



# The Audit Findings for Cotswold District Council

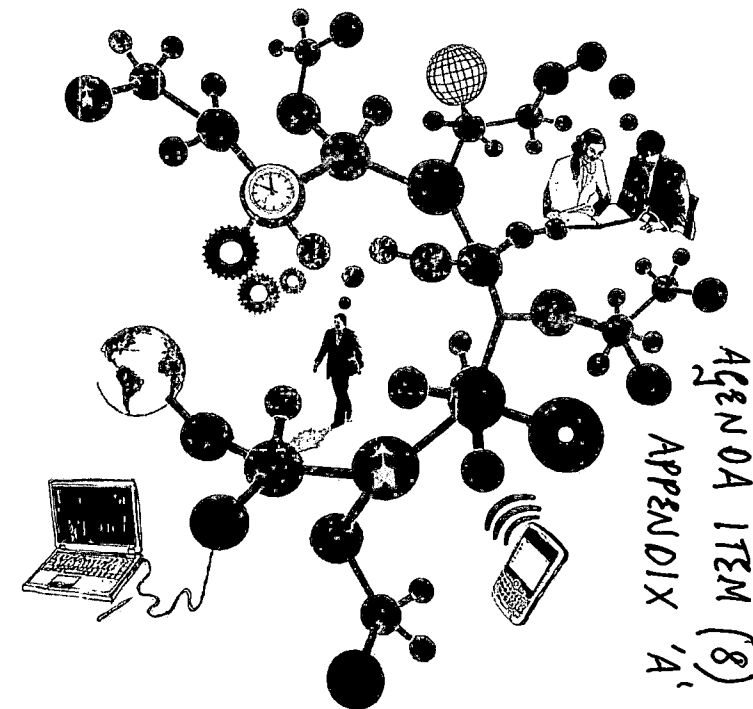
Year ended 31 March 2017

21 August 2017

**Julie Masci**  
Associate Director

**Michelle Burge**  
Manager

**Louise Kezilas**  
In Charge Auditor



AGENOA ITEM (8)  
APPENDIX 'A'

---

# Section 1: Executive summary

**01. Executive summary**

**02. Audit findings**

**03. Value for Money**

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

**05. Communication of audit matters**

Cotswold District Council  
Trinity Road  
Cirencester  
Gloucestershire  
GL7 1PX

Grant Thornton UK LLP  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

21 August 2017

Dear Members of the Audit Committee

**Audit Findings for Cotswold District 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 Cotswold District Council, the Audit Committee), 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 officers.

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

Julie Masci

Engagement lead

**Chartered Accountants**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see [grant-thornton.co.uk](http://grant-thornton.co.uk) for further details.

---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4
2. Audit findings	8
3. Value for Money	26
4. Fees, non-audit services and independence	33
5. Communication of audit matters	36

## **Appendices**

- A Action plan
- B Audit opinion

## **Purpose of this report**

This report highlights the key issues affecting the results of Cotswold District 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.

We have nothing to report to you under the additional powers and duties outlined above.

## **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 20 March 2017.

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

- Receipt of independent confirmations of investment balances with six institutions;
- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation; 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 commencement of our work, in accordance with the agreed timetable.

## **Key audit and financial reporting issues**

### **Financial statements opinion**

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section two of this report). We have also recommended a number of adjustments to improve the presentation of the financial statements.

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

- The Council prepared a set of draft accounts for audit for the start of our on site visit on the 8 June 2017 ahead of the statutory deadline of the 30 June. Officers have revised and reformatted the presentation of the financial statements this year.
- The supporting working papers were generally of a good quality.

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

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

### **Other financial statement responsibilities**

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

Our work has identified the following control weakness that we wish to bring to your attention:

- Following the departure of the Head of Finance on the 31 March 2017, the Business Partner Manager (East) posted a number of year end adjustment journals which were not subject to review or approval
- We identified one accounting entry reflected correctly in the accounts that was not input into the ledger. This related to a capital receipt for £1.8m transferred from deferred capital receipts to the capital receipts reserve
- Our testing of valuations identified an Investment Property that was not revalued in the year in line with the requirements of the CIPFA code.

