>In addition our review of the classification of assets identified that there was limited evidence to support the classification of assets into investment properties, with the decision being made on an annual basis by the finance staff based on annual rental values. The decision to hold investment properties should be based on the asset management strategy for the authority, and there should be clear links between this and the assets classified as investment properties within the financial statements.</p>	 <p>Accounting policy appropriate but scope for improved disclosure.</p>

**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	The Head of Finance has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 Accounting policy appropriate and disclosures sufficient
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice.	The Council's accounting policies are appropriate and consistent with previous years and there are no issues which we wish to bring to your attention.	 Accounting policy appropriate and disclosures sufficient

**Assessment**

# Other communication requirements

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

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>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 other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained direct confirmation 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. Confirmation identified one bank account that officers had not disclosed because it was considered to be immaterial, and then a further bank account was also identified where officers believed it to be closed. The balances on these accounts are trivial, and there has been no activity on either bank account in the last 12 months. Officers should consider closing these accounts as there is a risk that activity might go through these accounts unnoticed. At the time of drafting the AFR, we are currently outstanding confirmations for one investment. We are working with officers to obtain this prior to the approval of the accounts.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements, however we have highlighted some areas where improvements could be made in the future. These are contained within the table on page 21 below.</li> </ul>

## Other communication requirements continued

	Issue	Commentary
7.	<b>Matters on which we report by exception</b>	<p>We have not identified any issues we would be required to report by exception in the following areas</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>• The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading. We have however identified some areas for improvement in futures years and these have been discussed with officers.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council does not exceed the threshold.</p>

## 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 pages 12 and 13 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 accounts 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 accounts 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 in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Statement/Notes effected £000
1 The Council have incorrectly netted off their NNDR safety net debtor and creditor at year end. Central government creditor liability to be reduced by £116k and Central Government debtor to be increased by £116k. Net effect on the balance sheet nil.	Balance sheet and Debtors and Creditors notes

## Misclassifications and disclosure changes

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

Adjustment type	Account balance	Impact on the financial statements
1 Disclosure	Various	Our review of the accounts highlights 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 changes to improve consistency in presentation. In addition we have noted some areas where additional clarity has been needed within the narrative disclosure to ensure compliance with the code.
2 Disclosure	Grants and other revenues	There are a number of headings within note 30 which need to be amended to ensure consistency with the prior year audited accounts, and to ensure that the narrative description accurately reflects the grant received. In addition testing of this note identified one item which had been incorrectly coded as grant income. The actual value of the error was considered trivial and when evaluated was considered to have a potential impact on the accounts of £154k and therefore no further action was required.
3 Disclosure	Grants and other revenues	Note 10 shows non domestic rates income and expenditure disclosed at £3,836k. This incorrectly includes £1,066k that relates to the small business rate relief grants. The £1,066k should be included within the analysis of Note 30. Officers have agreed to amend for this in the final version of the accounts.
4 Disclosure	HRA – Note 5 Summary of Capital Expenditure Funding Sources	The draft accounts omitted the capital investment reserve contribution of £6.2m within the Revenue and other contributions line of this note. Officers have agreed to amend for this in the final version of the accounts.
5 Disclosure	Note 29 – External Audit Costs	An additional line is to be added to the draft note so that the costs of dealing with the objections from the local electors are separately identified.

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out our risk assessment in March 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated 5 April 2016.

- Arrangements that the Council has in place for finding a suitable operating partner for the management of its leisure centres
- Arrangements for identifying and agreeing savings plans, and communication key findings to the Council and key decision making committees
- The arrangements in place for working with others.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

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

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

### **Significant qualitative aspects**

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

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

- The current financial savings plans of the Council, and delivery of those savings,
- The range of partnership working at the Council and how this is reported consistently to members,
- The current project plan for the leisure centre development plan, how decisions have been reported to members, and how savings have been determined for inclusion within the medium term financial plan.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work later in this section.

### **Overall conclusion**

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this, can be found at Appendix B.

### **Recommendations for improvement**

We discussed findings arising from our work with management and have agreed recommendations for improvement as follows.

- This is the second year in a row where the Council has made a surplus when compared to budget as a result of unplanned income. This year the surplus was £1.7m when compared to an additional surplus of £600k in the prior year. Officers should consider whether further work needs to be done around the budgeting and forecasting of this income to ensure that this is predicted with greater accuracy for year end.
- The Council works with a number of partners across a range of services areas, some in a formal partnership or contractual arrangement, others in a more informal way. It is not clear that officers and members have an entire picture of this activity and how it is helping to deliver services effectively. Consideration should be given to formulating a clear strategy for working with others, particularly as just over 20% of Council services are currently provided by organisations external to the Council.

Management's response to these can be found in the Action Plan at Appendix A.

