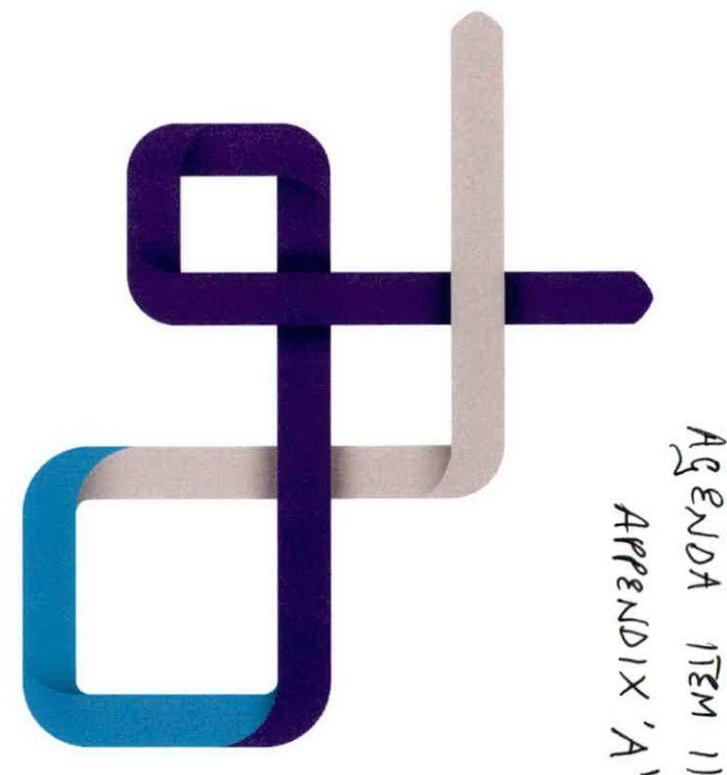


Audit Findings

Year ending 31 March 2018

Cotswold District Council

18 July 2018



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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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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Headlines

This table summarises the key issues arising from the statutory audit of Cotswold District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, and have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 17. We have identified one adjustment to the financial statements that has resulted in no overall adjustment to the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2018, as detailed in Appendix E. Further details of the of work currently in progress is set out on page 4.</p> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion') 	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Cotswold District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 18 to 24.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audit 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>Our work on the accounts is currently ongoing, we expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment including its IT systems and controls
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks; and
- In our Audit Plan we reported to you that we expected group accounts to be prepared in respect of Publica Group (Support) Limited. After consideration of the Council's view that group accounts were not required on either a quantitative or qualitative materiality basis, we consider management's assessment reasonable for group accounts not to be prepared. Further details are provided at page 12.

Conclusion

Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2018, as detailed in Appendix E. These outstanding items include:

- receipt of management representation letter;
- testing of operating expenses undertaken by the Forest of Dean District Council audit team
- Outstanding queries in relation to valuation of PPE
- Review of year end payroll reconciliation
- Testing of collection fund debtors and creditors
- Outstanding query in relation to debtors
- Review of work of actuary and IAS 19 accounting entries
- Testing of Reserves
- Investment confirmations received from third parties
- Review of Expenditure Funding Analysis
- Review of Financial Instruments
- Review of operating and finance leases
- Outstanding queries on the Collection Fund
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for Cotswold District Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	828,000	This equates to 1.75% of gross expenditure for the year. This reflects the fact that there has been a transfer of staff and operations to Publica (Group) Support Limited that is all encompassing across the activities of the Council which produces an elevated audit risk as processes and arrangements are embedded.
Performance materiality	621,000	This has been set at 75% of materiality as there has been no indication from our risk assessment of any significant deficiencies.
Trivial matters	41,400	This has been set at 5% of materiality and errors below this we would define as 'clearly trivial'
Materiality for specific transactions, balances or disclosures		
Senior Officer Remuneration	10,000	Due to public sensitivity we have chosen £10,000 – the equivalent of two remuneration bands in the officer remuneration note.

Going concern

Our responsibility

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) 570).

Going concern commentary

Management's assessment process

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 continues to adopt the going concern basis in preparing the financial statements.

Cash flow forecasts are available for the next twelve months as well as a four year medium term financial plan and capital strategy.

Management recognises there is a high degree of uncertainty about future levels of funding for local government. However, the Authority has plans in place that enable it to determine the requirement for savings which may need to be delivered by greater efficiency savings or reducing levels of service provision.

The Council also holds significant levels of reserves which puts it in a strong position. The Council has therefore prepared its accounts on the basis that it is a going concern.

