

The Annual Audit Letter for Herefordshire Council

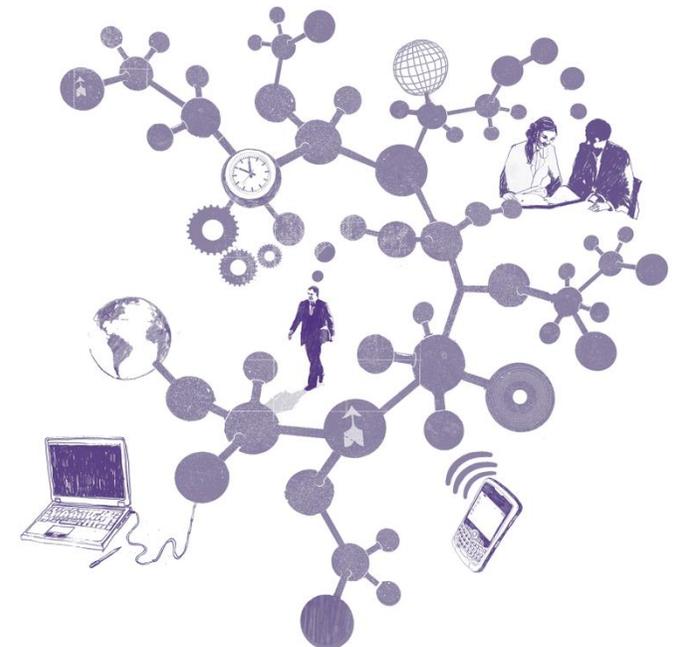
Year ended 31 March 2014

October 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Herefordshire 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 issued in February 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 reported our findings arising from the audit of the financial statements in our Audit Findings Report on 29 September 2014 to the Audit and Governance Committee. The key messages reported were:

- The draft accounts presented for audit were of a good quality, a improvement on previous years.
- The accounts were produced earlier and the audit completed earlier than in previous years.
- There were no unadjusted errors or material misstatements.
- The quality of working papers and speed of response showed a real improvement on previous years and the Council is fully aware of the areas it still needs to improve on for future years.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, 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.

Key messages

<p>Public Interest Disclosure Act</p>	<p>We received a Public Interest Disclosure Act (PIDA) from a member of staff in relation to the procurement and implementation of a customer interface IT system, CRM, and carried out further work to look at the concerns raised.</p> <p>We presented our report on 9 September 2014 to the Audit and Governance Committee. It is important that the Council learns lessons from this project and to assist in this process our report contained recommendations. The Audit and Governance Committee has asked for a detailed action plan to address these recommendations and has also set up a group to take this forward.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014. 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 2014.</p> <p>Overall Financial Position</p> <p>Despite an overspend in the Adults Well-being Directorate of almost £3 million in 2013/14, the Council contained expenditure within the overall budget and at the same time increased reserves significantly. There is now greater assurance around the Medium Term Financial Plan and delivery of savings as the Council approaches the challenging years ahead. There is scope to improve the way that savings schemes are project managed and monitored and also the quality of information provided to Members on the progress of schemes.</p> <p>Energy to Waste Plant</p> <p>Given the large volume of correspondence from members of the public and the unique nature of the arrangement, we undertook a detailed review of the arrangements in relation to the energy to waste plant. This review highlighted a significant issue in relation to the documentation supporting the reporting to members of officers' views of the preferred technological solution.</p> <p>Safeguarding children</p> <p>The Council received an inadequate assessment from Ofsted in late 2012 in relation to its arrangements to safeguard children. It has subsequently worked hard through its Improvement Board to address the issues and in June this year Ofsted rated the Council as "in need of improvement".</p>

Key messages

Formal Objections to the Accounts	As part of the public inspection period we received a formal objection to the accounts in relation to the Energy from Waste facility which we are currently considering. As a result of this objection we have not been able to formally conclude the audit.
Whole of Government Accounts	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.
Certification of grant claims and returns	We have not yet certified any grant claims, however work is in progress on the housing benefit claim, with a certification deadline of the end of November 2014. We will report the findings from the audit of this claim as part of our Grant Certification Report in February 2015.
Audit fee	Our fee for the core audit in 2013/14 was £165,873 excluding VAT which was £1,070 more than our planned fee for the year. The Audit Findings Report highlighted that as a result of the significant amount of correspondence from members of the public around the Energy From Waste facility we would be seeking approval from the Audit Commission for additional fee to cover the costs incurred. Further detail is included within Appendix B.

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	<p>Audit closedown process.</p> <p>Recommendation: The Council should continue to redesign the process for closedown and audit of the accounts to ensure a more efficient process.</p>	High	<p>The aim is to closedown the accounts and audit one month earlier for the 2014/15 year end</p> <p>Responsible officer: Head of Technical Finance</p> <p>Due date: August 2015</p>
2.	<p>Property Valuations.</p> <p>Recommendation: Officers need to consider their current valuation programme to ensure that the requirements of the code (now clarified in relation to classes of asset) are met.</p>	Medium	<p>Draft policy is in circulation and valuation work has commenced</p> <p>Responsible officer: Head of Technical Finance</p> <p>Due date: Policy to be agreed by 1 November 2014</p>

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
3.	<p>Management of savings schemes.</p> <p>Recommendation:The Council needs to improve the project management and monitoring of savings schemes, including the information provided to Members on progress.</p>	High	<p>Continuous Improvement Programme work is including monitoring savings which will include the reporting to members. Cabinet reporting to be reviewed for further improvements going forward</p> <p>Responsible officer: Chief Finance Officer</p> <p>Due date: On going process</p>
4.	<p>Commitment Accounting</p> <p>Recommendation:The Council should ensure that it has a working commitment accounting system in Adult Social Care.</p>	High	<p>Transformational work is underway with delivery of outcomes expected in 2015</p> <p>Responsible officer: Chief Finance Officer</p> <p>Due date: September 2015</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Audit Fee *	164,803	TBC
Grant certification fee **	8,400	TBC
PIDA (proposed) ***	0	11,140
Total fees	173,203	TBC

*Both the significant level of correspondence from the public and the unique nature of the arrangements surrounding the waste contract means that the level of risk attached to the audit is significantly higher than envisaged by the Audit Commission when setting the scale fee which is quoted above. Work is on-going to determine the level of fee variation required for this work, particularly as we continue to receive correspondence in this area which we have a statutory duty to consider. We will discuss the level of additional fee required with officers and then submit this for approval to the Audit Commission. There is an additional fee of £1,070 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. The additional fee is 50% of the average fee previously charged for NDR3 certifications for unitary councils and this is also subject to agreement by the Audit Commission.

** The final certification fee will be reported as part of the grant certification report.

*** This fee is subject to agreement by the Audit Commission.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	March 2014
Audit Findings Report	June 2014
PIDA	July 2014
Annual Audit Letter	October 2014



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