



The Audit Findings for Rugby Borough Council

Year ended 31 March 2017

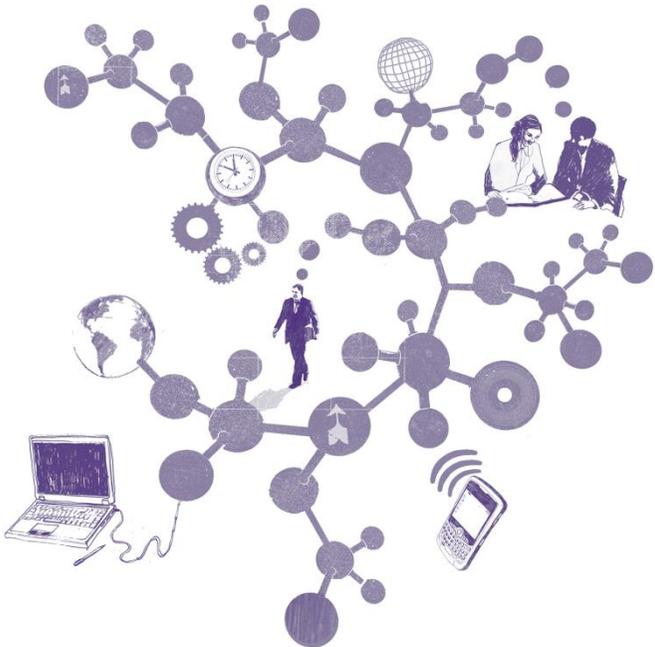
21 September 2017

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21 September 2017

Dear Members of the Audit and Ethics Committee

Audit Findings for Rugby Borough Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Rugby Borough Council, this is the Council but we have determined that the Audit and Ethics Committee is the sub-group with whom we shall communicate throughout the year and ensure the Council sees relevant reports), to oversee the financial reporting process, 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 auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) (ISA (UK&I)), 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

Grant Patterson
Engagement lead

Chartered Accountants

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Section 1: Executive summary

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Purpose of this report

This report highlights the key issues affecting the results of Rugby Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 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 (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

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 year.

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 the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 4 April 2017.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. At the time of writing this report (12 September 2017) our audit is substantially complete although we are finalising our procedures in the following areas:

- review of final version of the accounts
- obtaining and reviewing the management letter of representation, and
- updating our post balance sheet events review, to the date of signing the opinion.

Key audit and financial reporting issues

Financial statements opinion

We identified one adjustment of £71k to allocate an historical cash suspense balance to income which does affect the Council's reported financial position. This value is insignificant compared to our materiality level of £1,213k but as the adjustment exceeds our trivial reporting threshold of £61k (see page 9) auditing standards require us to report this to you.

The draft financial statements for the year ended 31 March 2017 recorded net income of £36,253k the audited financial statements show net income of £36,324k (details are recorded in section two of this report).

There are no unadjusted misstatements and we anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

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

- the Council produced a good set of accounts. The accounts contain some innovative presentations which have helped declutter them and make them easier for the public to understand
- the Council has closed its accounts more quickly this year and our audit work was undertaken ahead of previous years but it has highlighted a number of areas where processes and working papers could be improved to ensure that the Council achieves the earlier statutory deadline of the 31 July next year.
- whilst not material, the Code requires that all Investment Properties owned by the Council are revalued each year. The Council had only revalued a proportion in 2016/17 but officers were able to instruct the valuer to perform a desktop valuation for those not revalued in year and demonstrate that there was no material difference between the carrying value and current value
- we queried a number of issues in relation to estimates and critical judgements. There are some key areas in the accounts, such as the asset valuations and the pension liability, where the Council relies on experts to produce estimates in the accounts. As these remain the responsibility of the Council greater evidence should be provided to the challenge that the assumptions used by experts are reasonable and appropriate for the Council.

