



The Audit Findings for Coventry City Council

Year ended 31 March 2013

3 September 2013

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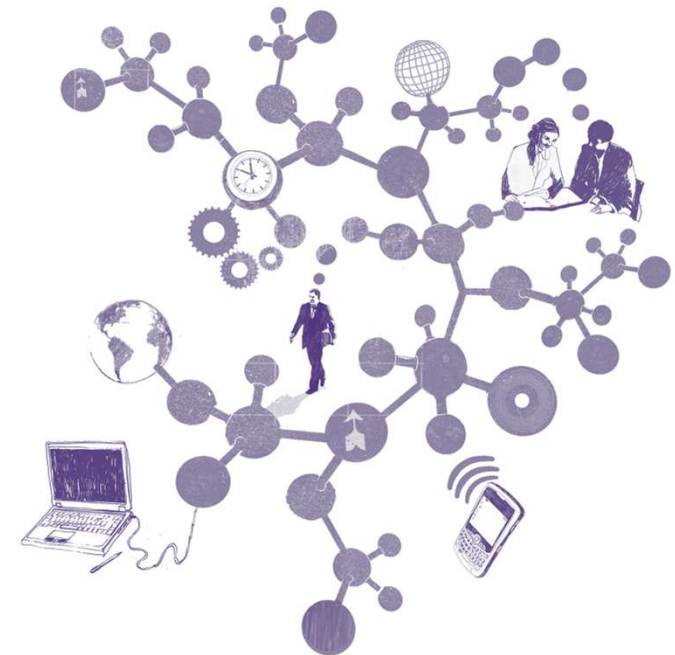
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is 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.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	18
4. Fees, non audit services and independence	22
5. Communication of audit matters	25

Appendices

- A Action plan
- B Audit opinion
- C Overview of audit findings

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 Coventry City Council's ('the Council's') 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 our planned audit approach, which we communicated to you in our Audit Plan.

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

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion and
- 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 one adjustment affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded net expenditure of £347,719k; the audited financial statements show net expenditure of £348,795k. This change relates to the omission of a creditor following the transfer of Caludon Castle School to academy status. We have also identified a number of adjustments to improve the presentation of the financial statements.

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

- there are no unadjusted misstatements. All adjustments identified during the audit have been made within the final set of financial statements.
- the audit did not identify any material misstatements.
- the draft accounts were of good quality and an improvement on previous years. There has been a significant reduction in the number of audit adjustments required.

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.

Objection to the accounts

We have received an objection to the Council's accounts from a local elector, in relation to the Council's charges for installing dropped kerbs. We are currently finalising our work on this.

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 Director of Finance and Legal Services.

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 Director of Finance and Legal Services 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 2013

Section 2: *Audit findings*

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

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 on 10 April 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 had to alter or change our Audit Plan as previously communicated to you on 10 April 2013.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B. While we are working towards determining the objection to the accounts by the time we issue the opinion, if this is not achieved, we will not be able to formally certify completion of the audit at the same time as issuing the opinion. This will require an amendment to the last paragraph of the wording included in Appendix B, to say that we are unable to formally certify completion of the audit and give the reason why.

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"> We have assessed the Council's arrangements for revenue recognition and concluded that there is not a material risk of fraud. We can therefore rebut the presumption of fraud in revenue recognition. 	<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 journals 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. 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 whether those controls are designed effectively • tested key controls • Substantively tested operating expenses 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses (year end creditors)	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"> • documented our understanding of processes and key controls over the transaction cycle • Substantively tested creditors 	Our audit work has not identified any significant issues in relation to the risk identified.
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"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • tested key controls • Substantively tested employee remuneration 	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
<p>Welfare expenditure</p>	<p>Welfare benefits 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 substantive testing following the Audit Commission's Housing Benefit Count methodology. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Property, plant & equipment</p>	<p>PPE activity not valid</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 • Substantively tested capital expenditure 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Property, plant & equipment</p>	<p>Revaluation measurement not correct</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 • Substantively tested capital expenditure 	<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"> Government grants and contributions are recognised in the Comprehensive Income and Expenditure Account when there is reasonable assurance that the payment will be received and conditions will be satisfied. Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services. 	<ul style="list-style-type: none"> The accounting policy is appropriate and has been adequately disclosed. 	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> pension fund valuations and settlements revaluations provisions accounting for schools 	<ul style="list-style-type: none"> The Code of Practice on Local Authority Accounting does not provide a clear approach on the accounting treatment of schools within the financial statements. Therefore this is a key judgement for Local Authorities. Our review of the financial statements identified that there was scope to improve the disclosure of Council's accounting treatment of schools. There was appropriate disclosure of other key estimates and judgements. 	 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 identified that there was no policy on the allocation of overheads across service lines. This has now been included. All other accounting policies were included and were disclosed appropriately. 	 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 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 key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1 Creditors increased by £1.076m to recognise an amount owed to Caludon Castle School following its transfer to academy status in February 2013.	1,076	1,076	1,076
Overall impact	£1,076 (increase)	£1,076 (decrease in net assets)	£1,076 (increase)

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 Misclassification	3,691	Creditors	The housing benefit subsidy grant debtor had been incorrectly included within creditors.
2 Disclosure	N/A	Note 3.26 Members Allowances	The total members allowances was increased from £955k to £967k and the disclosure note amended to show the correct breakdown of allowances and expenses paid.
3 Disclosure	N/A	Note 3.39 Audit Fees	Amended the note to include non-audit service provided of £20k and disclosure of the Audit Commission rebate received of £24k.
4 Disclosure	N/A	Accounting Policies	As noted above, the accounting policies were amended to include a policy on overheads.
5 Misclassification	N/A	2011/12 Movement in Reserves Statement	The total reserves of the authority were incorrectly totalled in the table of unusable reserves and overall position 2011/12 comparatives.

