



The Annual Audit Letter for Cannock Chase District Council

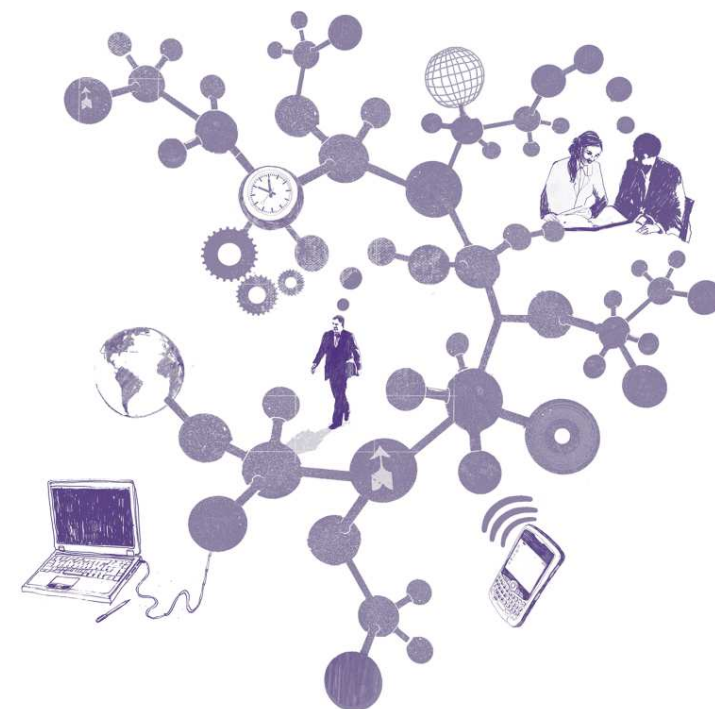
Year ended 31 March 2014

22 October 2014

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Cannock Chase District Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we presented to the Audit and Governance Committee on 1 April 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)

We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

We reported our findings arising from the audit of the financial statements to the Audit Committee in our Audit Findings Report on 23 September 2014. The key messages reported were:

- The standard of the draft accounts and supporting working papers provided by the Council was good.
- The Council had appropriately accounted for the prior period adjustments required by the changes to the international accounting standard IAS19 - Employee Benefits.
- We were satisfied that the overall approach taken by the Council to assessing provisions in respect of National Domestic Rates (NDR) is reasonable. We received confirmations in the Letter of Representation (LoR) to support the Council's view that it is not possible to arrive at a reliable estimate to the value of potential appeals not yet lodged.
- The Council carries out a rolling programme of asset valuations which ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In our view, however, this rolling programme does not fully meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. We are satisfied that the Council has been able to demonstrate 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 and we received confirmation on the assumptions through the Letter of Representation.
- In 2012/13 we recommended that the Council undertake a review of historic s106 balances to identify if any could be reclassified as usable capital receipts or cleared as no longer required. The Council had made some progress in establishing processes to allow for improved control over s106 monies in 2013/14 and has now undertaken a full review of historic balances held.

Key messages (continued)

Financial statements audit (including audit opinion)	<p>We identified a number of fully depreciated Property Plant and Equipment assets which are correctly included in the Council's Financial Statements with a net book value of zero but which have been removed from the Fixed Asset Register. We are satisfied that the carrying amount of Property, Plant and Equipment does not differ materially from the fair value at 31 March 2014. We have, however, recommended that the Council undertake a full review of the Fixed Asset Register in 2014/15, including a focus on the useful economic lives of assets, to ensure that it is complete, accurate and in agreement with the Financial Statements (Appendix A).</p>
Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>Overall our work highlighted that:</p> <ul style="list-style-type: none"> • Portfolio expenditure in 2013/14 was £499k lower than the revised budget (£99k lower in 2012/13). We continue to be satisfied that the underspends have been due to volatility in the economy and one-off items rather than an indicator of weaknesses in the Council's financial planning arrangements. • Financial reporting has been enhanced to feature regular monthly monitoring. Scrutiny Committee now receives reports that monitor the Council's performance against income and expenditure targets. • Overall levels of usable revenue reserves excluding HRA balances have increased from £10.829m at 31/3/11 to £13.183m at 31/3/14, with most of the increase in earmarked general fund reserves. • The Council continues to face considerable challenges around its medium term financial resilience but has responded effectively through the development and agreement of its updated Medium Term Financial Plan in January 2014. This set a balanced budget for 2014/15 but identified the need for savings of £186k in 2015-16 and a further £572k in 2016-17. Since that date agreement has been reached with Greater Birmingham and Solihull Business Rates Pool whereby the Council is entitled to receive 32.5% of the Levy it pays into the pool. <p>As a result of the above and its overall budget strategy the Council is confident that it has plans in place to ensure delivery of a balanced financial position to the end of 2016/17. However, uncertainties remain and the Council continues to work to manage the impact of these uncertainties and secure its position in the longer term.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we were satisfied that in all significant respects the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>

