



The Annual Audit Letter for Cannock Chase District Council

Year ended 31 March 2013

October 2013

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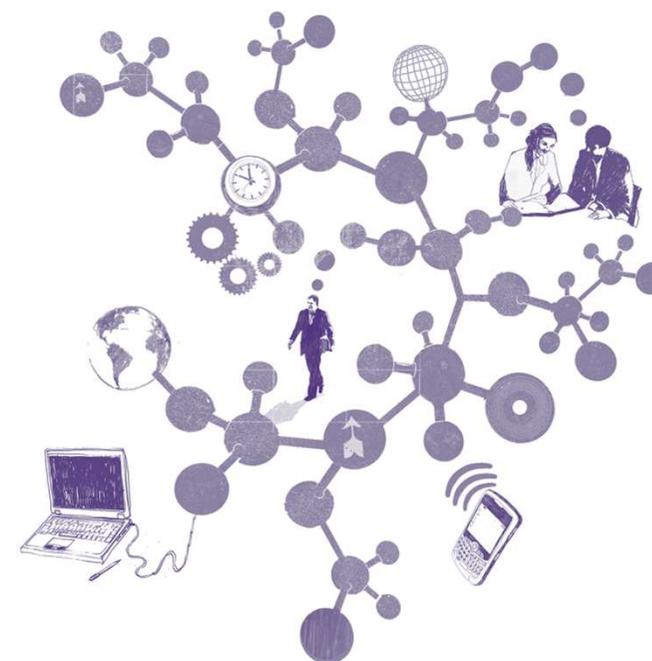
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Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

This Letter will be considered by the Audit Committee on 19 November 2013. This report reflects the findings from our work on both the financial statements and the value for money conclusion.

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Cannock Chase District Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three), and
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 24 September 2013

Responsibilities of the external auditors and the Council

This Letter 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).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 25 June 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the Council's Whole of Government Accounts submission
- to date we have certified two grant claims, your National Non Domestic Rates (NNDR) and expenditure Pooling of Housing Capital Receipts return with no amendments. As in previous years we have been required to issue a qualification letter in relation to the Pooling of Housing Capital Receipts claim due to the on-going disagreement between the Council and the Department for Communities and Local Government on whether some receipts should, or should not, be subject to pooling (c.£5k in 2012/13).
- we are still finalising our audit of the Housing and Council Tax Benefit claim which is due for completion by the end of November 2013. We anticipate that amendments will be required to this claim but that a qualification letter will not be necessary.

Executive summary (continued)

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

No significant issues arose from our audit of the Council's 2012-13 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 continued to improve during 2012/13 and the support provided to external audit throughout the year has ensured an efficient year end audit process.

We concluded that the Council has appropriate arrangements for securing economy, efficiency and effectiveness.

Changes to the levels of government funding since 2010 have meant that, in common with other District Councils, the Council is having to implement significant savings. The Council has sufficient cash and reserves to ensure it is reasonably placed to meet the short term financial challenges in 2013/14 and 2014/15 and has a Medium Term Financial Plan in place covering the period to 2016/17.

The Council has a Corporate Plan 2011-14. The Council has developed Priority Delivery Plans for 2013-14 which contain what the Council intends to achieve over the coming year to deliver the priority outcomes set out in the Corporate Plan in respect of:

- Place
- Prosperity
- Transformation
- People

In line with the sector, the Council faces a significant challenge in addressing the budget gaps identified from 2015/16 onwards.

To date, the Council has focused on implementing savings through review of its existing arrangements, identification of potential high cost areas and from initiatives such as the outsourcing of leisure services and through the use of shared services with Stafford Borough Council. This approach has been successful in delivering savings without impacting on current service delivery. However, the Council is now at the point where, having stripped out as much as is possible now, further savings will have to be identified from changes in service delivery. The communication of plans and management of the community's expectations, together with consideration of any potential impact which these plans might have on the Council's current priorities as set out in the Corporate Plan, will be important as the Council moves through change and potential reconfiguration of services.

Significant uncertainty still exists around the funding position of the Council from 2015/16 onwards and as a result the Council is still considering options for implementation of further savings. An updated Financial Plan is due to be presented to Cabinet in November 2013 as more details become known. Firm decisions on saving options for 2016-17 will need to be determined once a clearer picture on funding for that year becomes known, with options being developed as part of the 2015-16 to 2017-18 budget process.

