



The Audit Findings for Cannock Chase District Council

Year ended 31 March 2013

10 September 2013

Grant Patterson

Director

T 0121 232 5296

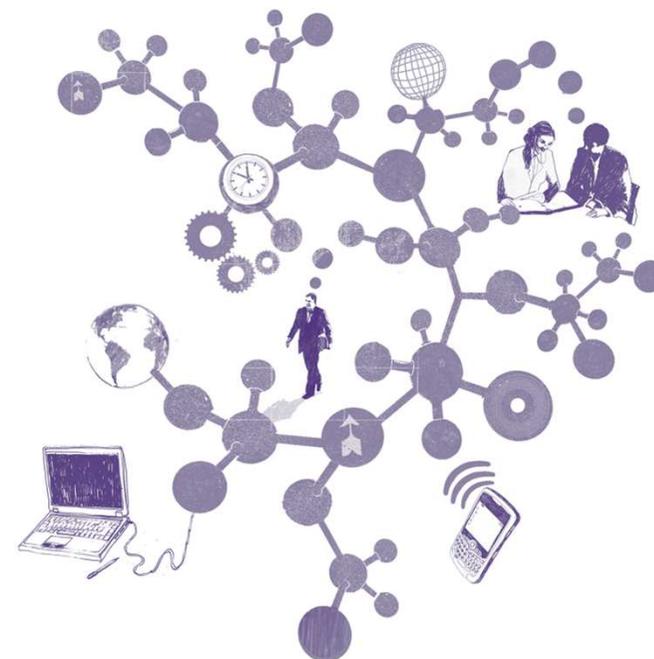
E grant.b.patterson@uk.gt.com

Andrew Reid

Senior Manager

T 0121 232 5289

E andrew.s.reid@uk.gt.com



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	21
5. Communication of audit matters	23

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 Cannock Chase District Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

We communicated our planned audit approach to you in our Audit Plan in June 2013. We have delivered our audit in line with this planned approach in all areas other than:

- employee remuneration, where as part of our year end work we determined that reliance on controls operated by the Council would enable a reduction in the level of substantive testing, resulting in a more efficient audit approach.

We received your draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

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

- obtaining assurances from PwC as auditors for the Staffordshire County Council Pension Fund
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review to the date of signing the opinion, and
- review of the Council's Whole of Government Accounts submission.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

In general the quality of the draft accounts and supporting working papers produced by the Council was good. We consider that the processes for preparing the financial statements have improved during 2012/13 and the support provided to external audit throughout the year has ensured an efficient year end audit process.

We have identified one non-trivial adjustment of £241k in respect of an increase to the amount receivable from Central Government in respect of the Housing Benefits grant claim that, having given consideration to, officers are not proposing to amend in 2012/13. If an amendment were made it would reduce the Council's reported net expenditure. The Audit and Governance Committee is required to approve management's proposed treatment and recognition of this and the associated disclosure within the Letter of Representation.

We identified no other adjustments affecting the Council's reported net expenditure of £12,812k.

We have agreed two disclosure and presentational amendments to specific areas of the draft account and these are detailed on page 13 within section 2 of this report – Misstatements, misclassifications and disclosure changes. The amendments arose due to a different interpretation, which we agreed with the Council, of the requirements of the CIPFA Code in 2012/13 compared to that for previous years. There has been no impact upon the Council's reported net expenditure or levels of useable and unusable reserves.

We also agreed a small number of other amendments with the Council to improve the presentation of the financial statements.

Further details are set out in section 2 of this report.

Value for money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

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

The Audit Commission raised a number of internal control and financial accounting issues in their 2011/12 Annual Governance Report. We have followed up action taken by the Council in response during 2012/13 and are satisfied that appropriate progress is being made in most areas. However, the Council has not as yet undertaken a detailed review of s106 reserves held to determine whether completed scheme balances should be reclassified as capital receipts.

The way forward

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

Acknowledgment

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

Grant Thornton UK LLP
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 and Governance Committee on 25 June 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 changed our planned audit approach in relation to employee remuneration. In our original plan we stated that we planned to undertake substantive testing on employee remuneration transactions with no reliance on controls operated by the Council. However, as part of our year end work we determined that reliance on controls was possible and would result in a reduction in the level of substantive testing necessary.

We have not made any other changes to our Audit Plan as previously communicated to you.

Audit opinion

We anticipate that we will provide the Council with an unqualified opinion. Our 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 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. We did not identify any significant risks other than these.