Key messages (continued)

Whole of Government Accounts	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. As the Council is below the audit threshold set by the National Audit Office the scope of our review was limited to confirming that figures included in the Council's pack, including the closing figures for Property, plant & equipment and Pensions liabilities, were consistent with those in the Council's financial statements. We provided this confirmation to the National Audit Office on 29 September 2014, in line with the required deadlines.</p>
Certification of grant claims and returns	<p>We are currently certifying the Housing Benefit grant claim and will issue our report on this after we have completed the work in accordance with the 30 November deadline for submission to the DWP.</p>
Audit fee	<p>Our fee for 2013/14 was £69,478 excluding VAT. This included an additional £900 in relation to extra work required on business rate balances which was not included in our original fee letter and audit plan. Further detail is included within Appendix B.</p>
Looking forward	<p>Members have shown clear leadership and identification of priorities through the process of preparing and approving the updated Medium Term Financial Plan in January 2014. There is no evidence that the Council's on-going implementation of savings has had an adverse impact on service delivery in key priority areas.</p> <p>In line with other councils uncertainties around income and grant allocations remain beyond 2015/16. The Council continues to work to seek to manage the impact of these uncertainties and secure its position in the longer term.</p>

Appendix A: Key issues and recommendations

This appendix summarises the significant recommendation identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>In our 2012/13 Audit Findings report we recommended that the Council undertake a review of s106 balances which includes considering and, if necessary, reclassifying residual monies as useable capital receipts within its capital receipts reserve in order to provide greater clarity over the sources of funding for capital projects in the future; and identify those where the Council's Town Centre S.106 Monies Protocol will, and will not, need to be applied.</p> <p>Although the Council had made some progress in establishing processes to allow for improved control over new s106 monies it had not yet undertaken a full review of historic balances held.</p> <p>Recommendation: Undertake a detailed review of section 106 balances which includes considering and, if necessary, reclassifying its residual s106 monies as useable capital receipts within its capital receipts reserve in order to provide greater clarity over the sources of funding for capital projects in the future; identify those balances where the Council's Town Centre S.106 Monies Protocol will, and will not, need to be applied.</p>	Medium	<p>Management response: Agreed.</p> <p>Responsible officer – Deputy Corporate Accountant</p> <p>Due date - 30 September 2014 – now implemented.</p>
2.	<p>We identified a number of fully depreciated Property Plant and Equipment assets which are correctly included in the Council's Financial Statements with a net book value of zero but which have been removed from the Fixed Asset Register. We are satisfied that the carrying amount of Property, Plant and Equipment does not differ materially from the fair value at 31 March 2014.</p> <p>Recommendation: Undertake a full review of the Fixed Asset Register in 2014/15, including a focus on the useful economic lives of assets, to ensure that it is complete, accurate and in agreement with the Financial Statements.</p>	Medium	<p>Management response: Agreed.</p> <p>Responsible officer – Deputy Corporate Accountant</p> <p>Due date - 30 September 2014 and thereafter on-going</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	68,578	68,578
Business rates fee variation ¹	0	900
<i>Updated Audit Fee</i>	<i>68,578</i>	<i>69,478</i>
Grant certification ²	16,692	TBC
Total fees	85,270	TBC

In respect of the fee:

1 - There is an 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, from which we were able to gain certain assurances in prior years. The Audit Commission has therefore given approval in principle for a fee variation for the additional work required. The additional fee is 50% of the average fee previously charged for NDR3 certifications for district councils.

2 - The grant certification fee is indicative and may vary dependent upon the final levels of audit required. We are still completing our grant certification work in relation to housing benefit subsidy and will report upon the final fee once it is completed.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	4 March 2014
Audit Findings Report	12 September 2014
Annual Audit Letter	22 October 2014



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