



The Annual Audit Letter for Newcastle-under-Lyme Borough Council

Year ended 31 March 2013

October 2013

John Gregory

Director

T 0121 232 5333

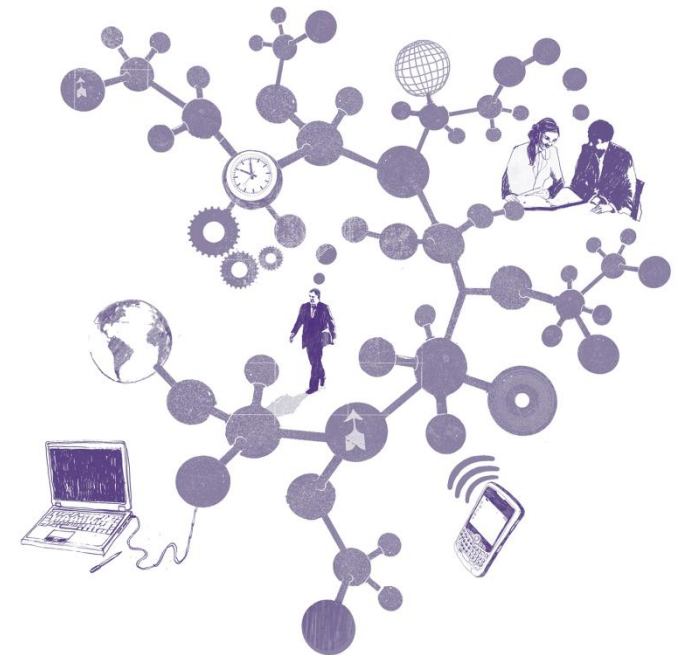
E John.Gregory@uk.gt.com

David Jenkins

Audit Manager

T 0121 232 5322

E david.jenkins@uk.gt.com



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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 Newcastle-under-Lyme 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).

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 28 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. From the work we have already done, we have established, as at many councils, the claim will be subject to a qualification letter.

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 of the areas covered by our audit work.

The accounts were well presented and required only minor amendments and we were able to issue an unqualified opinion on them. 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. It achieved planned savings targets for 2012/13 outlined in the Medium Term Financial Strategy.

The Council has also prioritised its resources to take into account reductions in Government funding and has continued to make funds available to stimulate growth to support the economic prosperity of the area. This aim has become doubly important since the implementation of business rate retention.

The Council has dealt well with the localisation of Council Tax Benefit, setting up its own local scheme which has enabled it to cope with the £835,000 reduction in funding without making extreme changes to eligibility criteria.

Meeting the community's expectations will continue to be important as the Council moves through rapid change and reorganisation in response to financial pressures. 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 Executive Director (Resources and Support Services) and will be presented to the Audit and Risk Committee on 18 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

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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 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 on 1 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 disclosures 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 number of minor control deficiencies during the course of the audit, 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 submitted the audited pack on 26 September 2013 having carried out the required work without identifying any errors.

We did not receive any questions or objections from local government electors on the accounts, allowing us to certify the audit as complete on 26 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 and Risk Committee at the Council). We presented our report to the Audit and Risk 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 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.

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 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 are continuing in 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. Financial risks have been managed in the short to medium term, with consideration of longer term implications.

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

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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.

Our work on certification of grant claims is on-going. Our work to date has identified an issue with the Housing and Council Tax Benefit Grant Claim, where a number of initial errors identified have led to further extended testing which has been carried out by staff within the relevant department. As a result a qualification letter will be issued which may have financial implications for the Council, as in previous years. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work.

We have certified your National Non-Domestic Rate Return for the financial year 2012/13 relating to expenditure of £31 million without amendment or qualification.




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 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
Submission & certification	Both claims received by the required deadline	 Green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	Housing Benefit and Council Tax Benefit Claim will be qualified No issues were identified with the National Non-Domestic Rates Return.	 Amber
Supporting working papers	Council provide excellent working papers to support the claim, 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	72,436	72,436
Grant certification fee	13,500	tbc
Total fees	85,936	tbc

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	June 2013
Audit Findings Report	September 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013
Certification report (to be issued)	January 2014



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