We recommended a number of adjustments to improve the presentation of the financial statements or to ensure disclosures were consistent with underlying records, which management have actioned. The two most significant of these are that the audited accounts now include:

- a Prior Period Adjustment (PPA) note which discloses the changes made to gross expenditure, gross income, and net expenditure figures reported in 2015/16 to these figures as restated in the accounts for the year ended 31 March 2017. This also includes a £1.996m restatement to gross income and expenditure on the 2015/16 Environmental and Public Realm service line to remove internal trading account service charges and associated income. There is no impact on net expenditure for that service or on the reported outturn for 2015/16; and
- to highlight its significance and allow better year on year comparison the revaluation increase on council dwellings of £41.946m within the Communities and Homes – HRA line of the CIES has been separately disclosed, as permitted by the Code. The same amendment has also been made to the HRA Income and Expenditure Statement.

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

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 AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

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

We draw your attention in particular to control issues identified in relation to journals. Our testing identified that the Financial Services Manager posted 97 journals that were not subject to authorization. The journals were posted in April, May and June 2017, and the descriptions were in relation to clearing down codes and year end balance transfers. None of the journals related to cash transactions. This is deemed reasonable by the Council due to the size of the finance team and the pressures of earlier close down.

Our testing provided us with assurance the journals related to the accounts close down procedures and we did not identify any issues from testing carried out in the relevant areas of the accounts to where the journals were posted. It is unusual, however, to see self authorization of journals, and such a high number. We recognise the Council has a small finance team but recommended management to consider whether it is willing to accept the risk arising from self-authorization of journals. In discussions, management confirmed that it is willing to accept this risk given that these journals relate to non-cash related transactions, and that these journals are only raised during year-end closedown.

We also identified that the two misclassification adjustments reported to you last year (neither of which impacted on reported balances and outturn) had been processed manually within the accounts, but not in the ledger.

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

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

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 2017. We will report the outcome of this certification work through a separate report to the Audit and Ethics Committee which is due on 30 January 2018.

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 Corporate Resources and Chief Financial Officer.

We have made a small number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Head of Corporate Resources 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.

Section 2: Audit findings

- 01. Executive summary
- 02. Audit findings**
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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 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 £1,081k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and, following receipt of the draft Financial Statements, revised our overall materiality to £1,213k (being 2% of gross revenue expenditure adjusted for the exceptional change resulting from the Existing Use Social Housing Valuation discount factor moving from 34% to 40%).

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 £54k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation and is now £61k.

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
Related Party Transactions	Due to public interest in these disclosures and the statutory requirement for them to be made we have set a materiality level of £20k to inform our audit approach and our reporting to you. We recognise that in compiling the disclosure, the Council will apply its own assessment of materiality and (as required by IAS24) also have regard to materiality from the perspective of the other party.	£20,000 (but also need to take into account the significance of the transaction to the other party).
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.	£20,000