Auditor commentary

- Management's view is that the Council is a going concern with no material uncertainties that would require disclosure. We concur with this view.

Work performed

We reviewed management's assessment of going concern provided to us, in conjunction with our knowledge and understanding of the Council.

Auditor commentary

- The Council's capital and treasury management strategy forecasts working capital of £4.9m and £13m of useable reserves at 31 March 2021.
- We did not identify any material uncertainties that would require additional disclosure

Concluding comments

Auditor commentary

- We did not identify any issues with the Council's use of the going concern assumption. Management's assessment of the appropriateness of the going concern assumption concluded that the Council was a going concern with no material uncertainty. We concur with this judgement.
- Our audit opinion is unmodified in respect of going concern.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	Improper revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Auditor commentary Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited The culture and ethical frameworks of local authorities, including Cotswold District Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Cotswold District Council. Our testing of debtors has identified an error of £10,000 where an invoice was raised twice in error. We are currently undertaking further work to establish if this is an isolated error. No other matters have been identified from our work that we wish to bring to your attention.
2	Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We identified management override of controls as a risk requiring special audit consideration.	Auditor commentary We have undertaken the following work in relation to this risk. <ul style="list-style-type: none"> Review of entity controls review of accounting estimates, judgements and decisions made by management testing of journal entries review of unusual significant transactions 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. Our testing of journal controls identified that not all journals raised by the Deputy S.151 Officer were subject to review. Further details are provided on page 28. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>3 Valuation of property, plant and equipment</p> <p>The Council revalues its land and buildings on an triennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk</p> <ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate. Review of the competence, expertise and objectivity of any management experts used. Review of the instructions issued to valuation experts and the scope of their work Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register <p>At the time of reporting our audit work in the following areas is still ongoing</p> <ul style="list-style-type: none"> Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. We have outstanding queries in respect of the valuation of surplus assets.

Significant audit risks

Risks identified in our Audit Plan	Commentary
<p>4 Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represents a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in response to this risk:</p> <ul style="list-style-type: none"> Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. In addition, we receive assurance from the auditor of the Pension Fund (Gloucestershire County) on the controls in place over the accuracy of information provided to the actuary. No significant matters were highlighted from their work. <p>At the time of reporting we are still undertaking work on the following:</p> <ul style="list-style-type: none"> Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.

Reasonably possible audit risks


	Risks identified in our Audit Plan	Commentary
5	<p>Employee remuneration Payroll expenditure represents a significant percentage of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • Evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness • Agreed amount in accounts can be reconciled to the ledger and through to payroll reports. <p>Our audit work has not identified any issues in respect of employee remuneration.</p> <ul style="list-style-type: none"> • At the time of reporting we are awaiting receipt of the year end payroll reconciliation from finance officers.
6	<p>Operating expenses Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>Auditor commentary</p> <ul style="list-style-type: none"> • evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • Review non-pay payments made post year end to ensure that they have been charged to the appropriate financial period. <p>Our audit work has not identified any significant issues in respect of this risk.</p>

Internal Controls

We considered and walked through the internal controls for the significant and other risks identified as set out on page 7 to page 10 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	<p>As a result of our IT work we identified the following control weaknesses:</p> <ul style="list-style-type: none"> IT review user accounts and access permissions when notified by departments of new starters, movers and leavers. However, IT can only review the access permissions of those accounts when they are notified of changes and so would not review the access permissions of those accounts of movers and leavers if not properly notified by departments. Ensure that Northgate system services adheres to the policy as stated and seek evidence to support it through the service level reporting. Northgate (Revenues and Benefit) system administrators do not have a formal, documented user management procedure for adding, amending or removing users from the system. Within Agresso there is no minimum length or complexity settings in place. (A user may only have to enter a user id to access Agresso with the current security settings). Within Northgate a minimum password setting of just six characters is in place. There are currently no screensaver settings set in the network. Evidence provided suggests that individual devices rely on 'screen sleep' settings of 15 minutes for an 'unplugged' devices and an hour for 'plugged in' devices. <p>We discussed the above issues with officers from across Publica and agreed the actions outlined in Appendix A.</p>	<p>Management should:</p> <ul style="list-style-type: none"> Perform periodic, formal reviews of the user accounts and permissions within the network Ensure that Northgate system administrator have a formal, documented user management procedure for adding, amending or removing users from the system and seek evidence to support it through the service level reporting. Ensure that an appropriate password policy is applied to the Agresso and Northgate Systems. Ensure that an appropriate screensaver policy is in place on the network and that the current reliance on screen sleep settings is reviewed to tighten controls.

Assessment

-  Significant deficiency
-  Deficiency – risk of inconsequential misstatement

Other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.


