

# The Annual Audit Letter for Derby City Council

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**Year ended 31 March 2013**

October 2013

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Director

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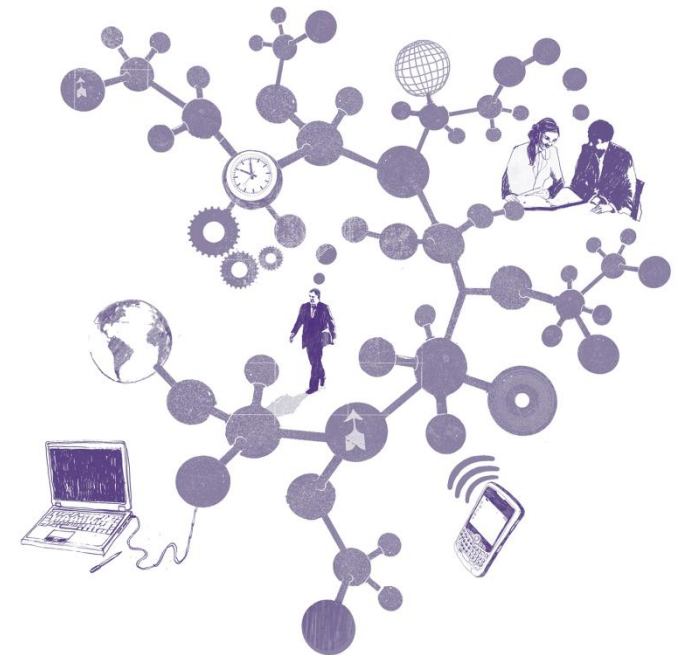
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# Section 1: Executive summary

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# 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 Derby City 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 [INSERT DATE].

## **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 in March 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 two grant claims and returns one was amended and one qualified, our work on the housing and council tax benefit subsidy claim is ongoing.

## **Acknowledgements**

This Letter has been agreed with the Director of Finance and will be presented to Audit Committee in December 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**

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## Section 2: Audit of the accounts

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

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

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

We did not identify any adjustments that affected the Council's reported financial position. Our audit work made a small number of presentational adjustments to the financial statements. None of which made a material difference to the overall presentation of the Council's reported financial performance.

### **Annual governance statement**

We examined the Council's arrangements and processes for compiling the Annual Governance Statement (AGS) and also read the AGS to consider whether it was in accordance with our knowledge of the Council. We concluded that the AGS was consistent with our knowledge of the Council.

## **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 and Accounts Committee at the Council). We presented our report to the Audit and Accounts 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 26 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.

### **Elector's rights - objection**

A local elector has made an objection to the accounts in relation to Taxi Licensing. We are currently considering the issues raised.

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## Section 3: Value for Money

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# 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.

We concluded that the Council has proper arrangements in place for each of the three characteristics.

### 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.

We concluded that the Council has proper arrangements in place and there are no further matters we need to bring to your attention.

## 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.



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## Section 4: Certification of grant claims and returns

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# 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.

We have certified two claims and returns for the financial year 2012/13, one relating to the Pooling of Housing Capital Receipts and one relating to Business Rate income.

Our work on the housing and council tax benefit subsidy is ongoing, with a completion date of 30 November 2013.




## 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 are provided in our certification report to be issued in December 2013.

## Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
<b>Submission &amp; certification</b>	All claims have been submitted by the relevant deadline	 Green
<b>Accuracy of claim forms submitted to the auditor (including amendments &amp; qualifications)</b>	<p>We qualified the Business Rate income return because the Council had not retained evidence to support the write-off of irrecoverable debts for two of the items tested. Retrospective approval was obtained by the Council to demonstrate the appropriateness of these write-offs and a revised control has been implemented, designed to prevent a recurrence of this matter.</p> <p>A small number of amendments were required prior to certifying the Pooling of Housing Capital Receipts claim.</p> <p>The return for housing and council tax benefits will be subject to qualification letter as our work has identified errors. This is not inconsistent with our work with most Councils.</p>	 Amber
<b>Supporting working papers</b>	Working papers have been of a good standard.	 Green

# Appendices

# Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and provision of non-audit services.

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	189,000	189,000
Grant certification fee	44,550	TBC
<b>Total fees</b>	<b>233,550</b>	<b>TBC</b>
<b>Objection fee</b>	<b>Nil</b>	<b>TBC</b>

## Fees for other services

Service	Fees £
Regional Growth Fund certification	3,000

## Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	September 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013
Certification report	December 2013



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