	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>	<p>We have assessed the arrangements for revenue recognition and have concluded that there is not a material risk of fraud associated with revenue recognition. We can therefore rebut the presumption of fraud in revenue recognition.</p> <p>In addition we have:</p> <ul style="list-style-type: none"> • reviewed and tested revenue recognition policies • tested material revenue streams, and • reviewed for unusual and/or significant revenue transactions. 	<p>Our audit work has not identified any issues in respect of revenue recognition or that our original rebuttal was incorrect.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<p>We have:</p> <ul style="list-style-type: none"> • reviewed the accounting estimates, judgements and decisions made by management • tested of journals entries, and • reviewed unusual and/or significant transactions. 	<p>Our audit work has not identified any evidence of management override of controls. In particular, the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tested key controls tested a sample of transactions included within operating expenses. 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tested key controls tested a sample of creditor balances reviewed payments made in the new year to obtain assurance on the completeness of creditors at the year end. 	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 the whether those controls are designed effectively tested key controls tested a sample of transactions included within operating expenses agreement of employee remuneration disclosures in the financial statements to supporting evidence. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefits improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested material elements of welfare expenditure in line with the Audit Commission HB Count methodology . 	Our audit work has not identified any significant issues in relation to the risk identified.
Housing Rent Revenue Account	Revenue transactions not recorded.	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • carried out substantive analytical review procedures to obtain assurance around the accuracy of the rental revenues figures recorded within financial statements. 	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
Revenue recognition	<ul style="list-style-type: none"> Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. The Council operates a de minimus for accruals of £1,000. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 (Green)
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> – Future levels of government funding – Asset valuations – Provisions – Pensions liability – Recovery of Council tax and other debt arrears. 	<ul style="list-style-type: none"> We have not identified any issues around accounting judgements and estimates which we wish to bring to your attention. 	 (Green)
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies has not highlighted any issues which we wish to bring to your attention 	 (Green)

Assessment

 Marginal accounting policy which could potentially attract attention from regulators (Red)

 Accounting policy appropriate but scope for improved disclosure (Amber)

 Accounting policy appropriate and disclosures sufficient (Green)

Misstatements, misclassifications & disclosure changes

We are required to report to you any non-trivial unadjusted misstatements or material adjustments of such a size and nature that, in our view, we need to bring to your attention to help you discharge your responsibilities as those charged with governance. We are pleased to report that there are no material misstatements we wish to bring to your attention.

There is one non-trivial misstatement that was identified during the audit which has not been adjusted for within the final set of financial statements. This is recorded in the table below. The Audit and Governance Committee is required to approve management's proposed treatment and recognition of this and the associated disclosure within the Letter of Representation.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1 Increase to value of Housing Benefit claim – income receivable from Central Government	£241k	£241k	The sums are not material and will not mislead readers of the accounts. The amount will be reflected in the 2013-14 accounts following confirmation of actual subsidy in accordance with normal practices.
Overall impact	£241k	£241k	

Misstatements, misclassifications & disclosure changes (cont)

There have been classification changes involving material sums. The table below provides details of these and the minor 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 and presentation	£7,718k	Movement in Reserves Statement	£7,718k figure for "Other Comprehensive Income and Expenditure" from CIES taken directly to unusable reserves within the MIRS rather than initially to General Fund balance and then adjusted between General Fund and Unusable reserves. No overall impact on the year end reserve balances. Prior year figures have also been restated to ensure consistency of presentation.
2 Disclosure and presentation	Various	Note 29 – Amounts Reported for Resource Allocation Decisions	Format of the note amended to include internal recharges within the column for "amounts not reported to management for decision making" and then adjust for these internal recharges within the column for "allocation of recharges". Disclosure note only with no impact on other elements of the financial statements. Prior year figures have not been restated.

Internal Controls and follow up of prior year reporting issues

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. 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.

We did not identify any significant internal control weaknesses which we wish to draw to your attention.

The Audit Commission included reference to a number of internal control and financial accounting issues in their 2011/12 Annual Governance Report. We have followed up action taken by the Council in addressing these issues in 2012/13 and summarise the position below. Recommendations, together with management responses, are attached at Appendix A.

