

Agenda Item No: 5
Report To: Audit Committee
Date: 1 December 2015
Report Title: Annual Audit Letter
Report Author: Lisa Robertson (Engagement Manager, Grant Thornton UK)
Paul Naylor – covering report (Deputy Chief Executive)



Summary:

This covering summary introduces the attached Annual Audit Letter from Grant Thornton (external auditors). Lisa Robertson, external audit manager, will be present to introduce and take question on the report.

This year's annual letter is short, containing key messages to the council. It reiterates the positive comments made by the external auditors at the last meeting, when unqualified opinions on the council's financial statements and the arrangement for 'value for money' opinion were reported. A report setting out the results of audit certification work on the housing benefit grant claim will be reported at a later date, though the work is completed and an unqualified opinion will be given.

Audit fees payable are currently the same as the audit plan, with the possibility of a variation for the housing benefit claim audit.

The report contains two recommendations that mirror comments made at the last meeting when considering the audit of the financial statements. Both points are in hand and are being taken into account by the Head of Finance in the planning for next year's earlier closedown.

Key Decision: Not applicable

Affected Wards: none specifically

Recommendations: **The Committee is asked to note the external auditors annual audit letter.**

Policy Overview: External audit is a statutory requirement and the work of the auditors, including the advice papers received forms an important part of the council's governance and ongoing development.

Financial Implications: none specifically

Other Material Implications: The matters referred to in Grant Thornton's national reports will help to inform officers future reports and members' decisions over the coming months

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The Annual Audit Letter for Ashford Borough Council

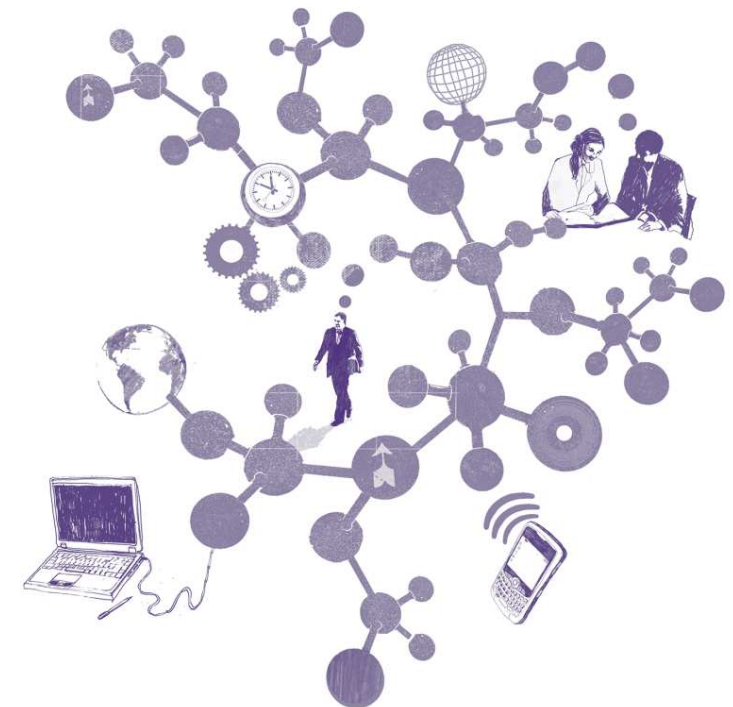
Year ended 31 March 2015

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 Ashford 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 in June 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.

Financial statements audit (including audit opinion)	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 29 September 2015 to the Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none">• the Council produced a good set of accounts supported by working papers. Staff responded quickly and helpfully to queries;• the accounts were adjusted to reflect the recommended uplift by the valuer for assets valued using Depreciated Replacement Cost. This resulted in an increase in value on the balance sheet of £2.5m; and• a number of other adjustments to the financial statements were identified to improve the presentation and disclosures of the financial statements. <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 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>
Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2014/15 on 30 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	We are currently completing our work to certify the Council's 2014/15 housing benefit grant claim by the 30 November 2015 deadline. We will report our findings on the Annual Certification Report to the Audit Committee.
Audit fee	Our fee for 2014/15 was £80,415, excluding VAT which was in line with our planned fee for the year and prior 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>Looking ahead, the statutory deadline for sign off audit opinions moves forward to 31 July in 2017/18. The Council will need to produce draft statements by 31 May.</p> <p>Recommendation: The Council should consider arrangements required to bring forward the timescale for closure of the financial statements, in readiness for statutory early closure in 2017/18.</p>	High	<p>The 2014/15 Statement was prepared by 31 May therefore we are confident that this deadline can be achieved for the 2015/16 Statement. The team already has highlighted areas where closing processes can be brought forward further. A meeting with the Accountants has been set to further look at ways to further reduce the timetable.</p> <p>Responsible office: Head of Finance Due date: 2015/16</p>
2.	<p>Our sample testing of accruals identified the need for improvements in the process on which they are based. With the move towards earlier closedown, the use of accruals is expected to increase and must be supported by a robust process.</p> <p>Recommendation: The Council must ensure there is a clear process for calculating accruals across all departments and that these are fully supported by sufficient evidence.</p>	Medium	<p>With the need to bring forward the closing process it is important to understand that there will be an increased level of reliance on estimates and assumptions when closing the accounts. We need to strike a balance between achieving the faster closing deadline whilst ensuring that the accounts are materially correct.</p> <p>We have reviewed our processes and are looking to bring forward the deadline for accruals however to offset this increased risk we are looking to introduce:</p> <ul style="list-style-type: none"> • Training for staff and managers involved in the closure of accounts, including what is required as evidence of accrual estimates • Additional process for checking duplicate transactions after year end • Additional process for checking payments made in April, ensuring relevant accruals are in place (done this year looking at material amounts) <p>Responsible office: Head of Finance Due date: 2015/16</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 £
Council audit	80,415	80,415
Housing benefit grant certification fee	14,200	14,200*
Total audit fees	94,615	94,615*

Fees for other services

Service	Fees £
Audit related services	
Certification of pooling of housing capital receipts return	Tbc*
Non-audit related services	Nil

*This certification work is on-going. The final fee will be reported to the Audit Committee in the year in our annual certification report n completion of this work.

Reports issued

Report	Date issued
Audit Plan	June 2015
Audit Findings Report	September 2015
Certification Report	Planned December 2015
Annual Audit Letter	October 2015



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