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 Audit Committee which is due in 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 Chief Finance Officer.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Chief Finance officer and the finance team.

### **Acknowledgement**

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

**Grant Thornton UK LLP**  
**August 2017**

---

## Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters



## Materiality

In performing our audit, we apply the concept of materiality, following the requirements of 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 £908k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

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 £45k. This remains the same as reported in our audit plan

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

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k (one remuneration band level)
Disclosure of auditor's remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k
Disclosure of members allowances	Due to public interest in these disclosures and the statutory	£5k

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><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Cotswold District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Cotswold District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> <li>• review of entity controls</li> <li>• review of journal entry process and selection of unusual journal entries for testing back to supporting documentation</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular our testing of journal entries has not identified any significant issues.</p> <p>Our testing of journal controls has identified that following the departure of the Head of Finance on 31 March 2017, journals raised by the Business Partner Manager (East) were not subject to review. Further details are provided on page 21.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</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

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><b>Valuation of pension fund net liability</b> The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<ul style="list-style-type: none"> <li>• Identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.</li> <li>• Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>• Obtained assurance from the auditor of the Pension Fund on the controls in place over accuracy of information provided to the actuary.</li> <li>• Gaining an understanding of the basis on which the IAS 19 valuation was carried out.</li> <li>• Carried out procedures to confirm the reasonableness of the actuarial assumptions made including the use of an audit expert and considered whether known outturns are within acceptable tolerances to confirm the reasonableness of the actuary's approach.</li> <li>• Review of the consistency of the pension fund asset and liability disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</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
<p><b>Employee remuneration</b></p>	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Employee remuneration accruals understated (Remuneration expenses not correct)</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>Undertaken a trend analysis of monthly payroll data for to identify any unusual variances on which additional audit procedures may be required.</li> <li>Reconciliation of payroll figures within the Comprehensive Income and Expenditure Statement and supporting notes to the general ledger and payroll subsidiary system.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to this risk.</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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Operating expenses</b></p>	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>• Creditors understated or not recorded in the correct period (Operating expenses understated)</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• Review of year end creditors control account reconciliation.</li> <li>• Review for unrecorded liabilities through, for example, review of payments made after year end.</li> <li>• Gain an understanding of the year end accruals process, and sample test accruals to ensure they are calculated on a reasonable basis.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to this risk.</p>

## Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Changes to the presentation of local authority financial statements</b></p>	<p>CIPFA has been working on the '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 CIPFA 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>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements</li> <li>reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure</li> <li>reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS)</li> <li>tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES</li> <li>tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger</li> <li>tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements</li> <li>reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	<p>Our review of the restated Comprehensive Income and Expenditure analysis has not identified any issues.</p> <p>We requested that further disclosure was included in the prior period adjustment disclosure in respect of the amount of adjustment for each financial statement line item affected in the prior period.</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 the 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	<p>Discussions or correspondence with management regarding accounting practices, the application of auditing standards, or fees for audit or other services.</p>	<p>Ubico Ltd. was established in 2011/12 by Cotswold District Council and Cheltenham Borough Council to deliver a range of integrated environmental services including recycling, household and commercial refuse collection. Since 2012 the shareholding of Ubico Ltd has expanded. Cotswold District Council is now one of seven partners Councils.</p> <p>We reported in our Audit Plan that since 2012/13 the Council has granted use of a number of waste collection and recycle vehicles to Ubico Ltd. Although detailed schedules of payments due have been agreed we identified that a formal agreement has not been put in place to set out the arrangements regarding the use of these vehicles and how risks and responsibilities are shared between the Council and Ubico Ltd.</p> <p>We recommended in previous audit findings that an agreement is formalised between Ubico and Cotswold District Council to ensure that the Council is not exposed to any unintended financial risks and also to corroborate the substance of the accounting treatment within the financial statements for this arrangement. At present, an agreement has not yet been formalised and we have therefore reiterated our recommendation within Appendix A.</p> <p>As additional partner councils enter into this arrangement and contractual terms are formalised by each partner, it is necessary that we continue to evaluate the accounting treatment by all entities to ensure is managed consistently across all partners and any differences are clearly understood. During the course of the audit we have discussed the arrangement with officers to ensure that the accounting treatment is appropriate for the Council. We concluded that we support management's judgement to classify this arrangement as a finance lease. We have requested management expand the narrative within note E6 'Critical Judgements in Applying Accounting Policies to describe the key factors considered to support its classification in the financial statements.</p> <p><b>Management response</b></p> <p>The narrative in Note E6 has been expanded. A formal lease with Ubico will be put in place before 31 March 2018.</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
<p><b>Revenue recognition</b></p>	<ul style="list-style-type: none"> <li>• Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.</li> <li>▪ Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.</li> <li>▪ Where revenue and expenditure have been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. For all debts outstanding at the balance sheet date the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts).</li> <li>• The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year.</li> </ul>	<p>The Council's accounting policy is appropriate under IAS 18 Revenue and CIPFA's Code of Practice on Local Government Accounting in the UK 2016/17.</p> <p>There is limited judgement involved in recognising income in the financial statements. Debtors are supported by invoices and income accruals are only created where income is certain to be collected or where adequate provision will be made for non-recovery.</p> <p>Our testing of government grants and contributions, tax income and other revenues has not identified any instances of improper revenue recognition.</p> <p>Revenue recognition policies are appropriately disclosed.</p>	<p style="text-align: center;">● <b>Green</b></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 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
<p><b>Judgements and estimates</b></p>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>– PPE – useful lives and revaluations</li> <li>– Valuation of pension fund net liability</li> <li>– Provision for NNDR appeals</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The Council has appropriately disclosed its significant estimates and judgements.</li> <li>• The Council has appropriately disclosed its critical judgements in note E6 although we have requested that management enhance the disclosure to set out the judgements made and criteria considered in relation to the decision to categorise the waste collection and recycling vehicle lease with Ubico as a finance lease.</li> <li>• Note E8 discloses the Council's assumptions and other major sources of estimation uncertainty. Officers have agreed to enhance the narrative within this note in relation to the bad debt provision for housing benefit debt recovered from ongoing benefit, to explain the reasons for providing for 100 per cent of this debt.</li> <li>• The revaluation of PPE was undertaken by the Valuer in line with RICS standards and based on appropriate assumptions.</li> <li>• The Council has appropriately relied on the work of experts (the actuary) for pension fund valuations. See further details on page 11.</li> <li>• Our testing has provided assurance that the NNDR appeals provision is calculated based on reasonable assumptions.</li> </ul>	<p style="text-align: center;">   <b>Amber</b> </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 and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	The Chief Finance Officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	 <b>Green</b>
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 <b>Green</b>

**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.

	<b>Issue</b>	<b>Commentary</b>
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the 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 procedures.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council, which is included in the Audit Committee papers.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to investment and borrowing institutions. This permission was granted and the requests were sent. We are currently waiting for six of these requests to be returned with positive confirmation. In anticipation of receiving these confirmations, alternative procedures have been carried out to confirm these balances.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>

## Other communication requirements continued




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

# Internal controls

We considered and walked through the internal controls for the significant and other risks identified as set out on page 10 to page 14 above.