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

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
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</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; and • the culture and ethical frameworks of local authorities, including Rugby Borough Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Rugby Borough Council.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Management over-ride of controls</p> <p>Under ISA (UK&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"> Review of accounting estimates, judgements and decisions made by management Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation Review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls.</p> <p>Our journals testing identified that the Financial Services Manager posted 97 journals that were not subject to authorization. The journals were posted in April, May and June 2017, and the descriptions were in relation to clearing down codes and year end balance transfers. None of the journals related to cash transactions. This is deemed reasonable by the Council due to the size of the finance team and the pressures of earlier close down.</p> <p>Our testing provided us with assurance the journals related to the accounts close down procedures and we did not identify any issues from testing carried out in the relevant areas of the accounts to where the journals were posted. It is unusual, however, to see self authorization of journals, and such a high number. We recognise the Council has a small finance team but recommended management to consider whether it is willing to accept the risk arising from self-authorization of journals. In discussions, management confirmed that it is willing to accept this risk given that these journals relate to non-cash related transactions, and that these journals are only raised during year-end closedown.</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)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<ul style="list-style-type: none"> We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated, including provision of information to the actuary. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. We reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out. We undertook procedures to confirm the reasonableness of the actuarial assumptions made. We 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. 	<p>Our audit work has not identified any issues in relation to the valuation of the pension fund net asset and liability.</p> <p>A key part of the work we carry out in relation to this estimate is to confirm the reasonableness of the actuarial assumptions made. While we have sufficient assurance that these assumptions are reasonable, there is limited evidence of challenge of the assumptions used and the actuarial output by officers of the Council. As this is a material estimate we have suggested to officers that a more detailed working paper could be produced which compares the estimates as at December used by the actuary to the final year end position published in the accounts. We are satisfied that differences were trivial for 2016/17.</p>
<p>Changes to the presentation of local authority financial statements</p> <p>Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<ul style="list-style-type: none"> We documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements. We reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they were in line with the Authority's internal reporting structure. We reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). We tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. We tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. We tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. We reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice 	<p>We were satisfied that the CIES and MIRS were appropriately restated; the accounting entries in 2016/17 were materially fairly stated; and that segmental reporting complied with the CIPFA Code of Practice.</p> <p>We agreed with management that a PPA note to restate the 2015/16 comparative figures was required to fully comply with the Code.</p> <p>When management prepared the note they identified that expenditure and income for the Environmental and Public Realm service were both overstated by £1.9m as a result of trading account service recharges being overstated. This amendment had no impact on the net expenditure of £7,567k for that service and thus no impact on the reported outturn for that year. As this corrected an error, we agreed with management that a further PPA disclosure was required for this.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls in relation to the completeness assertion to assess whether those controls were in line with our documented understanding undertook cut off testing of purchase orders and goods received not invoiced (both before and after year end) reviewed the year end accrual process reviewed the year end control account reconciliations tested a sample of operating expenses covering the period 1/4/16 to 31/3/17 to ensure they have been accurately accounted for tested a sample of creditor balances at 31/3/17 	<p>Our audit work has not identified any significant issues in relation to operating expenses.</p> <p>Note 35 - Audit Fees has been amended to reflect the audit fee charged for the financial year ended 31 March 2017 in order to comply with the Code.</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals are understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented the processes and controls in place around the accounting for employee remuneration and undertaken a walkthrough test to confirm operation of these controls. reviewed the year end control account reconciliations. reviewed monthly trend analysis of total payroll. undertook testing of payroll expenditure from a sample of employees for the remainder of the financial year. tested a sample of payments made in April and May 2017 to ensure payroll expenditure is recorded in the correct year. 	<p>Our audit work has not identified any significant issues in relation to employee remuneration.</p> <p>Note 7 Officers Remuneration and termination benefits was amended to fully comply with the Code (for example where redundancy payments had put individuals into pay bands above £50k requiring disclosure; to include pension related costs; to include payments in lieu of notice).</p>

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK&I) 570).

We reviewed management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that we are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.

