



# The Annual Audit Letter for East Staffordshire Borough Council

---

**Year ended 31 March 2013**

30 October 2013

**Grant Patterson**

Director

T 0121 232 5296

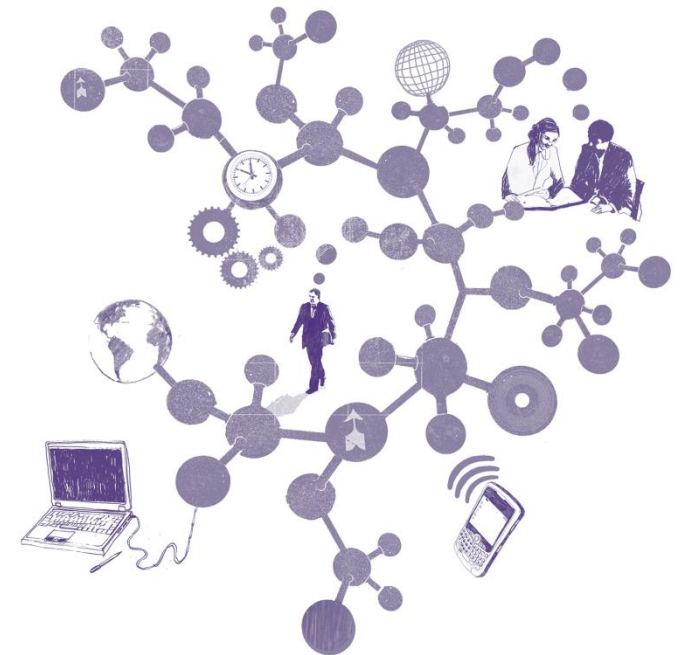
E [grant.b.patterson@uk.gt.com](mailto:grant.b.patterson@uk.gt.com)

**David Jenkins**

Audit Manager

T 0121 232 5322

E [david.jenkins@uk.gt.com](mailto:david.jenkins@uk.gt.com)



---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4
2. Audit of the accounts	7
3. Value for Money	9
4. Certification of grant claims and returns	11
<b>Appendices</b>	
A Reports issued and fees	13

---

# Section 1: Executive summary

**01. Executive summary**

**02. Audit of the accounts**

**03. Value for Money**

**04. Certification of grant claims and returns**

---

# 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 East Staffordshire Borough 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)
- 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 23 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](http://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 19 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
- we have certified one grant claim, your National Non Domestic Rates return, which was certified without amendment. We are still undertaking our audit of the Housing and Council Tax Benefit claim. This is due for completion at the end of November 2013. As at almost all councils, our work to date has identified a number of initial errors which has led to the need for further extended testing. As a result, and consistent with previous years, we anticipate that a qualification letter will be issued.

---

# Executive summary

## 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.

The Council has performed well in many aspects of the audit and in its delivery of services to the public.

The accounts were well presented and required only minor amendments. We issued an unqualified opinion on the accounts. We also concluded that the Council has appropriate arrangements for securing efficiency, economy and effectiveness. In particular, we noted that the Council has adequate arrangements in place for securing financial resilience with strong financial performance management and budgeting systems in place.

The Council has also prioritised its resources to take into account reductions in funding from the Government and has achieved the required cost reductions in year. The Council's final out-turn for 2012-13 showed a £664k favourable variance and at the same time as achieving this it also delivered 92% of its corporate plan.

The Council has dealt well with the introduction of localisation of Council tax benefit and has achieved the planned savings targets outlined in its Medium Term Financial Strategy. The Council has also continued to make funds available to stimulate growth to support the economic prosperity of the area. In 2013/14 major capital investments are planned for improvements to Uttoxeter Leisure Centre and the Market Hall.

The Corporate Plan 2011-15 (“Working for you with you”) was revised and adopted at Full Council in March 2013. It outlines the 108 indicators the Council has determined to measure itself against in the current year to demonstrate how it will be delivering its corporate priorities of:

- Relevant and better value services
- Enhancing lives through the Borough
- Encouraging local enterprise

In the first quarter of 2013/14 the Council has classified 98% of the targets as green. In line with the sector, the Council faces a significant challenge in addressing the budget gaps identified from 2015/16 onwards. A service review process is undertaken each year which is challenging all areas of the Council’s current and future service provision. It has already made significant progress towards addressing these challenges.

The management of the community’s expectations will continue to be important as Councils moves through rapid change and reorganisation. Communication will also be vital to preserve a committed and motivated workforce in the face of these changes.