The matters that we identified during the course of our audit are set out in the table below. 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.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 Deficiency	<ul style="list-style-type: none"> <li>Our review of journal controls identified that following the departure of the Head of Finance on the 31 March 2017, the Business Partner Manager (East) posted a number of year end adjustment journals which were not subject to review or approval. We would expect these journals to be authorized given his key role in preparing the financial statements.</li> <li>Our review of these journals have not identified any issues to report.</li> </ul>	<ul style="list-style-type: none"> <li>All journals posted by the Business Partner Manager (East) should be subject to review and approval by the Chief Finance Officer.</li> </ul>
2	 Deficiency	<ul style="list-style-type: none"> <li>We identified one accounting entry reflected correctly in the accounts that was not input into the ledger. This related to a capital receipt for £1.8m transferred from deferred capital receipts to the capital receipts reserve.</li> <li>The net impact within reserves was correct.</li> </ul>	<ul style="list-style-type: none"> <li>All accounting entries included within the financial statement should be reflected on the general ledger before the draft accounts are submitted for audit.</li> </ul>
3	 Deficiency	<ul style="list-style-type: none"> <li>Our valuations testing of Investment Properties identified one property that had not been revalued in the last year as required by the CIPFA code. The value of the property was trivial to the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>All investment properties should be revalued on annual basis in line with the requirements of the CIPFA code.</li> </ul>

## 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)

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	<b>X</b>	<p>We reported a number of IT control weaknesses in our 2015/16 Audit Findings Report and made the following recommendations:</p> <p>Management should</p> <ul style="list-style-type: none"> <li>• Review all user access based on segregation of duties principles.</li> <li>• Restrict administration duties to the independent system administration team and ICT.</li> <li>• Remove elevated access from those that have responsibility for functional and operational management of financial services, HR and Payroll.</li> <li>• Restore service processes to system accounts only</li> <li>• Implement a risk based security log review process with independent review.</li> <li>• Ensure an effective change management procedure is implemented to review system changes processed.</li> </ul>	<ul style="list-style-type: none"> <li>• A review of the Agresso Business World (ABW) system is currently being undertaken as part of the move towards GO Shared Services forming part of Publica and becoming operational in 2017.</li> <li>• Officers have confirmed that our recommendations from 2015/16 have been used to inform the project plan for developing the ABW system. The build of the new Publica client in ABW is nearing completion in preparation for the new company becoming operational.</li> <li>• Once the Publica client has been successfully tested, the experience will be used to make the necessary changes within the Council's ABW client to address the recommendations raised in 2015/16.</li> </ul>

**Assessment**  
 ✓ Action completed  
 X Not yet addressed

# Adjusted misstatements

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000
<p>1 Note D6 – Short Term Debtors (Impairment for Receivables) A mis-posting of a debtor balance was coded to impairment for receivables in error.</p> <p>No net impact on the balance sheet.</p>	0	<p>CR Sundry Debtors 133</p> <p>DR Impairment for Receivables 133</p>	0
<p>2 Two surplus assets, Old Memorial Hospital, where an application is being progressed for demolition and Old Station Building where a decision on its use is under review were both misclassified as 'Assets Held for Sale'</p> <p>Accounting standards require Assets Held for Sale to be restricted to property or disposal groups that are expected to be sold within 12 months and actively marketed.</p> <p>No net impact on the balance sheet.</p>	0	<p>DR Surplus Assets 1,079</p> <p>CR Asset Held for Sale 1,079</p>	0
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

