

The Audit Findings for Rugby Borough Council

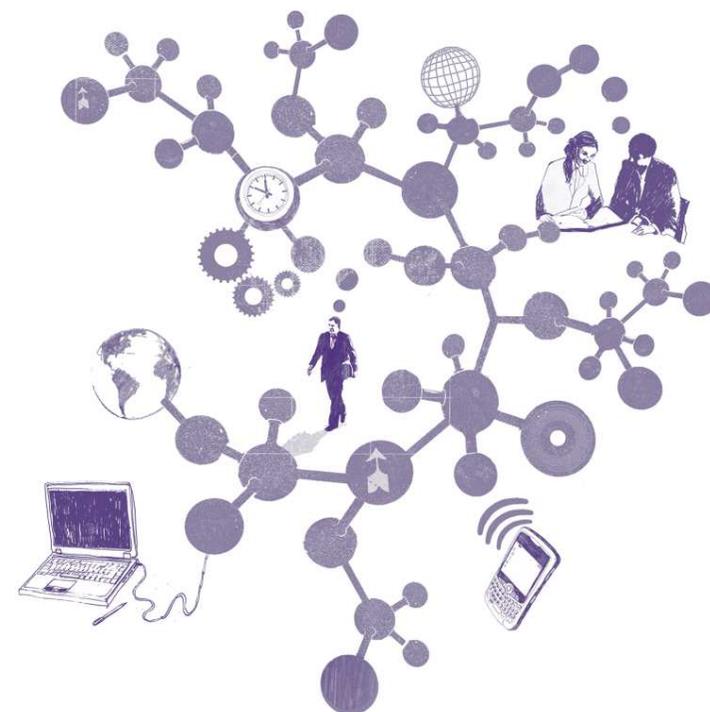
Year ended 31 March 2015

September 2015

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15 September 2015

Dear Members of the Audit and Ethics Committee

Audit Findings for Rugby Borough Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Rugby Borough Council, the Audit and Ethics Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents will be discussed with the Audit and Ethics Committee.

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

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

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

Yours sincerely, John Gregory

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Section 1: Executive summary

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Executive summary

Purpose of this report

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

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 14 April 2015. Our audit is substantially complete although we are finalising our work in the following areas:

- completion of our audit certification work on Housing Benefit Subsidy
- review of Letter Assurance from Warwickshire Pension auditor
- third party assurance over some investments and borrowings to be received
- completion of disclosure testing around property plant and equipment and the associated reserves
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable. Due to unforeseen circumstances with staff availability at the Council we have had to complete audit work outside our agreed timetables.

Key issues arising from our audit

Financial statements opinion

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

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

- the audit did not highlight any material misstatements
- we have highlighted a number of disclosure and consistency adjustments to improve the presentation of the financial statements and management have made the changes

We have identified adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements for the year ended 31 March 2015 recorded net expenditure of £60,807k; the audited financial statements show net expenditure of £60,731k. This was due to an adjustment in grant funding, to remove a grant expenditure recognised in the prior year.

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

Whole of Government Accounts (WGA)

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

Controls

Roles and responsibilities

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

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

Findings

Our work did not highlight any significant weaknesses but we have recommended some improvements to IT controls.

Further details are provided within section two of this report.

The way forward

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

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Chief Financial Officer 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 2015

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Ethics Committee on 14 April 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 14 April 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>Under ISA 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 Rugby Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Rugby Borough Council, mean that all forms of fraud are seen as unacceptable. <p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management 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	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period	<ul style="list-style-type: none"> • We have documented our understanding of the operating expenses system and completed walkthroughs where we have identified that the controls are operating effectively. • reviewed and test the reconciliation between the creditors ledger and the general ledger. • gained an understanding of the accruals process and any assumptions used. • substantively tested post year end payments to ensure expenditure is recorded in the correct period. 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration and benefit obligations and expenses understated.	<ul style="list-style-type: none"> • We have documented our understanding of the employee remuneration system and completed walkthroughs where we have identified that the controls are operating effectively. • reviewed and test the reconciliation between payroll and the general ledger. • performed analytical procedures of the payroll on a month by trend analysis. • undertaken testing of payroll expenditure from a sample of employees. 	Our audit work has not identified any significant issues in relation to the risk identified
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> • We have documented our understanding of the welfare benefits system and completed walkthroughs where we have identified that the controls are operating effectively. • We have completed detailed testing of benefits expenditure by following the HBCOUNT methodology. 	Our audit work has not identified any significant issues in relation to the risk identified