Significant matters discussed with management

	Significant matter	Commentary
1.	Working papers to support the accounts and early close	<p>The Council has made significant efforts and progress to produce its accounts earlier and service the earlier audit of the accounts.</p> <p>Our audit started earlier than scheduled in prior years and overall completion will be ahead of that previously achieved. However, the audit has taken longer than originally planned. Our experience elsewhere this year has shown that many Councils have sought to achieve faster close primarily by doing the same things earlier. This has achieved significant improvements but has not always got them over the line. Looking forward, to meet committee deadlines and the processes necessary to formally approve the accounts by 31 July, mandated from 2018, the timeline for next year needs to be shortened by at least a further two weeks. To achieve this we recommend that officers critically review the processes they have in place for close down of the accounts and consider how efficiencies can be made by doing things differently. During the audit we have highlighted to officers key areas where processes could be streamlined and we will continue to work with you during the year to help you meet the deadline next year.</p> <p>We provided officers with a detailed list of working papers required to support the accounts production process as part of planning the audit. While this has been used, the working papers provided against the request did not always provide the assurance needed, often relying on copies of ledger prints with no explanation. Others were sometimes difficult to locate, did not fully support the balances and disclosures, or were difficult to work with. We have worked with officers to gain the information we need to complete the audit, including adding to officers existing working papers or creating our own to demonstrate how balances and disclosures in the accounts are supported. This has slowed the audit down this year.</p> <p>A good working paper should be sufficiently detailed and complete that a fellow professional with no previous experience of the Council can understand the working papers in terms of the work completed, the conclusions reached and the reasoning behind these conclusions. This will need to be a key area of focus next year if the audit is to be completed by the earlier statutory deadline of the 31st July.</p> <p>Some working papers were very good, and officers can perhaps work together to achieve consistency in their production by learning from each others. Many other authorities ensure that this requirement is met via a quality assurance process of the working papers to support the financial statements, with a different officer reviewing the working papers produced and verifying that they are fit for purpose prior to the working papers being made available for audit. This does not have to be completed at the end of the process, it can be an ongoing process as working papers are being produced.</p>

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
Revenue recognition	<ul style="list-style-type: none"> Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. There are policies covering the major sources of income such as fees and charges, grants, Council Tax, NDR and interest receivable. 	<ul style="list-style-type: none"> The Council's policies are appropriate and consistent with the relevant accounting framework – the Code of Practice on Local Authority Accounting Minimal judgement is involved Accounting policy is properly disclosed 	 Green
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> pension fund valuations useful life of capital assets impairments Property, Plant and Equipment (PPE) valuations Business Rates Retention and Business Rates Appeals 	<p>We have considered:</p> <ul style="list-style-type: none"> Appropriateness of the policy under relevant accounting framework, Extent of judgement involved Potential financial statement impact of different assumptions Adequacy of disclosure of accounting policy. <p>Overall, there is sufficient assurance over how key estimates and judgements have been made, however we would note the following points.</p> <p>Council dwellings were independently valued as at 1 April 2016. The Council has applied indices approved by the valuer to reach an estimate of the current value as at 31 March 2017. This approach is not fully compliant with the Code which would require a formal valuation as at 31 March 2017 but we are satisfied that there is no material error in the value disclosed.</p> <p>The Council has not depreciated the Town Hall or the Works Services Unit in 2016/17 on the basis that the valuer has formed the view that residual value over the assets' lives would not differ from market value. This is not in line with the Council's depreciation policy. We are satisfied the sums are trivial this year and will follow up with the Council in 2017/18.</p> <p>Management has updated the accounting policy for depreciation to state that council dwellings are charged a full year of depreciation in the year they are disposed of.</p> <p>Pension Liabilities are a key estimate in the accounts. We have reviewed the estimation technique used in determining this estimate and are satisfied with the methodology used.</p>	 Amber (Accounting policy appropriate but scope for improved disclosure)
Other accounting policies	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	 Green

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

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.	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. 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 procedures
2.	Matters in relation to related parties	<ul style="list-style-type: none"> From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmation from PWLB for loans and requested from management permission to send confirmation requests for the remaining loans, and all bank and material investment balances. This permission was granted and the requests were sent. All confirmations have been returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements except that a PPA note was required to restate the 2015/16 CIES gross expenditure, income and net expenditure. Management included this note in the audited accounts.
7.	Matters on which we report by exception	<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"> 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 The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<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 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.