## Acknowledgements

This Letter has been agreed with the Chief Executive and will be presented to the Audit Committee on 20 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.

---

## Section 2: Audit of the accounts

01. Executive summary

**02. Audit of the accounts**

03. Value for Money

04. Certification of grant claims and returns

---

# 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 28 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced 15 July 2013.

The accounts and working papers were of a good quality and co-operation in dealing with audit issues was strong.

### **Issues arising from the audit of the accounts**

We recommended a small number of adjustments to disclosure notes in the draft accounts. Officers agreed to make these adjustments, none of which impacted on the Council's General Fund balance.

Our audit also considered internal controls relevant to the preparation of the financial statements. We identified a small number of minor control deficiencies during the course of the audit, primarily in the areas of IT security, which were reported to management. No significant or material weaknesses were identified.

The Council submitted its draft Whole of Government Accounts pack for audit by the deadline of 7 August and we issued our assurance statement on 30 September 2013 based on there being no significant issues with the quality of the information contained in the pack.

We did not receive any questions or objections from local government electors on the accounts, allowing us to certify the audit as complete on 30 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 23 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 30 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

01. Executive summary

02. Audit of the accounts

**03. Value for Money**

04. Certification of grant claims and returns



---

# 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 effectively manage 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.

Our work highlighted that whilst the Council faced challenges during 2012-13, which will continue into 2013-14 and beyond, its current arrangements for achieving financial resilience are adequate. Further details are provided in our Financial Resilience report issued in September 2013.

### 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.

Our work highlighted the fact that the Council's medium term financial strategy is focussed on identifying recurrent savings and securing a sustainable financial future. The Council's final out-turn for 2012-13 showed a £664k favourable variance and at the same time as achieving this it also delivered 92% of its corporate plan. Financial risks have been managed in the short to medium term, with consideration of longer term implications.

A service review process is undertaken each year which is challenging all areas of the Council's current and future service provision in order to identify the savings which are required to bridge the potential budget "gaps" identified for 2015/16 and 2016/17. Through this, Enforcement Services are currently undergoing cross departmental integration and savings in other areas have already been identified.

In line with the sector, the Council faces a significant challenge in addressing the budget gaps identified from 2015/16 onwards. It has already made significant progress towards addressing these and we are satisfied that it is taking appropriate action to meet 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

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

# 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.

## 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. This year we had to undertake the "Part B" additional testing on the National Non-Domestic Rates Return as it had been three years since the previous extended review and the Audit Commission mandates extended testing every three years.

## Key messages

We have certified your National Non-Domestic Rates Return for the financial year 2012/13 relating to expenditure of £52 million without amendment or qualification.

Our work on certification of the Housing and Council Tax Benefit Grant Claim grant claims is on-going. Our work to date has identified a number of initial errors which has led to the need for further extended testing. As a result, we anticipate that a qualification letter will be issued which may have financial implications for the Council. The nature of the errors this year show that the Council's direction of travel is positive. Issues previously reported that were specific to the Council are being addressed and residual errors are consistent with other councils and inherent to the complexity of the benefits system and the claim itself.

The detailed findings of our work will be reported in our Grant Certification report upon completion of our work.

The key messages to date from our certification work are summarised in the table below. Further details will be provided in our certification report.

## Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
<b>Submission &amp; certification</b>	Both claims received by the required deadline.	● (Green)
<b>Accuracy of claim forms submitted to the auditor (including amendments &amp; qualifications)</b>	On our work to date we anticipate that the Housing Benefit and Council Tax Benefit Claim will be qualified.  No issues noted with the National Non-Domestic Rates Return.	● (Amber)
<b>Supporting working papers</b>	Council provide excellent working papers to support the claim, and all staff staff fully participate in the audit process.	● (Green)

### Key

- Qualified or amended grant claim with high financial risk (Red)
- Qualified or amended grant claim with low financial risk (Amber)
- Unqualified grant claim (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	64,235	64,235
Grant certification fee	27,100	TBC
<b>Total fees</b>	<b>91,335</b>	<b>TBC</b>

## Fees for other services

Service	Fees £
None	Nil

## In respect of the fee:

- Our fees are exclusive of VAT.
- 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. This will be communicated in our certification report and/or an updated fee letter.

## Reports issued

Report	Date issued
Audit Plan	June 2013
Audit Findings Report	September 2013
Certification report	TBC – planned for December 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



© 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](http://grant-thornton.co.uk)**