

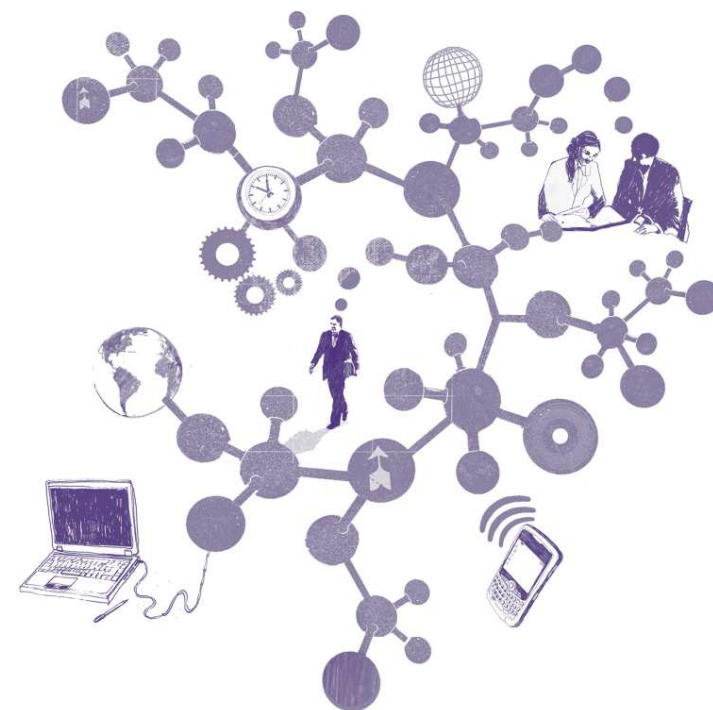
The Audit Findings for Erewash Borough Council

Year ended 31 March 2015

September 2015

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29 September 2015

Dear Members of the Audit Committee

Audit Findings for Erewash Borough Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Erewash Borough Council, the Audit Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

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.

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

Yours sincerely

John Gregory

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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 Erewash Borough Council's (the Council) financial statements for the year ended 31 March 2015. 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 UK&I).

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 and 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 June 2015.

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

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 in respect of the financial statements.

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

- the draft accounts were of a good quality
- the audit did not identify any material misstatements
- finance staff responded promptly to audit queries, facilitating the prompt completion of the audit
- working papers were of a good quality.

We were notified of one adjustment affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements for the year ended 31 March 2015 recorded net expenditure of £9,591k; the audited financial statements show net expenditure of £9,703k. This change relates to a reduction in the right to buy receipts received by the Council. We also identified a small number of disclosure errors, and requested some adjustments to improve the presentation of the financial statements.

Further details are set out in section two 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 three of this report.

Whole of Government Accounts (WGA)

We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.

Controls

Roles and responsibilities

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.

Findings

We have identified a small number of IT related control issues which we took into account in planning our audit. Further details are provided within section two of this report.

The way forward

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

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 Resources 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 2015

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 the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 23 June 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in June 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 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 (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Erewash Borough Council , we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Erewash Borough Council, mean that all forms of fraud are seen as unacceptable. 	<p>We have determined that the risk of fraud arising from revenue recognition can be rebutted.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<p>We have undertaken the following work in relation to this risk:</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. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Walkthrough of the key controls for this system • Performance of substantive testing on material expenditure streams and creditors • Review of accounting estimates, judgments and decisions made by management 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • Walkthrough of the key controls for this system • Performance of substantive testing on material expenditure streams 	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements



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

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<p>The Council's policy on revenue recognition is included in note 3 and note 19 of the Statement of Accounting Policies:</p> <ul style="list-style-type: none"> Revenue from the sales of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or services potential associated with the transaction will flow to the Council Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurances that the Council will comply with the conditions attached to the payments, and grants or contributions will be received. 	<ul style="list-style-type: none"> The Council's policy is appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice Minimal judgement is involved Accounting policies are properly disclosed, following our request that the Council includes a revenue recognition policy for business rates 	<p style="text-align: center;">● Green</p>
<p>Estimates and judgements</p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> pension fund valuations useful life of capital assets impairments Property, Plant and Equipment (PPE) valuations 	<p>There has been appropriate disclosure of key estimates and judgements</p>	<p style="text-align: center;">● Green</p>

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 continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	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 but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Other communication requirements

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



	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from third parties for the Council's material bank and short term investment balances . These confirmations did not raise any issues about the sums recognised in the Council's 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 considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10 above.


