



The Audit Findings for Cotswold District Council

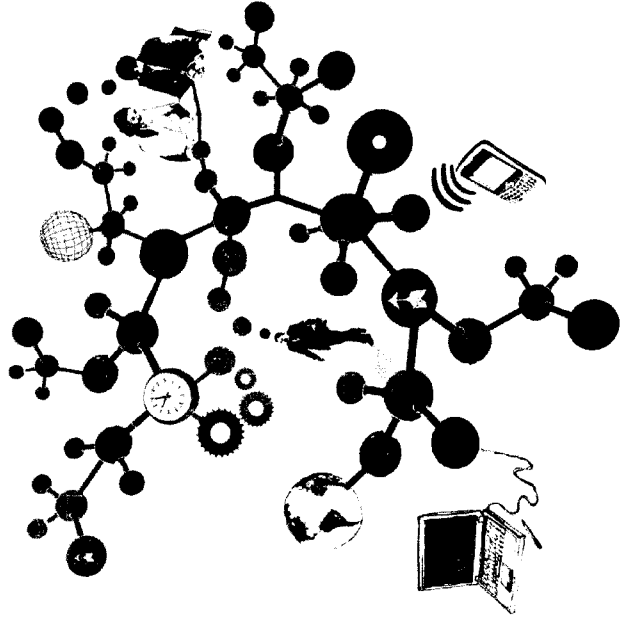
Year ended 31 March 2014

10 September 2014

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APPENDIX 'A'
AGENDA ITEM (9)

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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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

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Cotswold District Council's (the Council's) financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

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

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan submitted in July 2014. Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements
- testing of the NNDR (Business Rates) figures and disclosures
- review of the group account disclosures
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

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

Key issues arising from our audit Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position.

Our audit identified a number of errors in the financial statements requiring adjustment, primarily in the Cashflow statement, all of which the Authority has agreed to amend. There were also some minor amendments made to the disclosures in the financial statements to improve the presentation of the accounts.

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

- the Accounts were produced to a good standard;
- the audit was facilitated by good working papers and excellent assistance from the GO Shared Services finance team;
- Audit Cotswolds provided good assistance in a number of key areas, providing a basis for future collaborative working.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable. (A full review of the data collection tool produced by the Council is not required as the Council is below the £300 million threshold).

Controls

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.

We draw your attention in particular to a control issue we identified in relation to:

- a number of staff without a copy of their signed contract on their personnel file
- Further details are provided within section 2 of this report

The way forward

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

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

Acknowledgment

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

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

01. Executive summary

02. Audit findings

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04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee in July 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in July 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • Review and testing of revenue recognition policies. • Review of material revenue streams • Substantive testing of large and unusual revenue items 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries to year end • Review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period</p>	<ul style="list-style-type: none"> • Walkthrough tests of design and operation of controls • Substantive testing of Operating Expenses to underlying supporting documentation • Review and testing of creditors/liability balances of unusual and large amounts • Review of unrecorded liabilities and after date payments to ensure all liabilities identified 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</p>	<ul style="list-style-type: none"> • Walkthrough tests of design and operation of controls • Substantive testing of a sample payroll payments to underlying evidence • Review of senior managers remuneration, salary banding and exit packages disclosures, and agreement to underlying evidence • Analytical procedures over the payroll figures throughout the year to ensure that they are reasonable and complete • Reconciliation of the payroll system figures to the general ledger figures 	<p>One control issue has been identified and is set out on page 18. Our audit work has not identified any further issues in relation to the risk identified.</p>

