

Taunton Deane Borough Council

Corporate Governance Committee 7 December 2015

Annual Audit Letter 2014/15

Report of the Assistant Director – Corporate Services (Richard Sealy)

This matter is the responsibility of the Leader of the Council, Cllr John Williams

1. Executive Summary

This report introduces the Annual Audit Letter for 2014/15, which has been prepared by our external auditors, Grant Thornton. The letter is set out in Appendix A.

The report summarises the findings from the external auditors work in respect of the 2014/15 financial year and confirms the issue of unqualified opinions in relation to our accounts and value for money arrangements.

2. Background

- 2.1 Each year our external auditor, Grant Thornton, is required to make arrangements for the production of an audit letter for each local authority. The letter covers the follows:
- i) A conclusion on the Statement of Accounts and Annual Governance Statement; and
 - ii) A conclusion on Value for Money, the focus being on financial resilience.

3. Financial Issues/Comments

- 3.1 The letter confirms, as previously reported to the September 2015 Corporate Governance Committee, that the external auditors have issued an unqualified opinion in regard to the Council's statement of accounts and value for money arrangements.
- 3.2 The letter also provides a progress update in relation to the certification of grant claims work being undertaken by the external auditors.
- 3.3 The audit fees for 2014/15 were £67,505, which was the planned fee for the year.
- 3.4 The external auditors have made a number of recommendations, which are detailed in the Appendix to the letter.

4. Legal Comments

4.1 There are no legal implications from this report.

5. Links to Corporate Aims

5.1 There are no direct implications.

6. Environmental Implications

6.1 There are no direct implications.

7. Community Safety Implications

7.1 There are no direct implications.

8. Equalities Impact

8.1 There are no direct implications.

9. Risk Management

9.1 Any risks identified will feed into the corporate risk management process.

10. Partnership Implications (if any)

10.1 There are no direct implications.

11. Recommendations

11.1 Members are requested to note the Annual Audit Letter for 2014/15

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Appendix A – The Annual Audit Letter for 2014/15

The Annual Audit Letter for Taunton Deane Borough Council

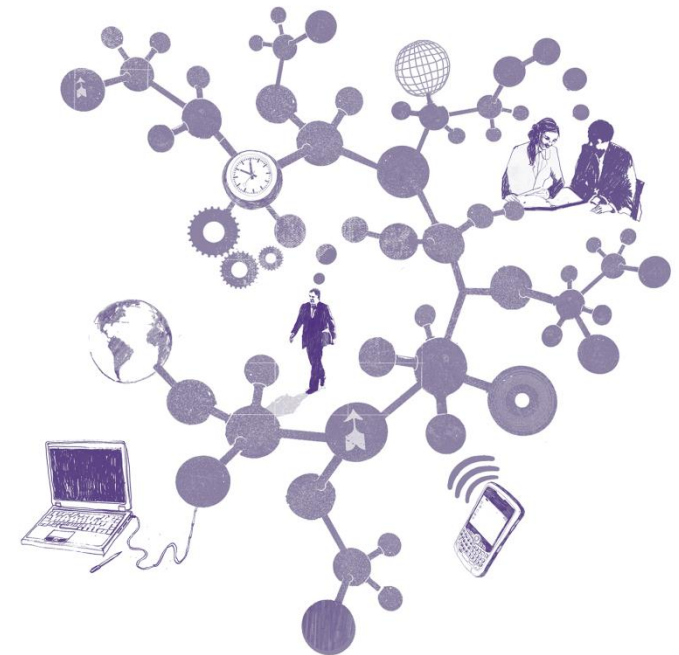
Year ended 31 March 2015

27 October 2015

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Taunton Deane Borough Council ('the Council') for the year ended 31 March 2015.

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 issued on 19 May 2015 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 and Public Sector Audit Appointments Limited.