Issue	Commentary	
1 Consolidation of Publica Group (Support) Limited	<ul style="list-style-type: none"> • The Council jointly owns (with West Oxfordshire District Council, the Forest of Dean District Council and Cheltenham Borough Council) Publica Group (Support) Limited, a wholly owned company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council and services to other members Councils under contract. • We reported in our Audit Plan that group accounts would be prepared in 2017/18 to reflect this arrangement. • While the Council has an interest in the Company the Council's share of profit for the year and net assets at the balance sheet date have not been consolidated into the Council's single entity accounts. The figures involved are not material to the accuracy of the accounts. • Officers concluded that consolidation would not provide the reader of the accounts with any more information than is already provided within the narrative report, related party transaction and critical judgement note. • The Council has not prepared Group Accounts on this basis. 	<p>Auditor view</p> <p>After consideration of both materiality and qualitative considerations of the Council, we concur with the Council's view that it is reasonable to not prepare group accounts.</p> <p>The Council has also expanded the disclosure in note F6 (Critical judgements in Applying Accounting Policies) to include their consideration of qualitative factors in the decision not to prepare group accounts. See page 30.</p>

Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
<p>1 Discussions or correspondence with management regarding accounting practices, the application of auditing standards or fees for audit or other services.</p>	<p>Publica Pension Liability</p> <p>No allowance has been made in the Councils' accounts for the transfer out of any pension liability to Publica Group (Support) Limited (since the pensions liability has been retained) following the TUPE transfer of the majority of the Council's staff to Publica on 1st November 2017.</p> <p>Therefore the Council is reporting its share of the Publica liability, along with the liability of the Council in the accounts. There are no separate disclosures for Publica as they are not responsible for any LGPS liability.</p> <p>Although the tripartite agreement between the Council, Publica and Gloucestershire Pension Fund requires any changes in employer contribution rates to be payable by the Council following each triennial valuation the difference between the rate and the original pass through contribution rate is reimbursed to Publica through adjustments to the contract pricing. As any differences are reimbursed, the overall effect remains that Publica hold no risk in relation to changes in actuarial assumptions.</p> <p>At the end of the contract, there is no exit deficit for Publica as the Council has retained all of the funding risk.</p>	<p>Auditor view</p> <ul style="list-style-type: none"> • Management has confirmed that arrangements are in place to provide further clarity within the tripartite admission agreement between the Council, Publica and Gloucestershire Pension Fund to reinforce that changes in the triennial pension valuation will not result in changes to the contributions payable by Publica and that all actuarial risks relating to these employees are retained by the Council. • On this basis, the Council's view that the liability should remain on its balance sheet is appropriately supported and reflects the substance and nature of the arrangements in place. • We have requested management expand the narrative within note E6 'Critical Judgements in Applying Accounting Policies to describe the key factors considered to support the judgement that the pension liability in relation to Council staff TUPE transferred to Publica remains in the Council accounts. <p>Management response</p> <ul style="list-style-type: none"> • The relevant legal documents will be updated to reflect a fixed LGPS contribution rate in place with Publica. The impact of triennial valuations will be the responsibility of the Council.



Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> 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. 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. 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). 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. 	<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 2017/18.</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>Revenue recognition policies are appropriately disclosed.</p>	 Green

Assessment

- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<ul style="list-style-type: none"> Judgement applied when decision taken not to prepare group accounts in respect of Publica (group) Support Limited Judgement applied when including pension liability of Publica staff on balance sheet of the Council Judgement applied when recognising lease with Ubico for refuse and recycling vehicles as a finance lease Useful life of PPE Revaluations Valuation of pension fund net liability Provision for NNDR appeals 	<ul style="list-style-type: none"> The Council has appropriately disclosed its significant estimates and judgements in note F6, although we have requested that management enhance the disclosures to set out the judgements made and criteria considered in relation to: <ul style="list-style-type: none"> The basis on which group accounts are not required (see page 12); and Confirmation that the risks associated with the pension obligations of Publica staff are retained by the Council (see page 13) Our discussions with the Council's valuer about the basis on which the valuations of property was carried out including the challenging of key assumptions is still ongoing. See further details on page 8. Our work on whether the Council has appropriately relied on the work of experts (the actuary) for pension fund valuations is still ongoing. See further details on page 9. Our testing has provided assurance that the NNDR appeals provision is calculated based on reasonable assumptions. 	 Amber
Other critical policies		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.	 Green

Assessment

-  Marginal accounting policy which could potentially be open to challenge by 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, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council, which is included in the Audit Committee papers.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> 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 seven 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.
6	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7	Significant difficulties	<ul style="list-style-type: none"> No significant difficulties were identified.