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	<ul style="list-style-type: none"> The Council has a general revenue recognition policy that revenues are recognised on an accrual basis There are specific revenue recognitions policies for grants, council tax and NNDR disclosed alongside the related notes. 	<ul style="list-style-type: none"> We are satisfied that the policies are appropriate under the Code of practice on Local Council Accounting in the UK supported by IFRS accounting framework We are satisfied that the policies require limited amount of judgement and have been adequately disclosed. 	 sufficient
Estimates and judgements - Pension fund Valuations	<ul style="list-style-type: none"> The valuation of pension fund assets and liabilities requires significant estimates and complex judgements. It is disclosed as a major source of estimation uncertainty showing the impact of 1% change in discount rates The cost of providing pensions is charged in accordance with IAS 19 	<ul style="list-style-type: none"> We are satisfied that the policies are appropriate under the Code of practice on Local Council Accounting in the UK supported by IFRS accounting framework We are satisfied that pension fund estimates and judgements have been appropriately disclosed as a major source of estimation uncertainty and that sensitivities regarding the principal assumption have been disclosed. 	 sufficient
Estimates and judgements – Provision for Business Rate Appeals	<ul style="list-style-type: none"> The provision of business rate appeals based on an assessment of the potential refunds from 31st March 2015. 	<ul style="list-style-type: none"> We are satisfied that the policies are appropriate under the Code of Practice on Local Authority Accounting in the UK supported by IFRS accounting framework 	 sufficient

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements and estimates - PPE</p>	<p>Note 16 of the accounts sets out the authority's rolling programme of revaluations. This shows that the date of valuations vary between 1st April 2013 and 31 March 2015. This approach is similar to many other authorities and we are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2015. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> • the revaluation of the class of assets is completed within a 'short period'; and • the revaluations are kept up to date. 	<p>We expect a 'short period' to be within a single financial year. The purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p> <p>This issue is the same as raised last year and the rationale for not carrying out the revaluations within a single year is still the same in that the Council do not believe this represents value for money.</p>	<p style="text-align: center;"></p> <p style="text-align: center;">Appropriate but scope for improved disclosure</p>

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Chief Finance Officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Chief Finance Officer's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 sufficient
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 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

Other communication requirements

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

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Ethics Committee and been made aware of no matters in relation to fraud. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
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 non-trivial 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.

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 Benefit Expenditure as set out on page 10 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

Controls in these system were found to be operating effectively and the only matters to report to the Audit and Ethics Committee are minor weaknesses in certain IT controls:

	Assessment	Issue and risk	Recommendations
1.	 Deficiency	Our work over the IT controls identified minor deficiencies over the following <ul style="list-style-type: none"> • Approval of Change Management, Batch administration and Workflow and Contract user policies and procedures • Acknowledgment of security and IT policy by staff 	<ul style="list-style-type: none"> • We ask the council to ensure that they put approved policies in place over Change management, Batch administration and Workflow and Contract users as part of their on-going service redesign. • We recommend that the Council ensure that staff formally re-acknowledge the IT security policy on a periodic basis.

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Adjusted misstatements

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Adjustment in relation to removal of grant expenditure claimed in prior year	(76)		
Overall impact	£(76)	£nil	£nil

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	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	80	Balance Sheet	The Balance Sheet 1 April 2014 restated figures were amended to show that the £2,550k expenditure per the CIES were correctly reflected in the movement on the Balance Sheet for the year ending 31 March 2015
2 Disclosure		Balance Sheet	The Balance Sheet was amended to show Total Reserves as £72,669k rather than (£72,699k)
3 Disclosure		Note 36 Financial Instruments	The note was amended to include cash balances
4 Disclosure		CIES and Balance Sheet	Further disclosures were made to show the overall impact of the Prior Period Adjustment and the closing 13/14 balances.
5 Disclosure		Accounting Policies	Accounting polices updated to include Policy on Overheads and Post Balance Sheet Events
6 Disclosure		Explanatory Forward	Some narrative adjustments made to tables disclosed.
7 Disclosure		Note 30 Amounts Reported for Resource Allocation Decisions	The note has been amended to be consistent with other areas of the financial statements.

Section 3: Value for Money

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Value for Money

Value for money conclusion

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

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

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

These criteria are:

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

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

Key findings

Securing financial resilience

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

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

Overall our work highlighted although the Council continues to face financial challenges, it has proper arrangements in place for securing financial resilience. The Council has effective financial management arrangements in place and as at 31 March 2015 the Council was able to deliver actual expenditure of £13,969,200 against a budget of £14,496,510 and thus an underspend of £527,310 on the general fund. Overall the Council reported an overspend of £274,310 after taking into account the out turn on the Collection Fund and the Housing Revenue Account

The Medium Term Financial Plan shows a balanced budget across all four years including a £246,000 and £126,000 contribution to reserves in 2017/18 and 2018/19. The Councils strong budgetary position are primarily due to increase in income from Business Rates and New Home Bonus both of which are subject to a significant degree of risk and uncertainty.