## Key findings

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

Significant risk	Work to address	Findings and conclusions
<p><b>Leisure Centre Development Programme</b></p> <p>The Council is currently looking for an external partner to manage the Council's leisure centres. A full procurement process will now take place to find the most suitable operating partner and will be subject to a detailed service specification that will outline what is required of the operator.</p>	<p>We reviewed the Council's progress against its vision and discussed with officers how savings had been determined.</p>	<p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place for the project.</p>
<p><b>Working with others</b></p> <p>The Fit for the Future plan sets out that the Council has a commitment to work with partners to build sustainable, safer, stronger and healthier communities.</p>	<p>We discussed with officers the current projects in place where they are working with others to achieve the objectives of the Council.</p>	<p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements overall.</p> <p>Our work highlighted that there were a wide range of arrangements in place across the authority, ranging from formal partnerships such as the South Warwickshire Crime and Disorder Reduction Partnership, to more informal arrangements with local community groups such as those looking to improve St Mary's Lands and Pump Room Gardens. Officers and members have a clear understanding of the benefits of working with others and this is evidenced throughout the corporate plan. However it is not clear that there is a full picture of activity across this authority and that this is considered in a consistent manner.</p>

**Key findings continued**

Significant risk	Work to address	Findings and conclusions
<p><b>Identification and reporting of savings plans</b></p> <p>The Council identified savings of £1.735m as part of the September 2015 Fit for the Future report, for the period up until 2019/20. This included £648k which would enable contributions to be made to reserves. As a result of the budget settlement, further recurrent savings of £591k also need to be identified to maintain a balanced budget over the period.</p>	<p>We have reviewed the Council's arrangements for identifying and agreeing savings plans, and communicating key findings to the Council and key decision making committees.</p>	<p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p> <p>Historically the Council has a strong track record of delivering against its financial objectives, and this remains the case for 2015/16 with the outturn report showing a surplus of £1.7m against a budgeted surplus of £151k, with the key reason being as a result of additional income in areas such as planning and cemeteries. This is the second year running where the Council has delivered a surplus over budget as a result of unplanned income. We have recommended that officers review the budget forecasting and monitoring in these areas to see if more accurate year end forecasting could be produced.</p> <p>Detailed plans are in place to meet savings targets over the short term, and the Council has had success in achieving some of its savings targets earlier than planned. That said, there remains some challenging targets to be achieved, particularly the delivery of some large scale projects such as the relocation of Riverside House and the Leisure Centre Development programme.</p>

**Significant difficulties in undertaking our work**

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

**Significant matters discussed with management**

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

**Any other matters**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.



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

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non audit services and independence**

05. Communication of audit matters

We confirm below our final fees charged for the audit and provision of non-audit services.

### Fees

	Proposed fee £	Final fee £
Council audit	53,623	53,623
Grant certification	9,540	TBC
<b>Total audit fees (excluding VAT)</b>	<b>63,163</b>	<b>TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

### Grant certification

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

### Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• Pooled capital receipts grant certification (2014/15)	3,000
<b>Non-audit services</b>	Fees based on 35% of savings made capped at £29,995.
• Cost assurance services	

### 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 Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Communication of audit matters

# Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 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 Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). 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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The reporting mechanism available for journals should be reviewed to make it easier to extract a complete journal listing.	Medium		
2	The statement of accounts should be critically reviewed against the disclosure checklist and the requirements of the code. Consideration should be given to removing all non material, non statutory notes and ensuring that information is presented in the most concise way.	Low		
3	Finance staff should consider how to structure the working papers to support the financial statements, so that they are easy to locate and understand by finance staff who have not been involved in the accounts production process.	Low		
4	Finance staff should ensure that greater emphasis is placed on the processes to help ensure a faster close to the accounts in future years, particularly the use of estimates and the engagement with staff outside of the finance department	Low		

# Appendix A: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
5	The narrative report should be reviewed against the guidance contained in the Code update to ensure all relevant disclosures are included in future years.	Low		
6	Consideration should be given to closing the two bank accounts that have been identified where there has been no activity in the last 12 months.	Low		
7	The evidence base to demonstrate that assets are investments properties should be improved, with clear links to the asset management strategy of the authority.	Medium		
8	Officers should consider whether further work needs to be done around the budgeting and forecasting of key areas of income to ensure that this is predicted with greater accuracy at year end.	Low		
9	Consideration should be given to formulating a clear strategy for working with others, and ensuring this is clearly communicated with staff and members.	Low		

# Appendix B: 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 (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). 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 Account Statement, the Collection Fund, the Housing Major Repairs Reserve Account 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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 2015/16, which 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 Narrative Report and the Annual Governance Statement 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:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement Annual Report is consistent with the audited financial statements.

### Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in '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 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.



**Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

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

**Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

**Certificate**

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until we have completed our consideration of objections brought to our attention by local authority electors under Section 27 of the Act. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

*J Gregory*

John Gregory  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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22 September 2016



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**our ref:MS/GSH**  
**your ref:**

20 September 2016

Dear John

**Warwick District Council**  
**Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with the audit of the financial statements of Warwick District Council for the year ended 31 March 2016 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 Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the 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 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the

- event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
  - v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
  - vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
  - vii Except as disclosed in the financial statements:
    - a there are no unrecorded liabilities, actual or contingent
    - b none of the assets of the Council has been assigned, pledged or mortgaged
    - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
  - viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
  - ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
  - x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
  - xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
  - xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
  - xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
  - xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

## **Information Provided**

- xv We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and
  - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
  
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
  
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
  
- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  
- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
  
- xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
  
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
  
- xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
  
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Annual Governance Statement**

- xxiv 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.

**Narrative Report**

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

**Approval**

The approval of this letter of representation was minuted by the Council's Finance and Audit Scrutiny Committee at its meeting on 20 September 2016.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council