

The Audit Findings for Cotswold District Council

Year ended 31 March 2015

14 September 2015

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14 September 2015

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

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

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

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

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

Yours sincerely

John Golding

Engagement lead

Chartered Accountants

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Section 1: Executive summary

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Executive summary

Purpose of this report

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

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 23 February 2015.

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

- Review of the Collection Fund, and related council tax and non-domestic rate balances
- receipt of our letter of assurance from Gloucestershire Local Government Pension Fund's auditors

- analysis of those PPE assets that have not been subject to a formal valuation in 2014-15 and review of additional evidence to support the Council's view that these assets are materially stated
- 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.

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

Key issues arising from our audit

Financial statements opinion

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

We have identified one adjustment affecting the group's reported financial position, but this does not affect the reported position for the Council. We have also identified a number of adjustments to improve the presentation of the financial statements.

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. A full review of the data collection tool produced by the Council is not required as the Council is below the WGA threshold.

Controls

Roles and responsibilities

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

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

Findings

Our work has identified a small number of control weaknesses which we wish to highlight for your attention. These include matters raised as a result of our review of IT general 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 will be discussed with the Chief Finance Officer.

We have made a small number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Chief Finance 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 Committee on 19 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

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>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Cotswold District Council , we have determined that the risk of fraud arising from revenue recognition can be rebutted. However, as part of our other work on the accounts we:</p> <ul style="list-style-type: none"> • reviewed and tested revenue recognition policies and • tested material revenue streams. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<p>Work completed:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries 	<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>Our work did identify one matter in relation to an overs and unders account held by the Council. Further details are set out on page 16 of this report.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Walkthrough tests of design and operation of controls • Substantive testing of operating expenditure and year end adjustments • Review of creditor payments reconciliations. • Review and testing of creditors/liability balances of unusual and large amounts • Review of unrecorded liabilities and after date payments 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Our testing on employee remuneration has been completed. We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> • Walkthrough tests of design and operation of controls • Substantive testing of a sample of payroll payments • Review of senior managers remuneration, salary banding and exit package disclosures, and agreement to underlying evidence. • Analytical procedures over the payroll figures throughout the year to ensure that they are reasonable and complete. • Reconciliation of the payroll system figures to the general ledger figures 	<p>The payroll and general ledger are integrated modules within the Council's accounting system. Finance staff rely on automated system arrangements to ensure that figures between the payroll and general ledger systems reconcile. Our review of the payroll balances recorded on both systems at 31 March 2015 found that, whilst the net pay did reconcile, a difference of £245,215 arose on the gross pay amounts. Further additional information was requested from officers to reconcile this difference resulting in a very small residual unreconciled balance of £600 on a payroll of around £9 million.</p> <p>Other than this, our audit work did not identify any significant issues in relation to the risk identified</p>

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Walkthrough tests of design and operation of controls • Completion of HB Count modules • Testing of year end reconciliation 	Our audit work did not identify any significant issues in relation to the risk identified.

Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Ubico Ltd	Yes	Comprehensive	Inter group transactions Consolidation in group accounts	Full scope UK statutory audit performed by Grant Thornton	<p>Our audit work has not identified any significant issues in relation to the identified risk.</p> <p>Our review of the Group Financial Statements identified that a group cash flow statement has not been prepared.</p> <p>We are discussing with the financial team the appropriate treatment and will update the Committee at the meeting.</p>

Accounting policies, estimates & judgements

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



Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>Revenue from provision of services is recognised when the council can measure reliably the level of completion of the transaction and it is probable that benefits will flow to the Authority. It is accounted for in the year that it takes place and not when the payment is made.</p> <p>Revenue grants received are accounted for on an accruals basis when the conditions of their receipt are met.</p>	<ul style="list-style-type: none"> The accounting policy is appropriate and complies with the Code of Practice on Local Authority Accounting 2014/15 (the Code) and accounting standards. Income is not an area that requires a significant judgement or estimation. We have undertaken substantive testing of grants and other revenues and are satisfied that the Council has recognised income in accordance with its accounting policies. The disclosure of the accounting policy is adequate. 	<p>● Green</p>
Estimates and judgements	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> useful life of capital equipment pension fund valuations and settlements PPE valuations and impairments NDR provisions Contingent liabilities 	<ul style="list-style-type: none"> The Council has appropriately disclosed its significant judgements and estimates. The Council has appropriately relied upon the work of experts for asset revaluations, the useful life of capital equipment and pension fund valuations. 	<p>● Green</p>