## 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 £'000	Account balance	Impact on the financial statements
1 Disclosure	Various	Narrative Report	The narrative report has been expanded to include a note on the significance of the pension liability as required by the CIPFA code.
2 Disclosure	Various	Comprehensive Income & Expenditure Statement (CIES)	Draft Statement of Accounts did not disclose adjustment for each financial statement line item affected by the prior period restatement in relation to the statutory change in formatting of the CIES.
3 Disclosure	N/A	Note D2 Investment Properties	The draft accounts did not include all disclosures required by the CIPFA code in relation to fair value including a description of the valuation techniques and inputs used for assets classified at level two in the fair value hierarchy.
4 Misclassification	94	Note D7 Short Term Creditors	Note D7 in the draft statement of accounts was amended when an error was identified by officers in relation to the classification of individual creditors between the following headings: <ul style="list-style-type: none"> <li>• Government Department Creditors,</li> <li>• Local Authority Creditors, and</li> <li>• Sundry Creditors.</li> </ul> The net impact is nil.
5 Disclosure	2,778	Note E1 Defined Benefit Pension Scheme	Estimated pension contributions payable in 2017/18 of £2,778k were not correctly disclosed within the Defined Benefit Pension Scheme note.
6 Disclosure	Various	Note E2: Financial Instruments	Debtors and Creditors were not adjusted correctly to meet the definition of a financial asset and liability within the financial instruments note.
7 Disclosure	N/A	Note E2 Financial Instruments	The draft accounts did not include all disclosures required by the CIPFA code in relation to fair value including a description of the valuation techniques and inputs used for assets classified at level two in the fair value hierarchy.



## 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 /\$'000	Account balance	Impact on the financial statements
8 Disclosure	N/A	Note E6: Critical Judgements in Applying Accounting Policies	The note did not provide details of the key considerations taken into account when categorising the vehicle lease with Ubico as a finance lease.
9 Disclosure	N/A	Various	There were a number of other minor presentational adjustments made to improve the quality of disclosures in the accounts.

---

## 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 number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 20 March 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 risks 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 risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council's medium term financial position (see findings on page 29), and
- The progression of the 2020 Vision Partnership (see findings on page 30)

In addition we reviewed the financial outturn position for 2016/17 to inform our VFM conclusion.

### **Financial Outturn 2016/17**

The Council manages its finances well and has a good track record of achieving its financial plans. In 2016/17, the Council achieved a surplus of £42k against budget (after transfer to general fund balances of £610,446) This surplus has been allocated to the Council's general fund for use in future years. This will provide the Council with on-going financial resilience which is important over the medium term to ensure it can meet the challenges it faces in setting the budget from 2018/19 and beyond. The predictions of an increasingly austere economic climate are in line with our expectations and the increase in the general fund reserve to £4,380k gives additional resilience to management and members.

The capital budget for 2016/17 was underspent by £2,123k. This was partly due to delays in the £500k rural broadband scheme which is dependent upon a bigger scheme being agreed with the County Council. In addition, delays have been encountered with a car park improvement scheme where the funding has been placed on hold pending decisions of sites to be developed to increase car park capacity in Cirencester. Other capital underspends were caused by delays to projects which will be completed in 2017/18.

We do not have any significant concerns arising in relation to the Council's arrangements for delivering economy, efficiency and effectiveness from our review of the 2016/17 budget outturn.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 30 to 32.

### **Overall conclusion**

Based on the work we performed to address the significant risks, we concluded that **the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.**

The text of our report, which confirms this can be found at Appendix B.