Other responsibilities under the Code

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

Issue	Commentary
1 Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unqualified opinion in this respect – refer to appendix E.</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>In the case of Cotswold District Council, detailed work is not required as the Council does not exceed the threshold.</p>
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Cotswold District Council in the audit opinion, as detailed in Appendix E.</p>

Value for Money

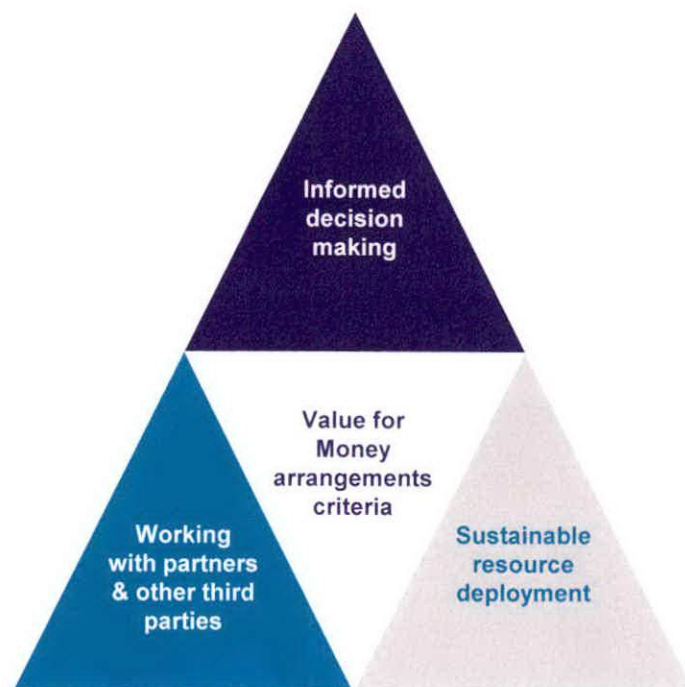
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance 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."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in March 2018 and identified two 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 10 April 2018.

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.

Value for Money

Our work

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 process to develop its Medium Term Financial Strategy (MTFS) is robust and comprehensive, considering both the risks and opportunities at a strategic and operational level across the Council. This together with a proven track record of delivering savings to contain expenditure within available resources means the Council is well positioned to tackle the financial risks facing it in the medium term.
- The Council's arrangements for the establishment of Publica Group (Support) Limited and the contract monitoring processes in place to ensure performance and quality standards are delivered in line with the original Business Plan to demonstrate the Value for Money is being achieved.

In addition we reviewed the financial outturn position for 2017/18 to inform our VFM conclusion.

Financial Outturn 2017/18

The Council manages its finances well and has a good track record achieving its financial plans. In 2017/18 the Council achieved a surplus. The Council overspent against its net cost of service budget by £0.276m. However, when the Council's funding sources of Business Rates and Government Grants are included, the outturn position is a surplus of £2.132m.

An increase in the year end Collection Fund deficit, means that the Council's budget for 2019/20 will need to increase by £0.7m. In order to provide for the additional contribution to the Collection Fund a £0.7m transfer to the Council's Business Rates Smoothing Reserve has been made.

£0.9m has been allocated to fund one off projects which support the Council priorities as well as a transfer of £0.442m to the General Fund Working Balance.

On 1 November 2017, the Council's service delivery company (Publica) became operational with the majority of the Council's staff TUPE-transferred across to Publica. In the period from November to 31 March, Publica has delivered operational savings of £0.256m. The costs of the transformational programme were also £0.105m less than anticipated, meaning that the Council was able to draw from reserves less than was expected to fund the project.

The capital budget for 2017/18 was underspent by £1.9 million largely due to a re-profiling of the rural broadband scheme and delays in the procurement of the replacement of a number of recycling and waste vehicles.

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 20 to 24.

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 E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed a recommendation for improvement as follows:

Arrangements for Council members to formally liaise and communicate with Publica should be reviewed following the year anniversary of the operation of Publica.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