	2011/12 reporting issue	Detailed issue reported in 2011/12	2012/13 position
1.	Amendments to accounts.	Significant amendments were necessary to the Service Reporting Code of Practice for Local Authorities analysis within the Comprehensive Income and Expenditure Statement in 2011/12.	We did not identify the need for similar significant amendments in 2012/13, indicating that the quality of the draft accounts has improved during 2012/13.
2.	Completeness of the asset register	Some issues noted with small pockets of land owned by the Council not being included on the asset register.	We have discussed the position with Council staff and are satisfied that all significant land is included on the asset register. Overall the quality of the asset register and the supporting information held has improved during 2012/13.
3.	Council house dwelling depreciation	The approach to calculation of depreciation for council dwellings was amended in 2011/12.	Review of the 2012/13 depreciation charge confirms that it is consistent with that applied for 2011/12, indicating no change to the approach taken in 2012/13.
4.	Valuation of assets – exclusion of finance costs	Finance costs were incorrectly included in asset values derived by the valuer in 2011/12.	We have confirmed that the approach in 2012/13 has been to exclude finance costs from valuations.

Audit findings – follow up of prior year reporting issues (continued)

	2011/12 reporting issue	Detailed issue reported in 2011/12	2012/13 position
5.	Market Hall Rugeley lease	Treated as an operating lease but review of documentation suggests characteristics of the lease are more akin to a finance . Treatment not amended as values involved would not be materially different.	The Council has continued to treat the lease as an operating lease. We are satisfied that the values involved were the accounting treatment amended continue to be not materially different.
6.	Interest payable split between HRA and General Fund	Approach for splitting interest payable between HRA and General Fund not in line with Government formula, impact not material.	No longer a relevant issue due to changes in the HRA subsidy and funding arrangements.
7.	Accounting for Property, Plant and Equipment	General issues with the quality of supporting evidence and records held for Property, Plant and Equipment.	Based on our audit work in 2012/13 we are satisfied that the Council has made considerable improvements to the quality of supporting evidence and records held for Property, Plant and Equipment.
8.	S106 reserves held	In previous years the Audit Commission recommended that the Council undertake a review of the status of unused s106 monies held in reserves to assess whether some balances might relate to schemes which have been completed. Total balance on s106 reserves at 31/3/13 were £936k.	<p>The Council has undertaken an analysis of s106 balances held but a detailed review to determine whether completed scheme balances should be reclassified as capital receipts has not as yet been undertaken.</p> <p>Two questions on s.106 schemes were received from members of the public during 2012/13. We were satisfied that there were no issues requiring us to exercise our formal audit powers and responsibilities. However, the Council is still to undertake the detailed review of s106 reserves.</p> <p>We therefore recommend that:</p> <ul style="list-style-type: none"> a detailed review is undertaken in 2013/14 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; and identify those where the Council's Town Centre S.106 Monies Protocol will, and will not, need to be applied.

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 and not been made aware of any material concerns. 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 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. This includes a reference to item that officers are not proposing to amend in 2012/13 (as described on page 13) on the basis that it is not material.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements other than those already referred to where amendments have been agreed.
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 highlighted generally sound arrangements in all areas. In particular:

- Budget monitoring is regularly reported to cabinet, although at present detailed financial monitoring information is not reported to a scrutiny committee. The Council would benefit from quarterly financial information being reported to the Scrutiny Committee to provide a further level of challenge, alongside reviewing any impact on service performance.
- For the last two financial years net expenditure has been contained within budgets. For 2012/13 actual net spend was £398k (3.3%) less than the net budget of £12.066 million. This was principally due to relatively small reductions in costs across a range of areas although income in some areas (such as court costs and planning fees) were also lower than budget.
- We are satisfied that 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.
- Overall levels of usable reserves have increased from £17.115m at 31/3/11 to £20.189m as at 31/3/2013. However, usable reserves excluding HRA balances increased only slightly from £10.829m to £10.958m..
- The Council has sufficient cash and reserves to ensure it is reasonably placed to meet the short-term future financial challenges in 2013/14 and 2014/15.