Assessment

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

- Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	<p>Accounting policies included within the statement of accounts have been reviewed to ensure:</p> <ul style="list-style-type: none"> • accounting policies cover all material transactions and balances • policies for non-existent or immaterial transactions have been excluded • the Council's accounting policies are followed in practice • all terminology used is in line with the Local Government Code of Practice. <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 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 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.
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 of the Council's disclosures has identified further scope to streamline its accounts through the removal of non material and non applicable disclosure notes. The Council has agreed to review these in 2015-16. In addition, our work on Property, Plant and Equipment identified that the Council has not provided sufficient disclosure of the effective date of its PPE assets held at revalued amounts. We have recently raised this matter with officers and will update the Committee with the appropriate outcome for 2015/16.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested permission from management to send direct confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.

Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Housing Benefit as set out on pages 10 and 11 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.

	Assessment	Issue and risk	Recommendations
1.	●	As noted above, the payroll and general ledger are integrated modules within the Council's accounting system. Finance staff rely on system arrangements to ensure that figures reconcile. A manual review at 31 March 2015 found that, while net pay did reconcile a difference arose on gross pay.	The reconciliation processes should be strengthened to periodically reconcile gross pay, in addition to the existing reconciliation of net pay.
2.	●	As part of our work on reviewing and testing journals, we identified that the Council's general ledger contains an unders and overs account with a year end balance of £4,634. We recognise the need for this account and we acknowledge that the balance on this account at 31 March 2015 was trivial.	The amounts in this overs and unders account should be reviewed periodically, and cleared to Nil at 31 March.
3.	●	Our work on the Council's IT Systems has identified a number of potential improvements. Whilst none of these have resulted in any errors being identified through our audit work, we are discussing them with management for further strengthening the systems in the future. The matters relate to the use of the IT System audit logs and the administrative access rights to the various systems.	We are discussing whether further improvements are possible without disproportionate cost.

Assessment

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

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<ul style="list-style-type: none"> Testing of employee remuneration identified a number of staff without copies of signed contracts on their employee file. This is not considered to be good practice 	<ul style="list-style-type: none"> Work to rectify this issue was due to be complete by 31 October 2014. Our 2014-15 sample testing identified signed evidence of employment on all employee files that we sampled.

Assessment
 ✓ Action completed
 X Not yet addressed

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 Although total figures were correct, the Capital Adjustment Account analyses of depreciation, amortisation, disposals and REFCUS grants applied (a/c note 24b) were inconsistent with the analysis in the table of 'adjustments between accounting basis and funding basis under regulations' (a/c note 7). The figures in the Capital Adjustment Account were adjusted.	Nil	Nil	Nil
2 Lease maturity profile figures (a/c note 41) were miscalculated by £331,590 because the figures disclosed were those at 31 March 2014.	Nil	Nil	Nil
3 The total comprehensive income and expenditure figure omitted the surplus from the Council's joint venture because of a spreadsheet error.	Nil	Nil	Council accounts: Nil Group accounts: (86)
4 The Ubico surplus of £86,000 in the consolidated accounts was taken from a draft set of Ubico accounts and varies by £79,000 from the Council's finalised share of £7,000.	Nil	Nil	Council accounts: Nil Group accounts: 79
5 The non-current asset purchases and disposals note in the Explanatory Foreword was amended to include a £42,500 disposal included in the main financial statements but omitted from this note	Nil	Nil	Nil

Adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
6 The RSG figure in a/c note 38 was misstated by £490.	Nil	Nil	Nil
7 Write-offs of 2014-15 council tax (£97,707) and non-domestic rates (£506,468) are not separately disclosed on the Collection Fund: the figures are netted off against the increase in bad debts provision. They should be disclosed separately to match the equivalent 2013-14 figures.	Nil	Nil	Nil
Overall impact	Nil	Nil	Council: Nil Group: 7

Unadjusted misstatements

There are no unadjusted misstatements. All adjustments we requested have been processed in the final set of financial statements.

Impact of uncorrected misstatements in the prior year

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1	<p>In 2013-14 the Council established an exchange rate fluctuations provision of £29,618 to offset future exchange rate losses. This does not meet the IAS37 criteria for a provision as there is no future obligation as the result of a past event. The correct treatment would be to establish an earmarked reserve to offset any future losses. This accounting treatment has been maintained because of its transparency of transaction and the balance increased to £150,000 at 31 March 2015.</p>	30	30	<p>The Council has not changed the accounting treatment because it offers transparency of transaction information.</p>

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	Various	Group Cash Flow statement	We are discussing the appropriate treatment of the group cashflow statement.
2 Disclosure	n/a	Property, Plant & Equipment	We are discussing with the finance team the appropriate treatment.
3 Disclosure	n/a	Audit fee	Note 36 incorrectly discloses the 2014-15 grant claim and certification fees as £6,600. These should state £5,870.
2 Disclosure	n/a	Financial misstatements	Some minor mathematical, clerical and consistency errors were identified and communicated to the Council.