The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.		<p>System is administered by users with financial reporting responsibilities.</p> <p>Erewash BC's Oracle E-Business Suite system is administered by three members of staff who are all located within the Finance department. The combination of performing system administration responsibilities and financial duties, such as posting journals and performing reconciliations is considered a segregation of duties conflict.</p>	<p>Responsibility for administering the Oracle E-Business Suite system should be transferred to officers who have no responsibility for performing financial reporting processes or controls.</p> <p>Should this not be possible, enhanced audit logging and review procedures (refer to recommendation 5) should be introduced to ensure that the actions of the three system administrators are appropriate.</p>
2.		<p>Users with 'processes tab' functionality</p> <p>The 'processes tab' (also known as 'AZN menus') is a known security risk present within Oracle E-Business Suite. It is used for system developers during the implementation stage to easily configure business workflows and should not be enabled within the production environment. The processes tab displays workflows diagrammatically, however it also enables the related functions to be performed, bypassing the responsibilities allocated to a user. For example a user with the out of the box responsibility 'Payables Manager' can view the accounts payable workflow on the processes tab. This will also enable the user to perform any of these stages, such as make a payment.</p>	<p>A review should be undertaken to identify all responsibilities in use that could be exploited using the processes tab functionality. These can be identified by reviewing responsibilities for menus that include the string %AZN% .</p> <p>Exclusions should then be used to ensure that no responsibilities in use have access to these menus.</p>

Assessment



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

Internal controls (continued)

	Assessment	Issue and risk	Recommendations
3.		<p>Users with default unsegregated responsibilities</p> <p>Oracle E-Business Suite is supplied with a number of default responsibilities. The business process steps within these responsibilities are unsegregated and allow a user to perform all functions associated with the role and in certain cases end to end processing. For example, the default unsegregated Payables Manager responsibility allows all users that have been assigned it the ability to undertake all stages of the payables function without additional input.</p> <p>Erewhash BC have 17 users in place that have default responsibilities assigned to them. There are therefore weak segregation of duties enforced within the system.</p> <p>In addition, each of these responsibilities has access to the 'processes tab' (refer to finding 2).</p>	<p>The use of default responsibilities should be ceased and those responsibilities that are based on them should be reviewed to ensure that functionality is appropriately segregated.</p> <p>Where users require the functionality that is provided by these responsibilities, new responsibilities should be built from the ground up to ensure that they do not permit excessive access rights.</p>

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment

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

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial 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 The draft accounts included an estimated figure for the RTB receipt due from East Midlands Housing for 2014/15. The Council have now received the final figure which was £112k less than forecasted by East Midlands Housing.	112	(112)	112
Overall impact	£112	(£112)	£112

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	N/A	Accounting Policies	Accounting policies relating the Presentation of Items in Other Comprehensive Income and Expenditure and Finance Leases have been removed as they are not applicable to Erewash Borough Council.
2 Disclosure	N/A	Note 10 Valuation of Non Current Assets and Long Term Assets	The note has been expanded to include additional information regarding the Council's five year rolling programme of valuations, including disclosure of the effective date of revaluation for all assets.
3 Disclosure	110	Note 16 Financial Instruments	The creditor figure has been reduced by £93k to remove statutory obligations relating to payroll costs.
4 Disclosure	N/A	Note 27 Audit Fees	The audit fee note has been updated to include the costs of 2014/15 audit
5 Disclosure		Note 31 Employment Benefits – Post Employment Benefits	The present value of the defined benefit obligations figures for both the funded and unfunded schemes have been amended to reflect the figures reported by the Actuary.
6 Disclosure	N/A	Various	We have agreed a small number of presentational and narrative changes to the financial statements. These are not significant in nature or volume.

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 undertaken a review which considered the Council's arrangements against the 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 remains challenging, given the level of savings that it needs to find in order to set balanced budgets in future years. The Council will need to develop savings plans to address the funding gaps if it is to maintain its sound financial position. The Council's sound financial governance and planning arrangements make it well placed to meet this challenge.

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

The Council has adequate arrangements in place to identify and deliver savings.

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 2015.