	Assessment	Issue and risk	Recommendations
1.	 Deficiency	<p>Our testing identified that the Financial Services Manager posted 97 journals that were not subject to authorization. The journals were posted in April, May and June 2017, and the descriptions were in relation to clearing down codes and year end balance transfers. None of the journals related to cash transactions. This is deemed reasonable by the Council due to the size of the finance team and the pressures of earlier close down.</p> <p>Our testing provided us with assurance the journals related to the accounts close down procedures and we did not identify any issues from testing carried out in the relevant areas of the accounts to where the journals were posted. It is unusual, however, to see self authorization of journals, and such a high number. We recognise the Council has a small finance team but recommended management to consider whether it is willing to accept the risk arising from self-authorization of journals. In discussions, management confirmed that it is willing to accept this risk given that these journals relate to non-cash related transactions, and that these journals are only raised during year-end closedown.</p>	<p>We recommend management to consider:</p> <ul style="list-style-type: none"> • whether it wishes to put in place authorisation processes for journals raised by the Financial Services Manager; or • whether it wishes to document why it is willing to accept the risk arising from specific self-authorization of journals.
2	 Deficiency	<p>When testing to confirm that the 2015/16 balances in the accounts agreed to the ledger, we found that the two misclassification adjustments reported to you last year had not been processed in the ledger. Neither of these changes impact on reported balances and outturn. The adjustments were:</p> <p>CIES – reduce expenditure and income within net cost of services by £9,543k to exclude overhead recharges in the CIES</p> <p>Balance sheet – debtors and creditors £154k each– increase creditors and decrease debtors to correctly classify deferred income as creditors rather than decreasing debtors</p>	<p>Going forward we recommend that management processes all misclassification adjustments in the ledger.</p>

Our audit work also identified a small number of minor improvement opportunities in relation to the IT control environment. None of these findings were significant and related to ways in which the controls could be further strengthened to reflect best practice. We have made a number of recommendations to management to consider and respond to.

Assessment

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

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control 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. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Adjusted misstatements

Two adjustments to the draft accounts were identified during the audit process:

1. Our testing of cash balances identified an historical cash suspense balance of £71k that had not yet been allocated to income. Management agreed to do this. This increased income and general fund balances by £71k.
2. When preparing the PPA note explaining how the 2015/16 CIES had been restated to now be disclosed per CIPFA's "Telling the Story" project, management identified that the gross expenditure and gross income relating to the Environmental and Public Realm service had both been overstated by £1,996k due to the inclusion of internal trading account service charges and associated income. The net cost of that service, £7,567k was fairly stated. There is no impact on the reported total comprehensive income of £36,735k that was reported for 2015/16. Management proposed including an additional PPA note to explain this and we concurred with their proposal.

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	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net income £000
1a 2015/16 Environmental and Public Realm Gross Expenditure	Reduced by 1,996	n/a	nil
1b 2015/16 Environmental and Public Realm Gross Income	Reduced by 1,996	n/a	nil
2 Allocation of cash suspense balance to income codes *	Increased by £71	Increased by £71	nil
Overall impact	£71	£71	nil

* The impact of this adjustment is disclosed within the Narrative Report (pages 15 and 16); the Expenditure and Funding Analysis – Corporate Resources line on page 27; the CIES - Corporate Resources line on page 28; the Movement in Reserves Statement – Total Comprehensive Income & Expenditure line on page 31; the Balance Sheet – cash and cash equivalents line and usable reserves line on page 32; the Cash Flow Statement – operating activities line on page 33; note 11 Expenditure and Income analysed by nature – fees charges and other service income line on page 49; Note 30 Cash and Cash Equivalents on page 77; and note 31 Cash flow statement – operating activities – sales of goods and rendering services line on page 78.