Value for Money continued

- A Medium Term Financial Plan (MTFP) is in place covering 2013/14 – 2016/17. To date the Council has focused on delivering a significant level of savings from the outsourcing of leisure services and the shared services initiative which saw back office services across seven areas being shared with Stafford Borough Council. Other than that, all other savings have been focused on the taking out of costs and retaining current service delivery.
- The Council is now at the point where, having stripped out as much as is possible now, further significant savings will have to be identified from changes in service delivery. A comprehensive delivering change process was undertaken as part of the 2011/12 budget process to ensure every aspect of the budget and service delivery was subject to review. In light of the savings implemented in 2011/12 and the uncertainties that exist a standstill approach has been adopted for 2013/14 as other aspects of the Council's Budget Strategy were developed.
- Overall we are satisfied that in the short-term the Council is in a sound financial position. It is taking actions to identify medium-term requirements and options. There remains significant uncertainty but it will be important for the Council to ensure that future financial plans are fully developed, agreed and delivered.
- The 2013-14 Delivering Change process identified key saving strands - Procurement; Review of Senior Management Restructure; Efficiency Savings; Income review; Asset Management and changes to Service Delivery.
- On-going savings are already being implemented in 2013-14 particularly from review of Civic Centre Accommodation; Senior Management and efficiency savings with all strands being further developed as part of a medium term strategy.
- A report to Scrutiny Committee in early July 2013 on the impact of the move to shared services in 2012/13 concluded that the savings targets had been delivered in full, that performance levels had generally been maintained or in some areas improved and related transformational plans were progressing well.
- The Council has utilised the Audit Commission VFM toolkit as part of previous work and the current Budget Strategy would benefit from the information being updated to allow for more detailed information unit/transaction costs and key cost drivers. It is in the process of assessing all services delivered to identify areas for savings or efficiencies. More up to date detailed costing information would assist the Council in making key decisions for the best use of its limited resources.

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. We have concluded that the Council has sound arrangements in place, and in particular:

- The Council has taken action to identify areas of potential high cost and address these through initiatives such as the use of shared services in order to redesign services to maximise efficiency and performance rather than cutting budgets. These have challenged the cost-effectiveness of existing activities as well as looking at the performance of those services.

The Council faces a significant challenge in addressing potential budget gaps identified from 2014/15 onwards but overall we are satisfied that it is taking appropriate action to meeting this challenge and ensuring economy, efficiency and effectiveness in its use of resources.

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.

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 that there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	68,578	68,578
Grant certification	14,400	14,400
Total audit fees	82,978	82,978

In respect of the fee:

- Our fees are exclusive of VAT.
- Grant certification work is on-going. The final fee will reported to the Audit Committee later in the year in our annual certification report

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

In our audit plan we reported that one member of the audit team has declared a friendship with the wife of your Monitoring Officer and that we had planned our allocation of work to reduce any perceived or potential threat to an acceptably low level.

We confirm that these safeguards operated effectively and that there are no other 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

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>We recommend that:</p> <ul style="list-style-type: none"> a detailed review of section 106 balances is undertaken in 2013/14 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; and identify those where the Council's Town Centre S.106 Monies Protocol will, and will not, need to be applied. 	Medium		

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANNOCK CHASE DISTRICT COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Cannock Chase District Council for the year ended 31 March 2013 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 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 Cannock Chase District 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 Head of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cannock Chase District Council 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, Cannock Chase District 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 cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

September 2013

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We changed our approach in relation to testing on employee remuneration for which we moved to a controls based approach at year end. We did not change our planned approach in any other areas.

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	Yes – move to controls based approach	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Costs of services – Housing Revenue Account	Housing Revenue Accounts	Other	Housing revenue transactions not recorded	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

Audit findings

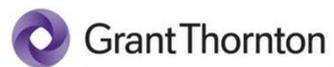
Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	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
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	Issue identified with presentation in MIRS
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	Issue identified with presentation in MIRS
Property, Plant & Equipment	Property, Plant & Equipment	None		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
Inventories	Inventories	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

Audit findings against other risks – supplemental report

As noted in our previously circulated Audit Findings Report (AFR) we changed our planned audit approach, as communicated to the Audit and Accounts Committee on 25 June 2013, on employee remuneration. We have also amended our approach to Property, Plant and Equipment (PPE) where, in our original plan, we were anticipating that capital activity would be relatively stable but on receipt of the financial statements was shown to be greater than we anticipated. As a result we have now considered PPE as being an 'Other risk'. Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. This was not included in our AFR previously circulated and we have therefore summarised it below.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, Plant & Equipment	PPE activity not valid	We have undertaken the following work in relation to this risk: <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 updated documentation in relation to key capital projects based on a judgemental sample, undertaken detailed testing of balances as part of the final accounts audit. 	Our audit work has not identified any significant issues in relation to the risk identified.
Property, Plant & Equipment	Revaluation measurement not correct	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> placed reliance upon the work and qualifications of the Council's in house valuation expert reviewed asset valuations carried out to ensure they have been correctly classified. 	Our audit work has not identified any significant issues in relation to the risk identified.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid	Yes	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	Revaluation measurements not correct	Yes	None