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

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

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

Theme	Summary findings	RAG rating
Key indicators of performance	<p>The Council has:</p> <ul style="list-style-type: none"> not faced any cash flow issues in 2014/15 falling employee costs following the officer restructure. an underspend of £0.936m against its 2014/15 revenue budget, due largely to vacant posts and general underspends on utilities, supplies and services <p>The Council's earmarked and General Fund reserve balances have increased slightly during the year. A comparison of levels of usable reserves to other similar local authorities shows that the Council has above average general fund reserves (as at 31/3/14).</p>	Green
Strategic financial planning	<p>Each year the Council updates its medium term financial plan alongside the current year budget forecasts. By presenting both a short-term and long-term financial perspective, the Council is able to demonstrate it is aware of how both documents complement each other and support the Corporate Plan. The Council is projecting the need to identify efficiency savings of £308k in 2016/17 and £896k in 2017/18. The level of these efficiency savings is reliant on the realisation of additional income from joining the Rates Pool for the County of Derbyshire in 2015/16, which is forecast to increase NNDR income by c£430k.</p>	Green
Financial governance	<p>The Council has appropriate risk management arrangements in place, with regular reporting of strategic risks to Members. Regular financial and non-financial performance information is both provided to officers and Members.</p>	Green

Theme	Summary findings	RAG rating
Financial control	<p>The Council has a track record for delivering budgeted savings and the Council's longer-term financial planning includes a policy on the level of reserves required for sound financial standing. The Council currently benefits from the New Homes Bonus (£1,010k in 2014/15 and £1,331k in 2015/16), which is allocated to the general fund. However, there is longer term uncertainty in local authority financing from both the changes in business rate retention and grant settlements beyond 2015/16.</p> <p>In 2013/14 the Council undertook a self assessment against Public Sector Internal Audit Standards. The self assessment identified a number of areas of improvement and an action plan was developed to improve their arrangements. The Council have entered into a joint working arrangement with Broxtowe Borough Council to strengthen the resilience of the internal audit team and address the areas of improvement identified in the self assessment.</p> <p>This theme is rated amber to reflect the long-term financial challenges for the Council in delivering the required savings identified in the medium term financial plan.</p>	Amber
Prioritising resources	<p>The Council's current Corporate Plan runs to 2016 and sets out the corporate objectives, which are supported by an annual action plan that is reported to Cabinet through an outcomes report. This ensures the Council has appropriate arrangements in place to prioritise its resources and allocate funding according to those resources.</p>	Green
Improving efficiency & productivity	<p>The Council has historically delivered the savings required as set out in its annual budget and all identified savings and costs have been built into the medium term financial plan and budget for the forthcoming year.</p> <p>The Council has successfully realised the efficiency and savings gains from the officer restructure in 2014/15.</p>	Green

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 provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	75,570	75,570
Grant certification on behalf of Audit Commission	18,500	18,500
Total audit fees	94,070	94,070

Fees for other services

Service	Fees £
VAT Advice	9,465

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 Financial Reporting Council'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 (UK&) 260, as well as other (UK&I) 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

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Responsibility for administering the Oracle E-Business Suite system should be transferred to officers who have no responsibility for performing financial reporting processes or controls.</p> <p>Should this not be possible, enhanced audit logging and review procedures (refer to recommendation 5) should be introduced to ensure that the actions of the three system administrators are appropriate.</p>	Medium	<p>The transfer of the system administrator responsibilities to staff who don't have financial reporting responsibilities would not be practicable from an operational basis. We will therefore look into the implications of introducing enhanced audit logging and a review of procedures.</p>	N/A
2	<p>A review should be undertaken to identify all responsibilities in use that could be exploited using the processes tab functionality. These can be identified by reviewing responsibilities for menus that include the string %AZN% .</p> <p>Exclusions should then be used to ensure that no responsibilities in use have access to these menus.</p>	Medium	<p>A review will be undertaken to identify all the responsibilities that are allowing users access to functions through the processes tab. Menus available to users will be removed where appropriate.</p>	Head of Finance – October 2015

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	<p>The use of default responsibilities should be ceased and those responsibilities that are based on them should be reviewed to ensure that functionality is appropriately segregated.</p> <p>Where users require the functionality that is provided by these responsibilities, new responsibilities should be built from the ground up to ensure that they do not permit excessive access rights.</p>	Medium	The council will undertake to review the use of default responsibilities and build from the ground up new responsibilities where appropriate. Due to staff numbers and the ability to provide cover it will not be possible in all instances to have segregation of duties.	Head of Finance – March 2016

Priority
High, Medium or 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 EREWASH BOROUGH COUNCIL

We have audited the financial statements of Erewash Borough Council for the year ended 31 March 2015 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 Collection Fund and the related notes, the Statement of Accounting Policies, Accounting Standards that have been issued but not yet adopted, Critical Judgements in Applying Accounting Policies, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty, Appendix 1 – Property, Plant and Equipment. 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 2014/15.

This report is made solely to the members of Erewash Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources's Responsibilities, the Director of Resources 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 2014/15, 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 also 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 Director of Resources; 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 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 Erewash Borough Council as at 31 March 2015 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 2014/15 and applicable law.

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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, we are satisfied that, in all significant respects, *Erewash Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Erewash 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
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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xx September 2015



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