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 conclusion
1	<p>Medium Term Financial Strategy (MTFS)</p> <ul style="list-style-type: none"> The latest MTFS shows that the Council has identified budget savings of £879k to ensure a balanced budget is set from 2018/19 to 2021/22. £786k of these savings are to be delivered via Publica through a transformational savings programme. It is forecast that the Council will need to use the General Fund Working Balance in order to balance the budget from 2019/20 unless further savings of £540k can be identified. 	<p>We have:</p> <ul style="list-style-type: none"> Reviewed the MTFS, including the robustness of the assumptions that underpin the plan. Understood how savings are identified and monitored to ensure that they support in the delivery of budgets. Considered 2017/18 performance against savings plans. 	<p>A high level review of the MTFS 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>The Overview and Scrutiny Committee, which consists of seven councillors, challenges the Cabinet members and Chief Finance Officer over the assumptions and savings plans underpinning the 2018/19 budget and MTFS. This process provides a good level of scrutiny to the budget before Cabinet and full Council approval.</p> <p>Savings are built into base budgets and are therefore monitored through the variances reported in quarterly revenue budget monitoring to Cabinet. Savings set out in the Publica Business Case for 2018/19 have been built into the new year budgets and actions have been taken to deliver these. Further savings from 2019/20 are expected to be achieved as the transformation programme progresses.</p> <p>There remains a significant level of uncertainty from 2020/21 with the implementation of the outcome of the fairer funding review, introduction of a 75% Business Rates Retention Scheme and resetting of the Business Rates baseline. However the Council's healthy level of reserves will be beneficial to the Council in managing the impact of these changes. This together with a proven track record of delivering savings to contain expenditure within available resources means the Council is well positioned to tackle the financial risks facing it in the medium term. The general fund balance at 31 March 2018 is £6.5m and £5.9m is held in earmarked reserves.</p> <p>In the period from November to 31 March, Publica has delivered operational savings of £0.256m. In addition to this the savings target of £201k included in the 2017/18 MTFS was also achieved largely through savings identified from the letting of the Internal Audit and leisure contract.</p> <p>Should the savings required via Publica's transformation programme not be realised the Council will either need to use general fund balances or cut discretionary services.</p> <p>On that basis we have 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.</p>

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 conclusion
2	<p>Publica Group (Support) Ltd</p> <p>Following a number of successful partnership and shared services arrangements between the Council, West Oxfordshire, Cheltenham and the Forest of Dean District Councils, Publica Group (Support) Ltd, a local authority owned company was created by the four councils and became operational in November 2017.</p> <p>The success of Publica is critical to the medium term financial strategy of the Council.</p>	<ul style="list-style-type: none"> Reviewed the Council's arrangements for the establishment of Public Group (Support) Ltd and the contract monitoring processes in place to ensure performance and quality standards are delivered in line with the original Business Plan to demonstrate that Value for Money is being achieved by the Council. Reviewed the arrangements in place at the Council to ensure that Publica is delivering the required financial savings whilst maintaining the agreed service standards. Reviewed the Council's Governance arrangements to provide appropriate oversight as one of the partnering organisations, including how members of the Council are kept informed of any issues and the outcomes of remedial action required to address any issues identified. 	<p>Background</p> <ul style="list-style-type: none"> The company, Publica Group was registered in the latter part of 2016/17. Executive and Non-Executive Directors were appointed to the Board in March 2017, and the first monthly Publica Board meeting took place in April 2017. The majority of staff transferred to the Company on the 1st November 2017. A business plan has been developed and approved by all partner Councils. A transformation programme is currently ongoing to redesign services. For three of the member councils, including Cotswold District Council, Publica directly manages public services, including Planning and Economic Growth; Housing Benefits and Council Tax; Environmental Health and Licensing; Waste and Recycling and Leisure and Community Services. The Council hold 25% of the voting rights of Publica and service delivery is managed within the company in accordance with the service contracts agreed by the Council. <p>Contract monitoring processes in place to ensure performance and quality standards are delivered in line with the original Business Plan</p> <ul style="list-style-type: none"> The company provides a mechanism to bring employees from across the partner Councils under a single employment arrangement. The company is independent of individual councils but accountable equally to all partners. As part of the establishment of Publica a number of items were identified as reserved matters for Council approval to ensure that member councils retained an element of control over their company. The reserved matters were approved in October 2016 as part of the governance principles underpinning the establishment of Publica. Frequent informal and formal reporting is provided by Publica to enable the Councils to monitor performance and quality standards (including, for example, standards around data protection). This also includes informal, regular meetings and correspondence with the s151 Officer at the Council; providing an additional platform for issues to be discussed. Cabinet and the Overview and Scrutiny Committee continue to receive quarterly performance and finance reports which provide members with an understanding of the performance and quality of services delivered. Any underperformance issues would be addressed and challenged at these key meetings. Reports provided by Publica also provide a review of outturn against budget which include savings to be achieved through Publica. Explanations are provided for significant under and over spends. <p>We concluded that the Council has appropriate arrangements in place to establish and monitor Publica's performance against quality standards in line with the original Business Plan.</p>

