

The Audit Findings for Warrington Borough Council

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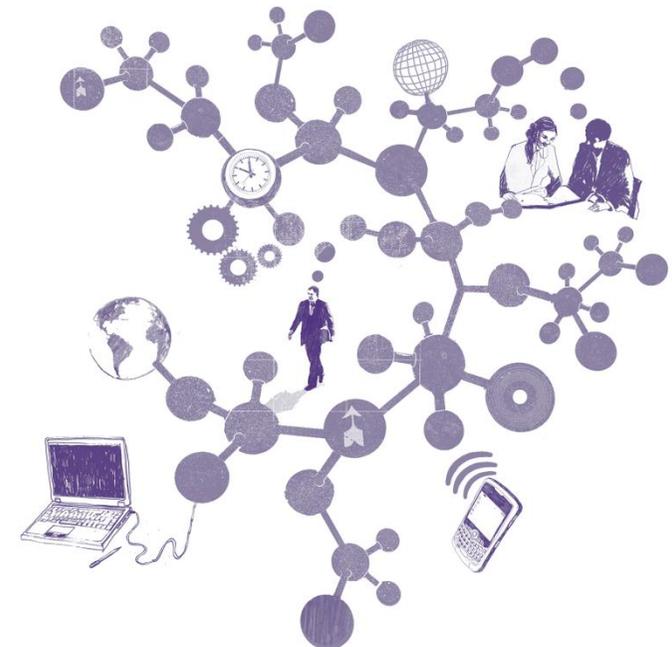
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2013

20 September 2013

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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 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

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Warrington Borough Council's (the Council) financial statements for the year ended 31 March 2013. 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 the planned approach we set out to you in our Audit Plan in February 2013.

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

- Whole of Government Accounts;
- Housing and Council Tax benefits;
- Obtaining and reviewing the final management letter of representation;
- Reviewing the published version of the financial statements and auditor's report; and
- Updating our post balance sheet events review, to the date of the opinion.

Key issues arising from our audit

Financial statements opinion

We expect to provide an unqualified opinion on the financial statements.

Our audit work has not identified any adjustments affecting the Council's reported financial position.

The draft and audited financial statements record net expenditure of £101m. We have identified two material disclosure errors within the financial statements and a small number of non material errors and uncertainties. Where management have chosen not to make these changes to the financial statements they have been highlighted in this report for the attention of the Committee. Officers have kept a record of the corrections made to the 2012/13 draft statements and they will be presented to the Committee on 26 September 2013.

The draft financial statements presented for audited were of a good standard and no significant issues were identified;

- the draft financial statements were provided at the start of our audit work supported by high quality working papers;
- officers were available throughout our audit and provided additional supporting information in a timely manner, resolving audit queries promptly.

Further details are set out in section 2.

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.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable. If any significant issues arise we will update the Audit and Corporate Governance committee as appropriate.

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.

Our work has not identified any significant control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2.

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 at Appendix A. Recommendations have been discussed and agreed with the Chief Finance Officer and the accountancy team. We have provided the accountancy team with a further detailed report which highlights areas for further improvement.

Acknowledgment

We would like to take this opportunity to record our thanks for the assistance provided by the accountancy team. The audit trails, working papers and responsiveness to audit queries was greatly appreciated. We would also like to acknowledge the work of Internal Audit as we were able to rely on the work they had undertaken.

Grant Thornton UK LLP
13 September 2013

Section 2: *Audit findings*

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Governance Committee on 19 March 2013. We also set out the adjustments to the financial statements 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 on 14 February 2013.