Section 3: Value for Money

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Value for Money

Value for money conclusion

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

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

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

These criteria are:

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

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

Key findings

Securing financial resilience

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

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

Overall our work highlighted that the Council has satisfactory arrangements in place to secure financial resilience. In particular:

- The 2014/15 outturn reported an underspend against the original budget
- a robust medium term financial strategy (MTFS) is in place
- finance management is sound with effective reporting of variances from plans.
- the Council has a general fund working balance of £2.9 million and has budgeted to maintain this balance over the next four years.

Further reductions in Local Government funding are likely and the Council's MTFS identifies £1.6 million of required savings in the next four years. Of this £1 million is dependent on the success of the 2020 Vision Programme.

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 has satisfactory arrangement in place to challenge value for money and in particular the Council:

- understands its priorities and allocates resources appropriately
- works in partnership with other authorities to achieve efficiencies and value for money
- is exploring innovative ways of delivering high quality services whilst making savings through shared services with other local district councils.

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	We reviewed the Council's performance against budgets and level of reserves. The Council is debt free and as at the 31 st March 2015, the General Fund balance was £2.9 million and Earmarked Reserves £4.8 million. The general fund working balance and earmarked reserves have increased by £0.319 million over the prior year, contributing to improved resilience for the Council.	Green
Strategic financial planning	The Council's medium term financial strategy (MTFS) takes into account the factors we would expect, is updated sufficiently regularly and is responsive to significant events in the annual financial cycle. The MTFS requires £1.6 million of savings to be delivered over the next four years. The Council plans to achieve the bulk of these savings through the implementation of 2020 Vision for joint working.	Green
Financial governance	The Council understands its financial environment. Financial reporting to members is sound and, in particular, both the explanation of the financial strategy and reporting of the revenue outturn for the year was clear and comprehensive. Revenue monitoring is reported to the Cabinet and Overview and Scrutiny committee throughout the year and facilitate a good level of challenge, including reviewing service performance. A basket of indicators are reported to Cabinet to measure the Council's overall performance and efficiency.	Green

Value for Money

Theme	Summary findings	RAG rating
Financial control	The Council continues to manage its finances effectively. The revenue budget was £1.056 million underspent in 2014/15. Budget monitoring and reporting throughout the year was comprehensive and enabled members to understand the on-going financial position.	Green
Prioritising resources	The Council has a good understanding of the available resources and the priorities for spending. The Council is challenging the way services are delivered and through the 2020 Vision programme is exploring innovative and new ways of delivering services across the Council, building on shared service arrangements already in place with West Oxfordshire District Council, Cheltenham Borough Council and the Forest of Dean District Council. Changes have already been put in place to deliver the savings target of £0.491 million in 2015/16.	Green
Improving efficiency & productivity	Costs and performance of services are monitored and reported on a quarterly basis. The Council is continuing to focus effort on its corporate priorities including freezing council tax whilst protecting front line services. Savings and efficiencies have already established through sharing back office support for Finance and HR functions through the GOSS partnership as well as a revised senior manager structure which became operational in 2014/15 and will deliver annual savings of £0.15 million.	Green

Our assessment against each of the 6 risk areas concluded that the Council has adequate arrangements in place (green) as set out above. Our work has identified no residual risks to our VFM conclusion.

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 and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	59,838	59,838
Ubico Ltd – Joint venture	16,480	16,480
Grant certification on behalf of Audit Commission	5,870	5,870
Total audit fees	82,188	82,188

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.

Fees for other services

Service	Fees £
Non audit related services	
VAT support – GO Shared Services	4,250
Employment Tax Services – GO Shared Services	1,250

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		✓
Group issues		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	The reconciliation processes should be strengthened to periodically reconcile gross pay, in addition to the existing reconciliation of net pay.	Medium	Agreed	31 March 2016 Business Partner Manager (West)
2.	The amounts in the overs and unders account should be reviewed periodically and cleared to Nil at 31 March.	Low	Agreed	31 March 2016 Business Partner Manager (West)

Appendix B: Audit opinion

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

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

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

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance 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 and Group'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 and the Group's introduction 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 Cotswold District Council as at 31 March 2015 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group 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 and the group accounts introduction 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, Cotswold District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

John Golding

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

Date.....



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