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 conclusion
2			<p>The arrangements in place at the Council to ensure Publica is delivering required financial savings while maintaining agreed service standards</p> <ul style="list-style-type: none"> Publica's Business Plan includes a number of objectives, ambitions and key tasks against which their performance (and in particular, delivery of financial targets) can be measured. This highlights the importance of providing robust data and performance metrics to the Councils' so that they can track their performance. This was presented to Cabinet in March 2018. The 2020 Partnership, which preceded Publica, had a good track record of delivering cashable savings. For Cotswold District Council, these savings represented a significant portion of their savings plans. Looking forward, these savings plans have been incorporated into the Publica Business Plan. The savings planned are £5.6m per annum across the four member Councils to 2020. Some £0.786m is planned to be delivered for the Council in the next four years through a transformation programme and in the period up to 2017/18, the 2020 Partnership had delivered savings of £2.33m. The savings included in Publica's Business Plan are consistent with the Council's MTFS. For 2017/18, Publica delivered the required financial savings planned. The overall 'contract sum' payable to Publica was underspent in 2017/18 by £258k, indicating that further efficiencies beyond the initial plans had been delivered in this first year. For Cotswold District Council, this represents an achievement of the savings plan in relation to Publica, being £147k for 2017/18. Financial performance measures were implicit within the four Councils' budgets for the year. In 2017/18 this amounted to £240k in total across the Councils. All partners exceeded the minimum business case savings with the total over delivery in the order of £412k for the five month period; a return of 10%. This meant that the target 5% return for the year was exceeded. We noted that some performance standards, such as "Days taken to process new claims" were slightly under target. This had been communicated to the Council in a timely and open manner in the year end performance report. <p>We concluded that the Council has appropriate arrangements in place to ensure Publica is delivering required financial savings while maintaining agreed service standards.</p>

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 conclusion
2			<p>The Council's Governance arrangements to provide appropriate oversight as one of the partnering organisations, including how members of the Council are kept informed of any issues and the outcomes of remedial action required to address any issues identified.</p> <ul style="list-style-type: none"> We have considered the Governance arrangements of the Council over Publica, to provide appropriate oversight as one of the partnership organisations. In October 2016, the Council agreed the detailed governance principles applicable to Publica. These principles were incorporated within the Company's Articles and Association and the Members' Agreement, providing Councillors with rights to monitor the operational performance of the company. The 2018/19 Publica Business Plan was presented by the Publica Managing Director to Cabinet for consideration by members. This plan is based upon the principles and targets set out in the business case which was approved by Council in 2016. Cabinet concluded that the business plan accorded with the Council's priority to provide efficient and value for money services, whilst delivering quality front line services. The plan was also reviewed by the Overview and Scrutiny Committee. The plan was approved by the Council leader as recommended by Cabinet. Internally, the Council hold the managing director of Publica to account, and monitor the Partnership, through the Overview and Scrutiny Committee – this Committee is responsible for monitoring performance, quality and improvement. Weekly meetings are held between officers of the Council and Publica and briefings are provided to members. Members are engaged on any proposals to improve performance monitoring. Arrangements to ensure members of the Council are kept informed of any issues are evolving but informal liaison meetings with Cabinets, political group leaders and Scrutiny Chairs of the member Councils have taken place. A Member Group, comprising the Chairmen of the Overview and Scrutiny Committees, representatives of the Cabinet and the Leaders of the Political Groups was established to review the work of Publica, at the year end performance meeting in May 2018. The Group will meet on a quarterly basis during 2018/19. This Group represents a member platform for queries and discussions around Publica's performance and operations. The decision to set up a formal member liaison group and review liaison arrangements has been deferred until Publica has been operational for a year. <p>We concluded that the Council has appropriate arrangements in place to provide appropriate oversight as one of the partnering organisations, including how members of the Council are kept informed of any issues and the outcomes of remedial action required to address any issues identified.</p> <p>Arrangements for Council members to formally liaise and communicate with Publica should be reviewed following the year anniversary of the operation of Publica.</p>

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	Recommendation
2	<p>Publica Group (Support) Ltd</p> <p>Following a number of successful partnership and shared services arrangements between the Council, Cotswold, Cheltenham and the Forest of Dean District Councils, Publica Group (Support) Ltd, a local authority owned company was created by the four councils and became operational in November 2017.</p> <p>The success of Publica is critical to the medium term financial strategy of the Council.</p>	<p>Recognising the evolving nature of governance arrangements, the council has appropriate arrangements in place for working with Publica.</p> <p>Arrangements for Council members to formally liaise and communicate with Publica should be reviewed following the year anniversary of the operation of Publica.</p>	<p>Formalise liaison and communication arrangements between members and Publica to ensure members have the opportunity to challenge and scrutinise Publica's performance.</p> <p>Management Response</p> <ul style="list-style-type: none"> Members already have the opportunity to formally challenge and scrutinise Publica's performance through the Overview and Scrutiny Committee and Cabinet as part of consideration of the Council's quarterly performance report. There are also informal arrangements in place, as set out in this report. A review of both formal and informal arrangements will be carried out once Publica has been operational for a full year.