Audit opinion

We anticipate that we will provide the Council with an unqualified opinion. Our audit opinion is set out at 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 • testing of material revenue streams • review of unusual significant transactions. 	<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"> • testing of journals entries • review of accounting estimates, judgements and decisions made by management • 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
Operating expenses	Operating expenses understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested operating expenses including for unrecorded liabilities, whether the expense is valid, that the cost is recorded in the correct expenditure code and that VAT has been correctly treated. 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documentation of our understanding of processes and key controls over the transaction cycle • walkthrough of the key controls to assess the whether those controls are designed effectively • substantive testing of payables and accruals including: <ol style="list-style-type: none"> I. test of a sample of payables and accruals II. attribute testing on a sample of expenditure III. assessment of robustness of assumptions and estimates underlying accruals and provisions 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Remuneration expenses not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documentation of our understanding of processes and key controls over the transaction cycle • walkthrough of the key controls to assess the whether those controls are designed effectively • substantive testing of employee remuneration expenditure including: <ol style="list-style-type: none"> I. analytical procedure to determine whether movements in salaries and other pay related costs are reasonable and materially correct II. controls testing for agreement of departmental establishments III. attribute testing on a sample of pay costs IV. agreement of related disclosures to the payroll system or other appropriate source document. and V. Appropriate disclosure of senior officer remunerations. 	<p>Our audit work has not identified any significant issues in relation to this risk .</p> <p>IA found during that during the year (May to November) one of the controls for checking starters, leavers, and changes had not been operating due to resourcing issues. As a result 20/26 of our sample had not been subject to this control. No errors were found and the control has now been reinstated.</p> <p>Our work identified the liability for historic pension costs associated with Warrington Borough Transport have not been correctly shown in the Non Distributed Costs expenditure line of the CIES. They have been allocated to the service lines in the Comprehensive Income and Expenditure Account.</p> <p>Our work identified a minor disclosure issue relating to the requirement to name officers earning over £150,000 . This has been amended by management to name the head of paid services.</p>
Welfare expenditure	Welfare benefits improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documentation of our understanding of processes and key controls over the transaction cycle • walkthrough of the key controls to assess the whether those controls are designed effectively • substantive testing of welfare expenditure. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Whilst the accounts are correctly stated our work identified a minor discrepancy of £120,000 between the debtor for subsidy due from the department recorded on the ledger and the debtor as per housing benefit grant claim. Officers have agreed to review and reconcile the system and return as part of the 2013/14 closedown of accounts.</p>

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	PPE activity not valid	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documentation of our understanding of processes and key controls over the transaction cycle walkthrough of the key controls to assess the whether those controls are designed effectively substantive testing of property, plant and equipment including existence, additions and disposals. 	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documentation of our understanding of processes and key controls over the transaction cycle walkthrough of the key controls to assess the whether those controls are designed effectively substantive testing of property, plant and equipment valuation. 	We identified an issue with how the depreciation charge is calculated in Asset Manager. As a result the depreciation charge for property, plant and equipment is £2.089m understated. The Council are working with CIPFA to correct the error in the asset management system and propose to make the appropriate corrections in 2013/14.
Capital grants & Contributions (including those received in advance)	Capital grants incorrectly accounted for	<ul style="list-style-type: none"> Documentation of processes and controls 	Our audit work has not identified any significant issues in relation to accounting for capital grants.

Audit findings against other risks

Review of Information Technology (IT) Controls

As part of our planned programme of work, our information systems specialist team undertook a high level review of the general IT control environment at the Council. This was undertaken as part of the review of the internal controls system and included a follow up of the issues that had been raised by the previous auditor, the Audit Commission. We are pleased to report that no significant issues arose from our work, however, we identified a number of minor areas where the Council could improve its IT control environment:

- A reduction the number of user accounts with privileged or full system access to the SAP application and data libraries.
- Measures to be taken to reduce the risks presented by the inability to enforce a segregation of duties in systems administration activities.
- Improve management oversight to prevent inappropriate changes being applied to the system.
- Improved security around password configuration.
- Improved security around batch administration users to prevent access to unauthorised data.

Our recommendations are set out in Appendix A.

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"> Income is accounted for in the year the activity it relates to takes place, i.e. on accruals basis. Income is recorded when it is earned and not received. 	<ul style="list-style-type: none"> The Council's approach to accounting for income is robust and in accordance with industry practice Disclosure of the revenue recognition policy is adequate . 	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include : <ul style="list-style-type: none"> Useful life of capital equipment Pension fund valuations and settlements Revaluations Bad debt provisions Impairments General provisions 	<ul style="list-style-type: none"> Our review of key estimates has not highlighted any significant issues we wish to bring to your attention. The processes for key estimates are good and continue to improve. We have discussed and agreed with management a minor issue with regard to under depreciation charges for PPE and a probable over provision with regard to job evaluation. 	 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

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

Adjusted material misstatements and uncorrected errors

We are required to report all material misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. We have identified two material disclosures misstatements. The Code requires that all the future minimum lease payments and or receivables are disclosed. Note 37 had previously disclosed the annual charges and receivables rather than those over the life of the lease. Note 37 has therefore been corrected from £3,096k to £34,139k and gross investment from £1,028k to £86,876k.

The Chief Finance Officer has agreed to correct almost all of the non material errors identified, and a log of these changes will accompany the officer's report to members on the financial statements 2012/13. There are two uncorrected errors which are listed below alongside other matters that I ask that you consider to assist you in your governance role before you approve the accounts.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Uncorrected mis-statement	£2,089	Depreciation - Property, Plant and Equipment. (PPE)	Depreciation is understated due to the parameters set up on the Asset Manager system. No overall impact on the financial statements. Increased depreciation charge in the CIES would be reversed through the Capital Adjustment Account and Movement on reserves.
2 Uncorrected mis-classification	£1,581	CIES - Non-Distributed Cost	During the year the Council took on the liability for historic pension costs associated with Warrington Borough Transport. These costs have not been correctly shown in the Non Distributed Costs expenditure line of the CIES. There is no overall impact of error on gross expenditure as the costs have been allocated across the various service lines in the CIES.
3 Uncorrected uncertainty	£120	Debtors	There is a discrepancy between the Housing benefit debtor as per the financial statements and the debtor balance on the grant claim. Officers are looking to reconcile this difference going forward.