### Key findings

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

Significant risk	Work to address	Findings and conclusions
<p><b>Medium term financial position</b> The Council has been required to deliver substantial savings since 2010/11, and forecast continued significant savings requirements going forward. The latest Medium Term Financial Strategy shows that the Council has identified budget savings to ensure a balanced budget is set for 2017/18 and 2018/19. It is forecast that the Council will need to use the General Fund Working Balance in order to balance the budget from 2019/20 onwards unless further savings can be identified.</p> <p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities.</p>	<ul style="list-style-type: none"> <li>Reviewed achievement of savings in 2016/17</li> <li>Review of MTFs, including the assumptions that underpin the strategy.</li> <li>Understood how savings are identified and monitored to ensure that they support the delivery of budgets.</li> </ul>	<p>A target savings target of £1,204k was set for 2016/17. Further savings against budget of £42k were delivered. The Council has set a balanced revenue budget for 2017/18 together with budget plans for 2018/19, within a four year Medium Term Financial Strategy 2017/18-2020/21. The Council's proportion of Council Tax was frozen in 2017/18 for the second year in a row.</p> <p>The Council has identified a savings target of £201k for 2017/18 and a further savings requirement of £836k for the next three years 2018/19 to 2020/21. The Council plans to achieve the bulk of these savings through the implementation of the 2020 Vision for joint working and establishment of Publica Limited. This project is considered in more detail on page 30. It is forecast that the Council will need to use its General Fund Working Balance in order to support the budget from 2019/20. To avoid the requirement to use the General Fund Working Balance, the savings target will need to increase by £504k.</p> <p>A high level review of the planning process and assumptions underpinning the budget including in relation to the new homes bonus and business rate income gives assurance that the process is robust and comprehensive, considering both the risks and opportunities at a strategic and operational level across the Council.</p> <p>Savings are monitored on a quarterly basis through reporting to Cabinet. Savings in relation to the 2020 Partnership are also monitored through the 2020 Partnership Joint Committee at which Cllr Christopher Hancock and Cllr Lynden Stow represented the Council during 2016/17.</p> <p>The Overview and Scrutiny Committee comprises of six councillors and challenges the Cabinet member and Chief Finance Officer over the assumptions and savings plans underpinning the 2017/18 budget. This process provides a good level of scrutiny to the budget before Cabinet and full Council approval.</p> <p>The Council has demonstrated a robust planning process and challenge of expenditure assumptions. This together with the quality of reporting, high level scrutiny and healthy level of reserves means the Council is well positioned to tackle the financial risks facing it in the medium term.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities.</b></p>

**Key findings (continued)**

Significant risk	Work to address	Findings and conclusions
<p><b>2020 Vision</b> The Council continues to progress its 2020 Vision partnership arrangement with Cheltenham Borough Council, Forest of Dean and West Oxfordshire District Councils. The success of 2020 Vision, through the members working together effectively, is critical to the medium term financial strategy at Cotswold District Council.</p> <p>This links to the Council's arrangements for working with third parties effectively to deliver strategic priorities, managing risks effectively, maintaining a sound system of internal control and demonstrating and applying the principles and values of sound governance.</p>	<ul style="list-style-type: none"> <li>Reviewed progress made in the development of the 2020 Vision programme and formation of a local authority owned company.</li> <li>Understood how the councils are working together to deliver the planned savings whilst maintaining quality.</li> <li>Reviewed the level of program delivery, including the timescale and scope of implemented efficiencies.</li> </ul>	<p>Decision was taken by the 2020 partner authorities in September and October 2016 to establish a 'Teckal' company as recommended by the 2020 Joint Committee. The Council will be entering into contracts with Publica Limited to deliver joint services. Preparation work including legal documentation and agreements based on governance are being drafted. The local authority company was incorporated in April 2017, and is planning to deliver services for the partner Councils from Autumn 2017.</p> <p>Each partner has representation on the 2020 Joint Committee. The Joint Committee provides political direction and guidance, oversees the delivery of shared services, determines HR, Finance and ICT policies under delegation from councils and ensures the 2020 Vision business case benefits are delivered for each individual Council as well as the partnership. Quarterly meetings are held and reports presented include Client Officer Group updates which consider the performance of shared services being delivered across the partnership, as well as updates in relation to the governance arrangements being progressed.</p> <p>A Partnership Commissioning Group which includes representatives from all four councils has also been in place during 2016/17 to support the Joint Committee and is collectively accountable for the realisation of the 2020 Vision benefits. A Program Team has also been in place to deliver the 2020 Vision, supported by strategic advisors and programme resources and is responsible for the management and delivery of the programme, projects, activities and benefit realisation.</p> <p>The Joint Committee and Partnership Commissioning Group are temporary governance arrangements which will be replaced with new arrangements, currently being developed for when Publica is fully operational.</p> <p>The savings target from the 2020 Vision Programme has been increased to reflect the 2020 Partnership Updated Business Case for a Company Model presented to Cabinet in September 2016 and have been re-profiled to latest anticipated outcomes including revised annual savings of £1.834m for the Council. Set up costs of £1,821k have been funded from earmarked reserves</p>

