



The Audit Findings for Rugby Borough Council

Year ended 31 March 2014

22 August 2014

John Gregory

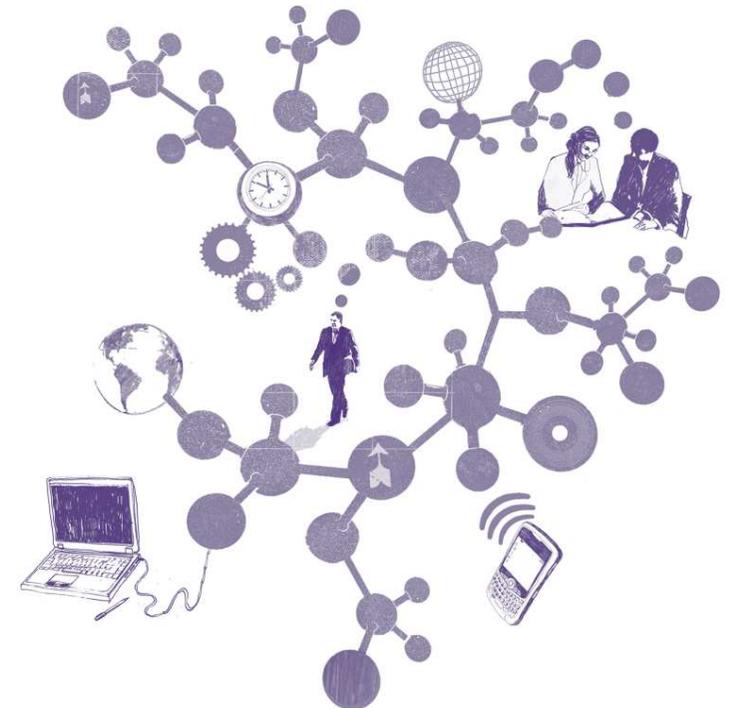
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is 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 Rugby Borough Council's ('the Council') 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 dated 12 March 2014 other than we concluded it was not efficient to test employee remuneration controls in relation to completeness and we undertook additional substantive procedures.

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

- evaluating our initial testing of housing benefit expenditure
- 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
- update our consideration of VFM, 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 identified one adjustment that affected the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded net expenditure of £62,480k, the audited financial statements show net expenditure of £61,498k. This change relates to the reclassification of £982k of HRA components derecognised from net cost of services to other operating expenditure. We have also identified a number of adjustments to improve the presentation of the financial statements.

Key issues arising from our audit (continued)

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

- the audit did not identify any material misstatements. Non trivial adjustments have been made to reclassify the £982k HRA component derecognition and reclassify £229k of NNDR credits from short term debtors to short term creditors.
- There are no unadjusted mis-statements to report.
- we commend the Council for undertaking a detailed review of the financial statements and the annual governance statement to make them clearer for the readers to understand. We recommend this continues as an on-going review process.
- the restatements of prior year figures has been revisited as a result of the audit. The disclosures in respect of the IAS 19 change in accounting policy have been revised and the non material reclassification of S106 capital grants has been shown as an in year adjustment.
- we are satisfied that the carrying amount of Property, Plant and Equipment, based on the five year rolling programme basis adopted by the Council, does not differ materially from the fair value at 31 March 2014. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. The approach taken by the Council is similar to many other authorities.

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.

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 control weaknesses which we wish to highlight for your attention.

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 Financial Officer.

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
22 August 2014

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 Ethics Committee on 8 April 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 March 2014 other than we concluded it was not efficient to test employee remuneration controls in relation to completeness and we undertook additional substantive procedures.

Audit opinion

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

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 rebuttal of the presumption of fraud in revenue recognition for all revenue streams other than housing subsidy and housing rents • review of Council's controls to ensure that housing benefit and housing rents revenue is correctly recognised • substantive testing of significant revenue streams to ensure not materially overstated and confirm recognised in the correct period 	<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, judgements and decisions made by management • testing of journal entries • 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.

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>	<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 • Reviewed and assessed the year end closedown procedures for capturing creditor accruals. • Substantively tested year end creditors • Substantively tested pre and post year end purchase orders and payments to ensure expenditure is recorded in the correct period. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</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 are designed effectively • Reviewed and assessed the year end closedown procedures for capturing payroll accruals. • Undertaken a trends analysis of the monthly payroll costs • Substantively tested completeness of year end payroll creditors • Substantively tested pre and post year end purchase orders and payments to ensure expenditure is recorded in the correct period. • Substantive testing of the completeness of IAS19 pension liabilities 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure</p>	<p>Welfare benefit expenditure improperly computed</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 are designed effectively • Undertaken a predictive analytical review based on DWP statistics • Performed the initial testing of benefit expenditure by following the Audit Commission HBCOUNT methodology 	<p>Our audit work has not identified any significant issues to date. We are undertaking our evaluation of the initial benefits testing and will provide an update at the 16 September 2014 Audit and Ethics Committee.</p>
<p>Housing Rent Revenue Account</p>	<p>Revenue transactions not recorded</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 are designed effectively • undertaken a predictive analytical review of rent income • undertaken a reconciliation of the council dwellings on the fixed asset register to the rent system 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> The Council has a general revenue recognition policy that revenues are recognised on an accruals basis There are specific revenue recognitions policies for grants, council tax and NNDR disclosed alongside the related notes. 	<ul style="list-style-type: none"> We are satisfied that the policies are appropriate under the Code of Practice on Local Council Accounting in the UK supported by IFRS accounting framework We are satisfied that the policies require limited amount of judgement and have been adequately disclosed. 	 green
Judgements and estimates –Pension fund valuations	<ul style="list-style-type: none"> The valuation of pension fund assets and liabilities requires significant estimates and complex judgements. It is disclosed as a major source of estimation uncertainty showing the impact of 1% change in the discount factor. The cost of providing pensions is charged in accordance with IAS19. 	<ul style="list-style-type: none"> We are satisfied that the policies are appropriate under the Code of Practice on Local Council Accounting in the UK supported by IFRS accounting framework We are satisfied that pension fund estimates and judgments have been appropriately disclosed as a major source of estimation uncertainty and that sensitivities regarding the principal assumptions have been disclosed. 	 green
Judgements and estimates –recover of VAT on the jointly controlled crematorium expenditure	<ul style="list-style-type: none"> Debtors include £397k VAT recoverable from Daventry in respect of the jointly purchased crematorium. Daventry have significantly exceed the 5% PEL deminimus but have employed LAVAT consultant who is acting to obtain agreement with HMRC for the recovery. The Council assessment is that this VAT will be recovered and no impairment is required. 	<ul style="list-style-type: none"> This is a non trivial, non material debtor balance and does not require disclosure as a critical judgement. We are satisfied that management have assessed the recoverability of this debtor and their judgement is that it is probable that the money will be recovered. 	 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