Independence and ethics

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we disclose the following to you:

In our 2017-18 Audit Plans we brought a specific issue to the attention of those charged with governance. In November 2017 Grant Thornton UK LLP identified a potential breach of the ethical standards in connection with a contractor who was engaged with the Firm and who was also the Chair of Publica Group (Support) Limited (the company). The company was incorporated as a dormant company on 24 January 2017 and is jointly owned by the four councils of Forest of Dean, Cotswold, West Oxfordshire and Cheltenham. The company started operations on 1 November 2017. As soon as this breach was identified, we notified Public Sector Audit Appointments Ltd (PSAA) as well as the Director of Finance for each of the Councils and contractor concerned. The contractors' engagement with the Firm was terminated, with immediate effect, as soon as the breach was identified. No members of the audit team had any involvement with the contractor concerned and were unaware of his relationship with the Firm.

- Following the subsequent discussions with our Head of Ethics, it has been agreed that there is no ongoing conflict of interest and there is no impact upon our independence of the audit of either the Councils or the company. We have subsequently been approached to be the external auditors of Publica Group (Support) Limited and are currently going through the formal appointment process.
- We reported this breach to those charged with governance in April 2018 to ensure that they were fully apprised of the situation and can confirm that they do not have any concerns with either our appointment as external auditors to the Council or to Publica Group (Support) Limited.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified

Service	£	Threats	Safeguards
Audit related			
None			
Non-audit related			
CFO Insights	3,750	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,750 in comparison to the total fee for the audit of £49,829 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee as reported to them in April 2018. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Annual Audit Letter.




None of the services provided are subject to contingent fees.

Action plan

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	 High	In order to support the Council's position that it retains liabilities in relation to staff transferred to controlled companies, it should ensure that the tripartite admission agreements between the Council, its controlled entities and Gloucestershire Pension Fund are clarified to more clearly emphasise that the Council bears the risks in relation to changes in actuarial assumptions.	<p>The Council should review its tripartite agreements to ensure that its controlled entities are not unintendedly exposed to any actuarial or financial risks in relation to pensions obligations of staff transferred under TUPE arrangements.</p> <p>Management response</p> <p>The relevant legal documents will be updated to reflect a fixed LGPS contribution rate in place with Publica. The impact of triennial valuations will be the responsibility of the Council.</p>
2	 Medium	Our review of journal controls identified that the Business Partner Manager(East) posted a number of adjustment journals which were not subject to review or approval. We would expect these journals to be authorised given his key role in preparing the financial statements.	<p>All journals posted by the Business Partner Manager (East) should be subject to review and approval by the Chief Finance Officer.</p> <p>Management response</p> <p>We will seek to comply with this as far as is reasonably practicable.</p>
3	 Medium	A formal lease is not in place between Ubico and Cotswold District Council for arrangements to lease recycling and refuse vehicles from the Council to Ubico.	<p>We recommend 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.</p> <p>Management response</p> <p>Work has already commenced on this legal agreement.</p>
4	 Medium	A number of IT deficiencies were identified as part of our 2017/18 IT review.	<p>The Council should implement the recommendations arising from our IT review as set out on page 11.</p> <p>Management response</p> <p>Management have considered the fact that other controls are present which mitigate some of the risks identified. The recommendations will be carefully considered and implemented where the risk is acknowledged and the internal control changes required are practical to implement.</p>