**Key findings (continued)**

Significant risk	Work to address	Findings and conclusions
		<p>The Shared Public Protection Project has been completed and the new Environmental and Regulatory Services (ERS) Group went 'live' in August 2016. The benefits outlined in the business case have been achieved, including £845k (35.5%) of efficiency savings. Overall, the key priorities in the service delivery plan are on track to be delivered.</p> <p>Cashable savings to date are on profile with savings already delivered in 2015/16 and 2016/17 of £2.3m. Programme spend to date is within budget.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements for working with third parties effectively to deliver strategic priorities.</b></p>

**Significant difficulties in undertaking our work**

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

**Significant matters discussed with management**

There were no matters where we required specific 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.



---

## 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	44,879	44,879
Grant certification	4,403	TBC
<b>Total audit fees (excluding VAT)</b>	<b>49,282</b>	<b>TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). The final fee charged for grant certification will be confirmed following completion of the work by 30 November 2017.

**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'.

**Independence and ethics**

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and 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.

**Fees for other services**

Service	Fees £
<b>Audit related services:</b>	
• CFO Insight subscription	1,875
• VAT and Employment Tax Support	417
<b>Non-audit services</b>	<b>2,292</b>

## 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
<b>Non-audit services</b>				
CFO Insights subscription	Go Shared Services (Cotswold District Council)	£1,875*#	No	Separate team support this subscription.
VAT and Employment Tax Support	Go Shared Services (Cotswold District Council)	£417*~	No	Separate team undertakes this work.
	<b>TOTAL</b>	<b>£2,292</b>		

- Please note the figures disclosed above have been updated from the figures reported in our Audit Plan.
- The services listed above are provided to the Go Shared Services partners. The amount disclosed above is the element which relates to Cotswold District Council.
- # Go Shared Services subscribed to this service from 1 October 2016. This is the cost of the service for the six months October 2016 to March 2017
- ~ The VAT and Employment Tax Support service disclosed above related to the period 1 April 2016 to 31 March 2017. Ethical standards applicable from the 1 April 2017 mean that this is now a blacklisted service and will be discontinued in future periods.

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.a.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

## Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	All journals posted by the Business Partner Manager (East) should be approved and reviewed by the Chief Finance Officer.	Medium	The Business Partner Manager will delegate the posting of journals to other team members. However, on occasions where it is necessary for him to post journals, his journal will be authorised by the Chief Finance Officer	Implemented
2	We recommended that a lease between Ubico and Cotswold District Council is formalised to support the accounting treatment within the financial statements and to ensure that the Council is not exposed to any unintended financial risks.	Medium	Agreed. Aim to have formal lease in place by 31st March 2018.	By 31 March 2018
3	All accounting entries included within the financial statement should be reflected on the general ledger before the draft accounts are submitted for audit.	Medium	Agreed. A check will be added to the Statement of Accounts Production Plan for 2017/18	31 March 2018
4	All Investment Properties should be revalued on an annual basis in line with the requirements of the CIPFA code.	Medium	Agreed. A check will be added to the Statement of Accounts Production Plan for 2017/18	31 March 2018
5	The Council should implement the recommendations arising from our 2015/16 IT review as set out on page 22	Medium	The Auditors recommendations have been used to inform the project plan for developing the Business World system. The build of the new "Publica" client in Business World is nearing completion in preparation for the new company becoming operational. Once the Publica client has been successfully tested, the experience will be used to make the necessary changes within the Council's Business World client to address the auditor's recommendations.	31 March 2018

## Controls

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

## 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 (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 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 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 Chief Financial Officer and auditor**

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 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 and the Annual Report 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 to be added*

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

55-61 Hartwell House  
Victoria Street  
Bristol  
BS1 6FT

X August 2017