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	Value	Account balance	Impact on the financial statements
1 Disclosure	n/a	Note 6, Prior Period Adjustment	We requested management include a PPA note to disclose the impact of restating the 2015/16 CIES gross expenditure, gross income and net expenditure figures as a result of adopting CIPFA's Telling the Story changes to the presentation of the CIES along with new Expenditure Funding Analysis. This was agreed and actioned.
2 Disclosure	£41.946m	CIES	To highlight its significance and allow better year on year comparison the revaluation increase on council dwellings within the Communities and Homes – HRA line of the CIES has been separately disclosed, as permitted by the Code.
3 Disclosure	£41.946m	HRA Income and Expenditure account	See item 3 above. This has also been done in the HRA Income and Expenditure Account.
4 Disclosure	various	Note 35 Audit Fees	The note was corrected to disclose the value of fees payable to the external auditor in relation to 2016/17 rather than the fees paid during the year (some of which related to 2015/16)
5 Disclosure	various	Note 7 Officers' remuneration	<ul style="list-style-type: none"> Termination benefits – benefits paid to three officers were agreed prior to 31 March 2016. These should have been disclosed in the prior year. The note has been amended to reflect this. Senior Employee remuneration table amended to disclose values in the columns required by the Code. Senior employee remuneration table amended to include pensions actuarial strain costs and payments in lieu of notice The remuneration banding table has been amended to take account of redundancy payments which result in remuneration payments exceeding £30k.
6 Misclassification	£2m	Note 39 Financial instruments	One of the investments tested does not mature until December 2018. This has been reclassified as long term investments. This has not impacted the total net assets of the authority as investments overall were materially correctly valued.

Misclassifications and disclosure changes (continued)

Adjustment type	Value	Account balance	Impact on the financial statements
7 Disclosure	£139.3m	HRA note 2 Vacant Possession	To calculate the vacant possession value of council dwellings, the value of dwellings at April 2017 should be used. The April 2016 values were used in the calculation. The note has been corrected using the April 2017 prices of £454,446k resulting in the economic cost to government being £272,051k. There is no impact on the Council's balances this is purely a disclosure note.
8 Disclosure	£1.9m	Note 26 Leases	The note was amended to reflect underlying records. Amended figures are: Not later than one year £ 84k Later than one year and not later than 5 years £ 142k Later than 5 years £ 1,614k Total £ 1,840k
9 Disclosure	Various	various	A small number of changes were made to enhance presentation, correct typographical errors, or reflect information not available at the time the accounts were drafted.

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 2016. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys 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 an initial risk assessment in February 2017 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated 4 April 2017.

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 risk we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

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 risk that we identified in the Council's arrangements. In arriving at our conclusion, our main consideration was the Council's arrangements for medium term financial planning and identifying savings

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work on the next page.

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.

Overall conclusion

Based on the work we performed to address the significant risk, 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.

Key findings

We set out below our key findings against the significant risk 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>Financial Standing The Council presented the updated MTFs 2017/18 to 2019/20 to Cabinet in February 2017. This has a balanced budget for 2017/18 but indicates a forecast budget shortfall totalling £1.07m across 2018/19 and 2019/20. The Senior Management Team, are building upon the work already done to identify savings opportunities to find ways of eliminating the shortfall.</p>	<p>We have discussed key strategic challenges and the Council's proposed response. Reviewed reports to members on: a) the outturn position for 2016/17 and the budget plans up to 2019/20 b) the Council's progress in updating its medium term financial strategy and progress against savings plans.</p>	<p>We found that the Council has:</p> <ul style="list-style-type: none"> • identified and taken account of funding cuts in its medium term financial plans including responding to consultations on changes to the New Home Bonus and 100% Business Rate Retention, both of which will have an impact on the Council. • taken into account the financial impact of demographic trends and other social pressures in its medium term financial plans. • has put plans in place to address the budget shortfalls including making challenging decisions in respect of charges for garden waste and entrance to the Rugby Hall of Fame. <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</p>

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	54,968	TBC
Grant certification	6,540	TBC
Total audit fees (excluding VAT)	61,508	TBC

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

Audit Related Service	Fees £
<ul style="list-style-type: none"> Pooled capital receipts grant certification (in respect of 2015/16 claim, but billed in 2016/17) 	2,025

Independence and ethics

Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

- 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 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.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified.