Audit findings against other risks (cont.)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> • Walkthrough tests of design and operation of controls • Substantive testing of welfare expenditure for the period to gain assurance over the welfare expenditure figures • Reconciliation of the benefits system figures to the general ledger figures 	<p>Our audit work is largely complete and no significant issues have been identified to date.</p>
Property, plant & equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> • Walkthrough tests of design and operation of controls • Detailed review of the expertise and work completed by the Valuer • Review of accounting entries in respect of any revaluations to ensure these are fully and accurately reflected in the accounts and are inline with the clarified CIPFA Code of Practice on Local Authority Accounting • Consideration of the disclosures made through supporting notes to the accounts. 	<p>The Valuer has confirmed that assets not revalued in the period do not differ materially to their carrying value. We have reviewed the information provided and concluded that the methods and assumptions used by the Valuer in determining this are inline with CIPFA guidelines.</p> <p>Our audit work has not identified any significant issues in relation to the risk identified.</p>





Group audit scope and risk assessment

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

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Ubico Ltd	Yes	Comprehensive	Investment carrying value	Full scope UK statutory audit performed by Grant Thornton	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. 	<ul style="list-style-type: none"> The policy is in line with the requirements of the Code 	 Green
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> pension fund valuations asset revaluations depreciation/useful life of capital equipment pension fund valuations 	<ul style="list-style-type: none"> The estimates and judgements made by management are in line with the Code expectations. 	 Green
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 Green
Other judgements	<ul style="list-style-type: none"> The Council have in place an arrangement to supply waste vehicles to Ubico Ltd. (a Company jointly owned by Cotswold District Council and Cheltenham Borough Council) on a finance lease basis, with the Council as the Lessor. 	<ul style="list-style-type: none"> While the service contract between Cotswold DC and Ubico confirms the leasing arrangements, it would be best practice for both parties to approve the detailed schedule of assets under contract on an annual basis. 	 Green

Assessment

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

● (Amber) Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

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

Impact of adjusted misstatements

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

Reference	Description	Primary Statement Impact	Reported Financial Position Impact
1	Note 18 - Debtors – Our testing identified a debtor with a value of £16,115 for which the cash had been received prior to the year end.	Nil	-16 (debtors) +16 (cash)
2	Note 18 - Debtors – Our testing identified a debtor with a value of £50,000 which was subsequently cancelled by a credit note post year end, however, was still included in the debtors balance.	+50 (expenditure)	-50 (debtors) +50 (CIES)
3	Cashflow - note 26 - CFS investing activities reports purchases of investments totalling £104,422k and disposals of investments of £102,415k. These figures are overstated as the Council have calculated this amount to include purchases of cash & cash equivalents - which should be excluded.	Nil	Nil
4	Details of PPE disposals included in note 26 'CFS - investing activities' shows cash receipts of £779k. This figure does not agree to the cash receipts received per the gains & losses on disposal	Nil	Nil

Adjusted misstatements (cont.)

Impact of adjusted misstatements

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

	Nil	Nil	Nil
5 IAS 19 Pensions disclosures – A number of figures relating to the prior year have been restated by the Actuary. The resultant prior year restatement required has not been incorporated in the Comprehensive Income & Expenditure Statement by the Council. For example; - 'Financing and Investment Income & Expenditure' - Net Interest Expense (prior year = £949k) - 12/13 restated amount £1,226k. - Total charge on provision of services (PY = £2,526k) 12/13 restated amount £2,803k - Total post employment benefits charged to CIES - (PY = £6,794k) 12/13 restated amount = £3,991k	Nil	Nil	Nil

The Council are also required to disclose the reasons for the restatement and clearly identify which figures have been restated.