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of Cotswold District Council's 2016/17 financial statements, which resulted in five recommendations being reported in our 2016/17 Audit Findings report. We have followed up on the implementation of our recommendations and note two are still to be fully implemented.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	The Council should implement the recommendations arising from our 2015/16 IT review.	<ul style="list-style-type: none"> All recommendations arising from our 2015/16 IT review have now been implemented as part of the build of the new 'Publica' client in Business World. Our review of arrangements in 2017/18 has identified a number of new recommendations to further strengthen arrangements. See Action Plan at Appendix A.
2	X	All journals posted by the Business Partner Manager (East) should be subject to review and approval by the Chief Finance Officer.	<ul style="list-style-type: none"> Although a number of journals raised by the Business Partner Manager (East) have been subject to review and approval by the S151 Officer, not all such journals raised during the year have been reviewed and approved as recommended in 2016/17. Recommendation included in Action Plan at Appendix A.
3	✓	All accounting entries included within the financial statements should be reflected in the general ledger before the draft accounts are submitted for audit.	<ul style="list-style-type: none"> Our testing has provided assurance that all accounting entries included within the financial statements are reflected in the general ledger.
4	X	We recommended that a lease between Ubico and Cotswold District Council is formalised to support the accounting treatment within the financial statement and to ensure that the Council is not exposed to any unintended financial risks.	<ul style="list-style-type: none"> A lease has not yet been formalised between Ubico and the Council in respect of the lease of recycling vehicles. Recommendation included in Action Plan at Appendix A.
5	✓	All investment properties should be revalued on an annual basis in line with the requirements of the CIPFA code.	<ul style="list-style-type: none"> Our valuations testing of Investment Properties identified that all investment properties had not been revalued in the last year as required by the CIPFA code.

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted 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
1 Money owed but not received from Publica at 31 March 2018 following an overpayment by the Council was incorrectly classified as cash	0	Cash (700) Short term debtors 700	0
Overall impact	£0	£0	£0

Audit Adjustments

Misclassification 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.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note C2, earmarked reserves	<ul style="list-style-type: none"> The draft accounts included £3.3m of other earmarked reserves 	<ul style="list-style-type: none"> Note to be expanded to provide details of individually significant reserves over £500k 	TBC
Note D1, Property, Plant and Equipment	<ul style="list-style-type: none"> The draft accounts did not include all disclosures required by the CIPFA code in relation to valuations. Including the effective date of valuation and total revalued amount - analysed over each of the preceding years that the rolling valuation programme has been used. 	<ul style="list-style-type: none"> This information should be disclosed in note D1 to the statement of accounts. 	TBC
Note D1, Valuations	<ul style="list-style-type: none"> The draft accounts did not include all disclosures required by the CIPFA code in relation to fair value of surplus assets 	<ul style="list-style-type: none"> Additional disclosure to be included in accounts to provide detail of the fair value and fair value hierarchy of surplus assets. 	TBC
Note E6, Critical Judgements in Applying Accounting Policies	<ul style="list-style-type: none"> The note did not provide details of the qualitative considerations for not preparing group accounts in respect of Publica Group (Support) Limited. 	<ul style="list-style-type: none"> Agreed with officers that the note be expanded to provide details of both the quantitative and qualitative considerations for not preparing group accounts. 	TBC
E6 'Critical Judgements in Applying Accounting Policies	<ul style="list-style-type: none"> The note did not include details of the key factors considered to support the judgement that the Publica pension liability should remain on the Council balance sheet. 	<ul style="list-style-type: none"> Agreed with officers to expand the narrative within note to describe the key factors considered to support the judgement that the pension liability in relation to Council staff TUPE transferred to Publica remains in the Council accounts. 	TBC
Note F10, Related Party Transactions	<ul style="list-style-type: none"> The value of related party transactions with Ubico and amounts payable to and owed by Publica were not disclosed within note 	<ul style="list-style-type: none"> The note should be updated to include the value of transactions between the Council and Ubico as well as the amounts payable to and owed by Publica. 	TBC

Key

TBC – To be confirmed following receipt of final statement of accounts

Audit Adjustments

Misclassification 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.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Collection Fund, Note G10	<ul style="list-style-type: none"> Officers identified that figures had not been updated within this note from 2017/18. 	<ul style="list-style-type: none"> Note corrected to reflect 2017/18 relevant figures. 	TBC
Various	<ul style="list-style-type: none"> There were a number of other minor presentational adjustments made to improve the quality of disclosure in the accounts. 	<ul style="list-style-type: none"> Presentational adjustments identified should be corrected in the final version of the statement of accounts. 	TBC

Key

TBC - To be confirmed following receipt of final statement of accounts

Fees

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

Audit Fees

	Proposed fee £	Final fee £
Council Audit	44,879	44,879
Grant Certification	4,950	To be confirmed
Total audit fees (excluding VAT)	49,829	To be confirmed

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

Non Audit Fees

Fees for other services	Fees £
Audit related services:	
None	0
Non-audit services	3,750
CFO Insights	
	3,750

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cotswold District Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the notes to the financial statements, including a summary of significant accounting policies, the Collection Fund and notes to the Collection Fund. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages one to 92 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 6 the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. 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 2017/18, which give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Signature to be added

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

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Bristol
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X July 2018



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