<p>Financial statements audit (including audit opinion)</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 28 September 2015 to the Corporate Governance Committee. The key messages reported were:</p> <ul style="list-style-type: none"> • the draft accounts were produced to a good standard with no material errors identified • the audit has been facilitated by good supporting working papers and excellent assistance from the finance team • all requests for additional information were dealt with promptly by the finance team • an action plan has been agreed with the Council based on our findings from our audit work and is attached at appendix A <p>Further, our audit has not identified any adjustments affecting the Council's reported financial position. However, we have identified a number of adjustments to improve the presentation of the financial statements.</p> <p>We issued a unqualified opinion on the Council's 2014/15 financial statements on 29 September 2015, meeting 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.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued a unqualified VfM conclusion for 2014/15 on 29 September 2015.</p> <p>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 2015.</p>

Key messages continued

Certification of housing benefit grant claim	Our work on the certification of the Housing Benefits claim is ongoing and the key messages from our certification work will be reported in our certification report due to be issued on completion of work on this claim.
Audit fee	Our fee for 2014/15 was £67,505, excluding VAT which was in line with our planned fee for the year and the fee charged in the previous year. Further detail is included within appendix B.

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>As part of our VfM work, we have examined the Council's use of benchmarking. Benchmarking has been used by the Council but not yet in decision making for allocating resources.</p> <p>Recommendation: The Council should ensure that the recommendation from the VfM conclusion in 2011/12 is implemented, that is, to develop benchmarking to support decisions in allocating resources.</p>	Medium	<p>This is recognised and will be considered as part of forthcoming decisions on transforming the Council and its services to the community.</p> <p>Responsible office: Assistant Director – Corporate Services Due date: March 2016</p>
2.	<p>Our testing identified that the journals procedure had not been followed in a number of cases. As a result not all journals were authorised by a Principal Accountant.</p> <p>Recommendation: The Council should ensure that their Journal Review policy is reviewed and properly implemented.</p>	Medium	<p>Agreed.</p> <p>Responsible office: Finance Manager Due date: September 2015</p>
3.	<p>The Council has a rolling programme in place for property plant and equipment revaluations which ensure that all assets are revalued within a five year period, but all assets in the same class are not revalued in the same year.</p> <p>Recommendation: The Council should ensure that all assets within the same class are valued within the same financial year to meet the Code's requirements for revaluing of Property, Plant and Equipment in paragraph 4.1.2.35.</p>	Medium	<p>Recommendation accepted and the valuation process will be updated to reflect latest requirements taking into account the anticipated changes to the Code. The approach will be discussed with auditors in advance of year end.</p> <p>Responsible office: Finance Manager and Asset Manager Due date: March 2016</p>

Appendix A: Key issues and recommendations continued

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
4.	<p>There is a risk that the organisation lacks adequate controls to prevent segregation of duties conflicts within the SAP role structure. Our review highlighted several medium to high risk conflicts that were present in user accounts. Our analysis focused on two business cycles, purchase to pay and record to output.</p> <p>Recommendation: It is recommended that management:</p> <ul style="list-style-type: none"> • take steps to examine the extent of all user access segregation conflicts and reduce the number of conflicts where possible given the size of the organization • examine whether existing compensating controls are appropriately configured to control the risks posed by the access conflicts • consider a process to prevent further conflicts from being introduced into the SAP role structure and user base 	High	<p>The Council notes the issues, risk and recommendations, identified in the draft report received 7 September 2015. We are not able to comment on the findings at this stage as further detailed work needs to be undertaken in conjunction with South West One, who manage and operate SAP, to assess the risks and understand the controls that are in place including mitigating secondary controls that were not reviewed as part of the audit.</p> <p>Responsible office: Assistant Director - Resources Due date: December 2015</p>
5.	<p>The Council made multiple money market fund investments (MMFI) in the year and as part of our audit work we looked to ensure that investments were made in line with the treasury management policy. It was identified during the audit that the Treasury Management Strategy (TMS) in 2014/15 was not in line with the Treasury Management Practices (TMP) regarding MMFI. The TMS stated that MMFI could not be more than £2 million each and the TMP stated the MMFI could not be more than £3.5 million each.</p> <p>Recommendation: The Treasury Management Strategy should be consistent with the Treasury Management Practices.</p>	Medium	<p>Agreed.</p> <p>Responsible office: Finance Manager Due date: December 2015</p>

Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

	Per Audit plan £	Actual fees £
Audit fee	67,505	67,505
Housing benefit grant certification fee	10,390	*10,390
Total audit fees	77,895	77,895

* The indicative fee published by the Public Sector Audit Appointments for grant certification work required in 2014/15 for the Council is £10,390. As the work has not yet been completed on the grant certification, we therefore cannot confirm the final fee.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	19 May 2015
Audit Findings Report	18 September 2015
Certification Report (expected)	December 2015
Annual Audit Letter	20 October 2015



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