Unadjusted misstatements

There are no unadjusted misstatements. All adjustments identified during the audit have been made within the final set of financial statements.

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. We have not identified any significant internal control deficiencies to bring to your attention.

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 not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
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. Specific representations will be requested from management in respect of the following: <ul style="list-style-type: none"> significant assumptions used in making accounting estimates for the equal pay provision. confirmation that the accounts do not disclose a prudent estimate of the financial effect of the contingent liabilities for equal pay claims because the Council's view is that the obligation cannot be measured with sufficient reliability. the judgement formed on the Caludon Castle PFI that there is not an onerous contract. that no impairment is required on long term debtors.
4.	Disclosures	<ul style="list-style-type: none"> See above comments within accounting policies, estimates and judgements.
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

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

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 concluded that the Council has strong arrangements for securing financial resilience. Its overall financial position is challenging, with the 2013/14 budget confirming a need for new savings of £44m over the period covered by the Medium Term Financial Plan (to March 2016). The recently announced future local government resource allocation figures indicates a worsening position. Officers are working to address the challenge posed by these cuts in funding.

The Council's arrangements mean that it is well placed to address this challenge, with a good record of overall budgetary control and achievement of savings – although there are issues specifically in relation to the Children Learning and Young People directorate (see below).

The Council's previous auditors (the Audit Commission) have commented in previous years on the low level of the Council's General Fund reserve. While the level of the reserve has increased by 50% in 2012/13, it remains low.

The Council's strong approach to financial governance has been demonstrated during the year through its approach to the dispute between Coventry City Football Club and Arena Coventry Limited, which is 50% owned by the Council. Managing this issue raised some complex issues in areas such as conflicts of interest, the Director of Finance and Legal Services' statutory responsibilities and managing confidentiality, and these issues were all handled effectively.

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 overall conclusion is that the Council is responding well to the challenges of the Local Government Finance Settlement, delivering savings and targeting its resources effectively. The Council's ABC transformation programme has engaged staff successfully and continues to provide a highly effective process in identifying and delivering improvements in economy, efficiency and effectiveness. Of particular note is the fact that the Council is not averse to taking bold action such as the office rationalisation and relocation project.

One remaining area of concern is the delivery of the service changes and resulting financial savings recommended in the fundamental service review in the Children, Learning and Young People Directorate. The review, which was intended to respond to the continuing financial pressures in relation to looked-after children (LAC), set ambitious targets for reducing the number of LAC through improved early intervention, as well as reducing costs through increasing the Council's own fostering capacity. These changes were intended to achieve significant financial savings from 2013/14 onwards.

These savings targets have, however, had to be recast because there have been delays in improving early intervention processes and problems in building fostering capacity. The context for the changes has also been affected by a recent serious case review involving the Directorate. While some good progress has been made, the Council needs to maintain pressure and ensure that the savings built into its overall plans are achievable.

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. Our initial risk assessment identified the following risks to our VfM conclusion which we followed up as part of our more detailed risk assessment:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Medium Term Financial Position – the Council faces significant financial challenges for future years due to continuing reductions in grant funding.</p>	<p>We reviewed relevant documents including the Medium Term Financial Strategy and budget-setting reports, as well as discussing the situation through our regular meetings with the Director of Finance and Legal Services. We also monitored the progress and outcomes of the ABC programme, which is key to achieving a sustainable medium-term financial position.</p>	<p>We are satisfied that the Council is taking sensible action to safeguard its financial future and the essential services which it provides, but significant risks and uncertainties remain and it is vital that the Council continues to :</p> <ul style="list-style-type: none"> - Maintain tight financial control - Keep the MTFP up-to-date and plan for a range of scenarios - Effectively manage the ABC programme and ensure that identified savings are delivered
<p>Business Rates and Council Tax Benefit Reforms – we identified a risk that the Council's financial position may be adversely affected by these reforms taking effect in 2013/14</p>	<p>Through the above work, we have monitoring the impact of the changes on the Council's overall financial position.</p>	<p>We are satisfied that the Council is factoring the impact of the changes into its medium term financial planning .</p>
<p>General Fund Reserve – the Council's General Fund Reserve of £6 million at 31 March 2012 (2 per cent of budget) was one of the lowest when compared with other West Midlands metropolitan councils.</p>	<p>We have discussed the General Fund Reserve position with the Director of Finance and Legal Services and have evaluated it in the light of the range of other reserves which the Council holds and its record of strong overall budgetary control. We have also noted that the level increased to £9m at 31 March 2013.</p>	<p>We are satisfied that, while a higher level of General Fund reserve would be desirable to provide an increased buffer against unforeseen pressures, the low level of the reserve does not represent a major risk to the council's financial resilience.</p>
<p>Financial pressures in the Children, Learning and Young People Directorate – there is a history of overspends in the Directorate, mainly because of the need to provide a high level of external residential and foster placements for looked after children.</p>	<p>We have reviewed the ongoing budgetary performance of the Directorate and progress with the fundamental service review, which has sought to improve financial performance by reducing the number of looked-after children through early intervention and building internal foster care capacity.</p>	<p>Overall, we are satisfied that appropriate action is being taken to minimise the risk of future overspends in the Directorate. However, there are risks around the delivery of the ambitious changes arising from the fundamental service review, with delays in implementing improved early intervention and difficulties in increasing foster care capacity, with a resulting impact on achievement of planned savings. The Council therefore needs to maintain its efforts in this area and ensure that realistic savings targets are factored into its overall plans.</p>