Overall impact +£50 -£50 +£50

Misclassifications & disclosure changes

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

1	Misclassification	6	Note 9 - Other Operating Expenditure	The loss on disposals recognised in the MIRS and Adjustment between funding basis and Accounting basis note of £2,506,197 is shown as £2,511,842, a variance of £5,675. This relates to valuer's fees relating to an asset held for sale (not yet sold) that has been carried forward to 13/14 from the prior year and charged in 13/14. This has been classified in error to 'Other Operating Expenditure line' when should be included in the 'Finance and Investment Income & Expenditure line'
2	Disclosure	69	Note 35 - Exit Packages	The Code stipulates that the number of exit packages agreed should be analysed between "compulsory redundancies and other departures." If only one type of redundancy is relevant, the note should disclose this fact.
3	Disclosure	n/a	Comprehensive Income & Expenditure Statement	We have identified the use of out-of-date IAS 19 terminology for Pension disclosures pensions. For example: 'actuarial gains/ losses' in OCIE rather than 'remeasurement of the net defined benefit liability' (Code para 3.4.2.44), 'Pension interest costs and expected return on assets' in the CIES rather than 'Net interest on the net defined benefit liability'. In addition the expected return on assets still included in the CIES rather than as part of the 'remeasurement of the net defined benefit liability'. (Code para 6.4.3.33).
4	Misclassification	87	Cashflow Statement	A number of additional minor misclassification were identified on review of the Cashflow statement such as the inclusion of deferred capital grants under Income from Investing activity.
5	Disclosure	n/a	Financial Statements	A number of minor mathematical, clerical and consistency errors were identified

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit & Scrutiny Committee is required to approve management's proposed treatment of all items recorded within the table below:



1	The Council have established a provision of £29,618 (encompassing the exchange rate gain from investments in foreign currencies) to offset future exchange rate losses. This does not meet the IAS37 criteria for a provision, in that there is no future obligation as the result of a past event. The correct treatment would be to establish an earmarked reserve to offset any future losses.	-30	CFO has decided not to adjust because of transparency of transaction. This will be reviewed in 2014/15.	+30
Overall impact		-£30		+£30

Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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
<p>1.  </p>	<p>• Testing of employee remuneration identified a number of staff without copies of signed contracts on their employee file. This is not considered to be good practice.</p>	<p>• The Council should ensure that all staff employed have a relevant up to date signed contract on their personnel file.</p>

Assessment

- (Red) Significant deficiency – risk of significant misstatement
- (Amber) Deficiency – risk of inconsequential misstatement

Other communication requirements

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

Issue	Commentary
1. Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2. Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3. Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4. Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
5. Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6. Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for money conclusion

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

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

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

The Council has proper arrangements in place for securing financial

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

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

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Overall our work concluded that in spite of the continuing challenges and pressures facing the Council, its current arrangements are adequate to secure financial resilience.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness in prioritising resources, particularly effective use of natural resources. We conclude that the Council's arrangements are satisfactory in this respect.

Overall VFM conclusion

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

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

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

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

Theme	Summary findings	RAG rating 2013-14
Key indicators of performance	No residual risk	Green
Strategic financial planning	No residual risk	Green
Financial governance	No residual risk	Green
Financial control	No residual risk	Green
Prioritising resources	No residual risk	Green
Improving efficiency & productivity	No residual risk	Green

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit.

Fees	Per Audit plan		Actual fees £
	£	£	
Council audit	58,938		58,938
Grant certification	6,600		6,600
Total audit fees	65,538		65,538

Fees for other services

Service	Fees £
None	Nil

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 therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 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.

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

Respective responsibilities

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

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

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

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

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

Appendices

Appendix A: Action plan

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

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<ul style="list-style-type: none"> The Council should ensure that all staff employed have a relevant up to date signed contract on their personnel file. 	Medium	Work is in progress to rectify this issue.	31 st October 2014
2	<ul style="list-style-type: none"> The Finance & Business Partner completes and evidences a daily review of all journal postings made. Additional review is undertaken by the Deputy S151 officer and this control would be improved further if this was also clearly evidenced. 	Low	Evidence will be available by signed and evidenced reports.	Implemented

Appendix B: Audit opinion

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

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

Opinion on the financial statements

We have audited the financial statements of Cotswold District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, 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 2013/14.

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

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards 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 and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cotswold District Council as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Cotswold District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

John Golding
Partner

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

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xx September 2014 (to be updated and signed on completion of audit)



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