Adjusted misstatements

The more significant and or sensitive corrected items are highlighted in the table below for your attention.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Presentation	n/a	Explanatory Foreword	The explanatory foreword should be a concise and understandable guide for the reader. It should succinctly summarise the financial performance and year end balance sheet position. Whilst the Code is clear that the style and content is for local judgement we have agreed with officers that there is room for improvement in telling the story of Warrington.
2 Mis statement	£35	Note 32 - Audit Fee	The Audit fee for grants is disclosed in Note 32 this has been corrected from £65,000 to £30,000. This takes account of the reduction in scale fee for grants.
3 Mis classification	£2,125	Note 17 - Debtors	Debtors with other entities and individuals include NHS debtors. This has been corrected and moved to NHS debtors.
4 Disclosure	n/a	Note 31 – Senior officer emoluments	The Code requires that the name of the Chief Executive is disclosed as earning in excess of £150,000 p.a. as part of this note. This has been corrected by officers.

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 considered potential sources of significant fraud through our audit procedures. We have also discussed fraud controls and cases in year with officers and discussed fraud issues with the Audit and Governance Committee. We have not identified any material fraud during 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 standard 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. We have recommended to officers that consideration be given to disclosing the relevant member name in the Related Party note along with the organisation and value from 2013/14 onwards.
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
- review regularly the adequacy and effectiveness of these arrangements.

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

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

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

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

Overall our work highlighted that whilst the Council has faced, and continues to experience significant financial pressures and risks, its current arrangements for securing financial resilience are effective.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. Our work noted the achievement of some £14 m in cost improvements during 2012/13, helping to achieve an underspend year end revenue outturn position of £11,000. However, looking ahead, the Council needs to ensure its Medium Term Financial Plan (MTFP) is responsive, transparent and appropriately communicated given the £30.2m savings still required between 2013-17. We have commented on the size and scale of the Council's capital programme that reflect its drive and ambition. The programme includes a number of innovative schemes. It is therefore important that the Council's governance and risk management arrangements support effective decision making. That the Council follows its processes to document clear and transparent decisions which have been subject to appropriate challenge and review.

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 put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VFM conclusion against the specified criteria we performed a risk assessment against VFM risk indicators specified by the Audit Commission. Following completion of our work there are no residual risks to bring to your attention.

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

We confirm below our final fees charged for the audit and the provision of non-audit services during 2012/13.

Fees

	Per Audit plan £	Actual fees £
Council audit	168,480	168,480
Grant certification	29,700	29,700
Total audit fees	198,180	198,180

Fees for other services 12/13

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 - Accounts

Priority

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

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Improve the style and content of the explanatory foreword.	Low		
2	Review Asset Manager parameters for calculating depreciation charges in line with the Council's accounting policy.	Low		
3	Continue to review assumptions and provisions, equal pay and bad debt provisions to ensure they remain fit for purpose.	Low		
4	Continue to review transaction reports to ensure debits are not included in creditors and vice versa.	Low		
5	Continue to strengthen the IT arrangements in place. <ul style="list-style-type: none"> - Review and reduce the number of user accounts with full system access to the SAP. - Review the management of risks relating to non segregation of duties. - Improve security around password configuration. - Improve security for batch administration. 	Low		

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Warrington Borough COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Warrington Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and the Group Movement in Reserves Statement, the Authority and the Group Comprehensive Income and Expenditure Statement, the Authority and the Group Balance Sheet, the Authority and the 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 2012/13.

This report is made solely to the members of Warrington Borough 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's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 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's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. 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 Warrington Borough Council as at 31 March 2013 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 2013 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 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword 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 November 2012, 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 2013.

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 November 2012, we are satisfied that, in all significant respects, Warrington Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

Judith Tench
Engagement Lead
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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26 Sept 2013

Appendix C: Overview of 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.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 14 February 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	Depreciation charge understated £2,089k.
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	Incorrectly includes pension costs which should be classified as NDC £1,581k.
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	Reconcile HB debtor £120k to claim.
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive	Revenue/ Operating	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid	No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	Revaluation measurements not correct	No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	Minor overprovision, officers to review estimations going forward
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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