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	229,810	229,810
Grant certification – Indicative Fee	28,900	28,900
Total audit fees	258,710	258,710

Work on grant certification is ongoing. We will report any variance from the above fee to you once work has been completed.

Fees for other services

Service	Fees £
Due diligence work on the Regional Growth Fund	17,614
Certification of Low Emission Vehicle Demonstrators grant claim which falls outside of the Audit Commission certification arrangements	2,800

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

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

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: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>The Council needs to safeguard its financial position by continuing to :</p> <ul style="list-style-type: none"> - Maintain tight financial control - Keep the MTFP up-to-date and plan for a range of scenarios - Effectively manage the ABC programme and ensure that identified savings are delivered 	High	<p>On-going maintenance of tight financial control will be a key focus of the newly appointed Executive Director of Resources within the Council's revised organisational structure. The Council will continue to exercise rigorous control in line with existing practice and a sound history of good financial performance. This control will be strengthened through the provision of more timely budgetary control information anticipated following implementation of the forthcoming new financial information system.</p> <p>Officers continue to maintain rolling medium term financial planning forecasts reflecting a range of potential scenarios. Members will be kept abreast of these as the forthcoming Budget Setting process approaches.</p> <p>Delivery of the Abc Programme will continue to be fundamental to the Council's day to day activities and existing monitoring mechanisms will be maintained to ensure effective delivery. Any instances of non-delivery will be subject to scrutiny and where deemed necessary after appropriate review the programme will be flexed accordingly.</p>	

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
2	The Director of Finance and Legal Services should continue to assess the adequacy of the General Fund reserve in the light of the financial risks facing the Council.	High	The adequacy of all reserves will continue to be monitored and reported at key points through the annual financial cycle process. In particular where there are key emerging areas of risk, such as the recent part-localisation of Business Rates, this will be factored into any assessment of reserve levels.	
3	The Council should continue to monitor the implementation of the CLYP fundamental service review to ensure that savings are achieved.	High	Existing budgetary control routines and management of the abc Programme (per Recommendation 1 above) will ensure that the CLYP FSR continues to be a key area of focus. This will be reinforced by the member Scrutiny process.	
4	The Director of Finance and Legal Services should ensure that the Medium Term Financial Plan incorporates realistic savings targets arising from the CLYP service review.	High	The Strategic Management Board is very clear that the abc Programme will continue to set stretching savings targets consistent with existing policy and service standards established by elected members. Where the achievement of such aspirational savings targets proves undeliverable then this will be reflected in future Budget Setting processes. The very demanding targets established in the CLYP review have already been rebased once and is subject to on-going review at a senior management and member (Scrutiny) level. Any conclusions drawn from this existing work will be reflected in 2014/15 Budget Setting.	

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COVENTRY CITY COUNCIL

Opinion on the financial statements

We have audited the financial statements of Coventry City Council for the year ended 31 March 2013 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 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 2012/13.

This report is made solely to the members of Coventry City 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 Director of Finance and Legal Services and auditor

As explained more fully in the Statement of the Director of Finance and Legal Services Responsibilities, the Director of Finance and Legal Services 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 Director of Finance and Legal Services; 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 Coventry City 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, Coventry City 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 Coventry City 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

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

[Date]

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 10 April 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	None
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
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
Precepts and Levies	Council Tax	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant and Equipment	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest and investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Dividend income from Joint Venture	Revenue	None		No	None
Impairment of investments	Investments	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
PFI revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Investment properties: income, expenditure, valuation changes & gain on disposal	Property, Plant & Equipment	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 (gains)/losses	Revenue/ operating expenses	None		No	None
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

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None
Cash & cash equivalents	Bank & cash	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	Yes
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None
Birmingham Airport shares	Investments	None		No	None
Coventry & Solihull Waste disposal Company	Investments	None		No	None
New Homes for Old PFI	Debt	None		No	None
Street Lighting PFI	Debt	None		No	None
Caludon Castle PFI	Debt	None		No	None



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