Independence and other services

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees	Threat?	Safeguard
Audit related services	Pooled capital receipts grant certification (in respect of 2015/16 claim, but billed in 2016/17)	2,025	None	We have not identified any threats in relation to the service provided.
	TOTAL	£2,025		

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor

Section 5: Communication of audit matters

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters**

Communication to those charged with governance

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.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, 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, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

- A. Action Plan
- B. Audit Opinion

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	<p>Management should consider:</p> <ul style="list-style-type: none"> whether it wishes to put in place authorisation processes for journals raised by the Financial Services Manager; or whether it wishes to document why it is willing to accept the risk arising from specific self-authorisation of journals. 	Medium	As discussed, we are satisfied this does not pose a risk. These specific journals do not result in cash transactions. They are only raised as part of closedown to close down non-cash codes or to process information received at year end such as IAS 19 pensions information or in relation to property valuations.	N/A
2.	Officers should consider how they can provide greater evidence of challenge of the work of experts, particularly in relation to material estimates such as the asset valuation and the valuation of pension liabilities.	Low	<p>Management have noted the changed approach by the auditors, which has now placed greater emphasis on evidencing the challenge of the work of experts.</p> <p>With regard to asset valuation management have agreed to modify the specification of our contract with the external valuers, incorporating the requirement to collate more formal documentation capturing discussions and related challenge on their material estimates and assumptions.</p> <p>With regard to pension valuations an approach has been agreed with the County Council, in their role as the administering authority, to supply the further information needed to evidence this challenge.</p>	By 31 December 2017
3.	Finance staff should review how the working papers to support the financial statements are produced and filed, so that they are easy to locate and understand by finance staff who have not been involved in the accounts production process. A quality assurance arrangement should be put in place for all working papers produced which should be appropriately evidenced.	Medium	<p>Management are in agreement with the benefits that such a review of working papers will provide. Officers are working with Grant Thornton and colleagues at other authorities to arrange a working paper workshop, focusing on identifying examples of best practice in the production of working papers that could be adopted at the Council.</p> <p>Management are also in agreement with the benefits of quality assurance (QA) arrangement. However, the adoption needs to be considered within the context of the faster closedown requirements and also the relatively small size of the Council's Financial Services team. Therefore, the Council will look to adopt a risk-based approach to QA focusing initially only on working papers that provide material items with the accounts.</p>	By 31 December 2017

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

A. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
4.	Officers should review year end processes and identify areas where they could be streamlined or undertaken at different times in the year. In particular, where could the accounts rely on greater use of estimates and does the financial reporting system provide the necessary reports to enable an efficient close down.	Medium	<p>The Council will continue to strive for improvements to the closedown process to aid a more efficient and faster closedown. Greater use of estimates will be considered for 2017/18 closedown, alongside other initiatives and process changes, again within the context of a risk-based approach to ensure the material accuracy of the accounts.</p> <p>However, it should be noted that substantial improvements have already been made to the structure of the general ledger for 2016/17 to improve the reporting output of financial reporting system. These improvements have contributed to the Council producing its draft accounts before the end of May, meeting the new requirements a year ahead of schedule.</p>	By 31 December 2017
5.	Management should process misclassification adjustments to the accounts in the general ledger.	Medium	Management have agreed to implement this recommendation. Please note the £71,000 misclassification for the cash suspense item has been processed in the general ledger for 2016/17.	By 31 December 2017

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

B: Draft audit opinion

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

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

We have audited the financial statements of Rugby Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves 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 Statement and the related notes (which include the Expenditure and Funding Analysis). 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 2016/17.

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 Authority's 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 Head of Corporate Resources and Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Head of Corporate Resources and 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 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") 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 Head of Corporate Resources and 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 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 for the financial year for which the financial statements are prepared 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 Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements for securing 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 for securing economy, efficiency and effectiveness in its 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 issued by the Comptroller and Auditor General in November 2016, 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 this criteria as that 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 2017.

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 has put in place proper arrangements for securing 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 issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

[Signature]

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

The Colmore Building
Colmore Plaza
Birmingham
B4 6AT

[Date]



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