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
Judgements and estimates - PPE	<ul style="list-style-type: none"> Note 16 of the accounts sets out the Council's rolling programme of revaluations. This shows that the date of valuations vary between 1 April 2011 and 1 April 2013. This approach is similar to many other authorities and we are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that: <ul style="list-style-type: none"> - the revaluation of the class of assets is completed within a 'short period' - the revaluations are kept up to date 	<ul style="list-style-type: none"> In our view, however, we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year. Having discussed this issue with officers the rationale for not carrying out revaluations within a single financial year is that the cost of revaluations does not represent value for money 	 Amber
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 	

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 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.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 Reclassification of the council dwellings component derecognition: - net cost of services - other operating expenditure	(982) 982		(982)
2 Reclassification of NNDR credits -short term debtors -short term creditors		229 (229)	
Overall impact	£nil	£nil	£(982)

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	1,272	Earmarked GF reserves Capital grants unapplied	MIRS -2012/13 audited figures were re-stated to correct the classification of s106 capital funds. This was not a material error and should not have been shown as a prior period adjustment. It has now been shown as an in year adjustment.
2 Disclosure	982	Council dwellings component derecognition	Adjustment to primary statements is reflected in related notes: -Note 10 Adjustments between accounting basis and funding basis under regulations -Note 12 other operating expenditure -HRA account statement and notes
3 Disclosure	1,695	Council dwellings reversals of depreciation on revaluation	Note 16 2013/14 PPE movement table. Reclassified as depreciation written out to surplus/deficit on provision of services from other movements in depreciation and impairment

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 and Ethics Committee. We have not been made aware of any significant 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 standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> The disclosure of the re-statement of the prior year figures in respect of the IAS19 change in accounting policy has been revised and the non material re-classification of capital s106 balances is now shown as an in year adjustment. New terminology for IAS19 movements updated. Note 6 officers remuneration 2012/13 figures have been corrected and now agree to 2012/13 audited financial statements. Two amendments were made to note 6 officers remuneration 2013/14 figures. Head of Business Transformation benefits in kind has been corrected from £450 to £nil and totals amended accordingly. Head of Resources benefits in kind has been corrected from £2,620 to £2,765 and totals amended accordingly. A number of other minor disclosure and presentational amendments have been made.
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 highlighted that whilst the Council continues to face financial challenges, it has proper arrangements in place for securing financial resilience. The budgeting systems remain robust and at 31 March 2014 the Council contributed £1,072k (taking account of £561k underspend) to the General Fund balances and reserves and £1,411k (taking account of £843k underspend) to HRA balances and reserves.

A balanced budget has been set for 2014/15 and the Council has been able to freeze Council tax for the fifth consecutive year and give a one-off 3 per cent rebate. The medium term financial plan (MTFP) currently shows funding gaps in 2015/16 (£370k) and 2016/17 (£104k) before returning to forecast surplus in 2017/18 (£94k). The 2015/16 gap primarily arises from a step change in waste services as the result of growth in housing. The Council is exploring alternatives to mitigate these gaps, including a review of its fees and charges policy, but does have sufficient general fund balances to address this issue in the short term.

The Council's MTFP is not reliant on making service cuts or compulsory redundancies and sets out a good response to the expected changes to future funding of Councils.

Value for Money

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council is prioritising its resources to take account of the continuing tighter constraints that councils are required to operate within.

The Local Government Association peer review undertaken in 2013/14 found the Council to be good, delivering good services and outcomes for local people within the back drop of a recession.

As part of its work to mitigate funding gaps currently identified in the MTFP the Council is exploring the opportunities for further savings. As part of the West Midlands Improvement and Efficiency Partnership, the Council participated in a recent benchmarking study on fees and charges and is using this to help inform its review of the fees and charges policy. Our detailed risk assessment has not identified any significant VFM issues to follow up or report

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.

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.

Fees

	Per Audit plan £	Actual fees £
Council audit	*72,390	73,290
Grant certification	**11,218	TBC
Total audit fees	83,608	TBC

* There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee has been estimated by the Audit Commission based on 50% of the average fee previously charged for NDR3 certifications for District Council and is subject to final determination by the Audit Commission.

** Revised indicative fee reflecting 12 per cent reduction for the certification of the housing benefit subsidy claim to reflect the removal of council tax benefit from the scheme

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.

	Audit Plan	Audit Findings
Our communication plan		
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: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUGBY BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Rugby Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and 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 Rugby 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 Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial 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 foreword 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 Rugby Borough Council 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 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 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, Rugby Borough 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 Rugby Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

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xx September 2014



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