The Internal Audit Manager has left the council during and is yet to be replaced. This has meant that the capacity within the audit team is stretched and the Adequacy of Internal Audit Arrangements for 2015/16 is weak. The Council have now appointed a new Corporate Assurance Manager who will be in post from December 2015.

Challenging economy, efficiency and effectiveness

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

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council is prioritising its resources to take account of continuing tighter constraints that councils are required to operate within. The Council has an on-going annual corporate savings target of £200,000.

Value for Money

Overall VfM conclusion

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

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

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

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

Theme	Summary findings	RAG rating
Key indicators of performance	The council has robust controls in place to monitor performance. They report budget monitoring to the Cabinet on a quarterly basis. The Council has to date successfully managed and balanced the impact of significant reductions in Central Government funding. The councils outturn on net portfolio expenditure saw an underspend of £274,310.	Green
Strategic financial planning	The Council's Medium Term Financial plan shows a balanced budget position across 2015/16 to 2018/19. The plan also shows that that in 2017/18 and 2018/19 the council will generate contribution to reserves of £264,00 and £126,000. The Council's strong position is based on increased income from Business Rates and New Homes Bonus.	Green
Financial governance	The financial plans generated are based on assumptions which look at both the short and long term financial environment. The plans the Council have in place deal with economic changes, such as reductions to Central Government funding, and take into account other challenges the Council may face.	Green
Financial control	The Internal Audit Manager at the Council has left which has meant that there are capacity problems in delivering the 2015/16 Audit plan. The Council have appointed an experienced replacement to take post in December 2015. However, the lack of capacity in the Internal Audit department is a significant risk for the council in the short term.	Red
Prioritising resources	The Council have corporate savings targets of £200,000 per annum in place. The Medium Term Financial Plan takes into account the challenges of providing value services and where to prioritise resources.	Green
Improving efficiency & productivity	Performance and budget monitoring during the year have not highlighted any specific risks in relation performance standards.	Green

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

We confirm below our final fees charged for the audit

Fees

	Per Audit plan £	Actual fees £
Council audit	72,390	72,390
Grant certification on behalf of Audit Commission	8,720	8,720
Total audit fees	81,110	81,110

Independence and ethics

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

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The council should have documented policies and procedures, addressing change management processes and control requirements such as testing, approvals, and evidence requirements should be established, formally approved by the appropriate members of the organisation, and communicated to relevant personnel responsible for implementing and following them.	Low	It is recognised that there are differing standards of change practices being undertaken across the various corporate systems. Standardisation and document of these procedures is already in progress with pre-approved changes, such as those for Password resets etc being managed within the new ITSM solution and change projects, such as patching being undertaken by workflow within the Atlassian Jira product.	April 2016
2	Management should introduce a process that requires staff to formally re-acknowledge the IT security policy documentation on a periodic basis, in order to ensure that they understand the controls and procedures in place that they need to adhere to.	Low	The Information Security Group have already identified this as an issue and some work has been undertaken to look at the various options available, ranging from simple refresher training to blocking IT access until an online course is completed.	April 2016
3	The council should have documented policies and procedures addressing batch administration processes and related control requirements within financially critical systems should be established, formally approved by the appropriate members of the organisation, and communicated to relevant personnel responsible for implementing them and/or abiding by them. Once established, these documents should be periodically, formally reviewed (at least annually) to ensure their continued accuracy and appropriateness.	Low	Batch processing procedures have now been documented and are monitored through the Atlassian Jira workflow tool which records what work has been undertaken, by whom and when.	Implemented
4	The council should have documented policies, procedures, and workflows for access approval and provisioning for the temporary and contract staff should be established, formally approved by the appropriate members of the organisation, and communicated to relevant personnel responsible for access to applications	Low	We are currently trialling disabling Agresso users who we understand are temporary after a defined period of time as simply doing so at the end of the projected period of employment has proved in-effective as some staff leave sooner and we are not notified. This is a temporary measure whilst a corporate process for such staff is established.	In progress

Appendix B: Audit opinion

We anticipate we will provide the Council with an audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUGBY BOROUGH COUNCIL

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

This report is made solely to the members of Rugby Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial

information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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

Opinion on other matters

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

Matters on which we report by exception

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

We have nothing to report in these respects.

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 in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

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

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

Conclusion

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

Certificate

We certify that we have completed the audit of the financial statements of Rugby Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

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

Birmingham

September 2015



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