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.

Acknowledgements

This Letter has been agreed with the Director of Finance and Chief Executive and will be presented to Audit Committee on 19 November 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

01. Executive summary

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An unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year was provided. No changes were made to the accounts that impacted on the Council's overall financial position.

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 27 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 29 July 2013.

No significant issues arose from our audit of the Council's 2012-13 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.

Issues arising from the audit of the accounts

We identified no adjustments affecting the Council's reported net expenditure or levels of useable and unusable reserves. We agreed a small number of disclosure and presentational amendments to the draft accounts which Officers agreed to action.

We 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 for which the Audit and Governance Committee agreed an amendment was not required. If an amendment had been made it would have reduced the Council's reported net expenditure.

The Council submitted its draft Whole of Government Accounts pack for audit by the deadline of 7 August and we submitted the short-form assurance statement on 27 September 2013 based on there being no significant issues with the quality and consistency of the information we were required to review contained in the pack.

We did not receive any formal questions or objections from local government electors on the accounts. We responded to two pieces of information we received from the public on section 106 monies. These resulted in recommendations for small improvements in the Council's arrangements but had no impact upon our audit conclusions, allowing us to certify the audit as complete on 27 September 2013.

Annual governance statement

We concluded that the Annual Governance Statement and Explanatory Foreword were consistent with our knowledge of the Council. Our review confirmed that the statement fairly reflects the Council's risk assurance and governance framework.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our report to the Audit Committee on 24 September and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

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02. Audit of the accounts

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The Council has proper arrangements in place for securing financial resilience. The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. Significant uncertainty regarding future funding remains and it will be important for the Council to ensure that future financial plans are fully developed, agreed and delivered.

Value for Money

Scope of work

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 a 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 three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

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. 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 delivering change for 2013/14.

Overall we were 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 and it will be important for the Council to ensure that future financial plans are fully developed, agreed and delivered.

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 and whether it has achieved cost reductions and improved productivity and efficiencies.

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: Certification of grant claims and returns

01. Executive summary

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We have completed our work on the Business Rates grant claim, which was certified by the relevant deadline with no amendments, but issued a qualification letter on the Pooling of Housing Capital Receipts claim. Our work on the Housing and Council Tax Benefit claim continues.

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

To date we have certified two claim for the financial year 2012/13 relating to National Non Domestic Rates (NNDR) expenditure of £29.9 million and Pooling of Housing Capital Receipts with a value of £1.1m. No significant amendments were required to these claims. As in previous years we have been required to issue a qualification letter in relation to the Pooling of Housing Capital Receipts claim due to the on-going disagreement between the Council and the Department for Communities and Local Government on whether some receipts should, or should not, be subject to pooling (£5k in 2012/13).

Our work on the Housing and Council Tax Benefit claim is on-going. The deadline for certification is the end of November 2013. To date we have not identified any significant issues which are likely to lead to the need for a qualification letter but we do anticipate that some amendments to this claim will be necessary.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

The key messages from our certification work are summarised in the table below. Further details will be provided in our certification report which we expect to issue in December 2013.

Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	Both claims received by the required deadline	 Green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	No amendments required to the NNDR claim. Qualification letter issued for Pooling of Housing Capital Receipts claim due to an on-going issue. Minor amendments are expected to be required to the Housing and Council Tax Benefit claim.	 Amber
Supporting working papers	Council provides excellent working papers to support the claims, and all staff fully participate in the audit process	 Green

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

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

Fees for other services

Service	Fees £
None	Nil

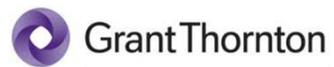
In respect of the fee:

Our fees are exclusive of VAT.

Grant certification work is on-going. The planned grant certification fee was an indicative scale fee set by the Audit Commission based upon fees charged in 2010-11. The final grant certification fee for 2012-13 may vary dependent upon the final levels of work we are required to undertake. If we believe a variation is required we are required to inform the Audit Commission who will determine the final fee which will be reported in our annual certification report

Reports issued

Report	Date issued or planned for issue
Audit Plan	June 2013
Audit Findings Report	September 2013
Certification report 2012-13	December 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



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