



# The Annual Audit Letter for East Staffordshire Borough Council

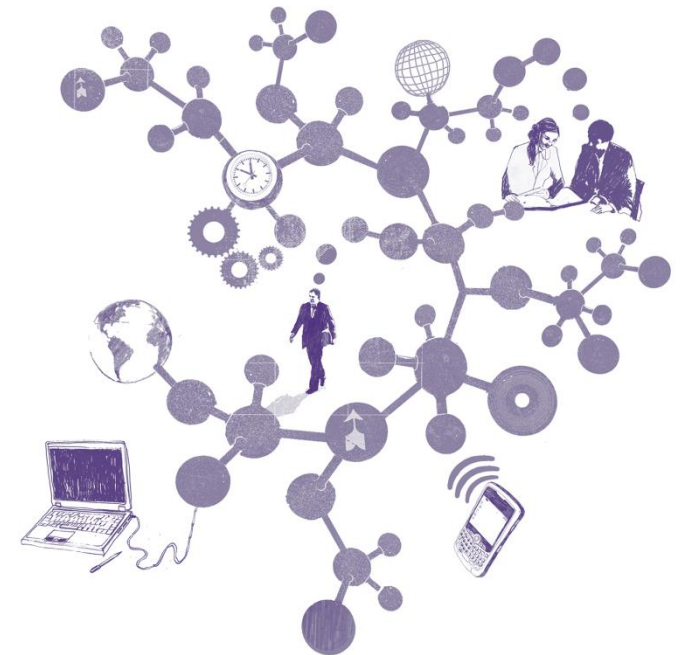
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**Year ended 31 March 2014**

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 East Staffordshire Borough 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 Committee on 29 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 25 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 in our Audit Findings Report on 16 September 2014 to the Audit Committee and the Audit (Statement of Accounts) Committee. The key messages reported were:

- The standard of the draft accounts and supporting working papers provided by the Council were 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.

## Key messages (continued)

<b>Value for Money (VfM) conclusion</b>	<p>We issued an unqualified VfM conclusion for 2013/14 on 25 September 2014.</p> <p>Overall our work highlighted that:</p> <ul style="list-style-type: none"><li>• Portfolio expenditure in 2013/14 was £634k lower than the budget and is consistent with the forecast outturn. The variance is due to volatility on income and other one-off windfall items and is not an indicator of weaknesses in the Council's financial planning arrangements. The Council has recognised this represents a one-off windfall, with many of the savings arising during the course of the year already incorporated into the Medium Term Financial Strategy for 2014/15.</li><li>• The Council continues to face challenges around its medium term financial resilience but has responded proactively and effectively through the development and agreement of its updated Medium Term Financial Strategy in February 2014. The plan now extends to 2018/19 and has identified savings plans for 2014/15 and for 2015/16. Through a rolling approach to budget setting the Council is also well on the way to establishing savings plans for future years.</li><li>• Members and officers have shown clear leadership and identification of priorities through the process of preparing and approving the updated Medium Term Financial Strategy in February 2014.</li><li>• The Council is planning to maintain its level of general reserves at the risk assessed level of £1.3m. There is a planned use, for one off purposes, of earmarked reserves and this would reduce them from £8.6m in 2013/14 to £1.9m in 2018/19.</li><li>• The Council can demonstrate that it has been able to effectively manage risks to its financial resilience through 2015/16. In line with other councils uncertainties remain beyond this point, such as fees from income and the new homes bonus. However, the Council has taken a prudent approach in its assumptions.</li><li>• The Council has 117 corporate targets to help it measure its performance against the corporate plan. It achieved 94% of these in 2013/14. It also participates and helps lead a benchmarking club with other councils in its 'audit family'. These show that its performance was first or joint first in half of the selected indicators. These and comparison with national VfM profiles show 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 and that in some areas performance has improved.</li></ul> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we were therefore 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 2014.</p>
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## Key messages (continued)

<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack prepared by the Council to support the production of the Government's Whole of Government Accounts. In line with our instructions we reported that the Council was below the audit threshold level set by the National Audit Office and reviewed the worksheets specified for bodies below the audit threshold. We confirmed that the closing figures for Property, plant &amp; equipment and Pensions liabilities in the consolidation pack were consistent with those in the Council's financial statements on the 25 September 2014 in advance of the deadline.</p>
<b>Certification of grant claims and returns</b>	<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 deadline for submission to the DWP at the end of November.</p>
<b>Audit fee</b>	<p>Our fee for 2013/14 was £65,135, excluding VAT but including 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 A.</p>
<b>Looking forward</b>	<p>The Council completed the sale of the freehold of the Town Hall Annex on 3 September 2014. The asset was carried in the Balance Sheet (Plant Property and Equipment – Surplus Assets) as at 31 March 2014 at £1.1m. The asset was revalued based on its existing use at the point of sale at £0.8m and the sum realised from the sale was £1m. The Council also completed the re-development of the Market hall in Burton town centre in late June 2014. The asset was carried in the Balance Sheet (Plant Property and Equipment –Asset Under Construction) as at 31 March 2014 at £1 and has subsequently been re-valued at £2.6m.</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: Reports issued and fees

We confirm below the fee charged for the audit.

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	64,235	64,235
Business rates fee variation <sup>1</sup>	0	900
<i>Updated Audit Fee</i>	<i>64,235</i>	<i>65,135</i>
Grant certification <sup>2</sup>	21,296	TBC
<b>Total fees</b>	<b>85,531</b>	<b>TBC</b>

## 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	17 June 2014
Audit Findings Report	16 September 2014
Annual Audit Letter	October 2014



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