



The Annual Audit Letter for Bromsgrove District Council

Year ended 31 March 2014

September 2014

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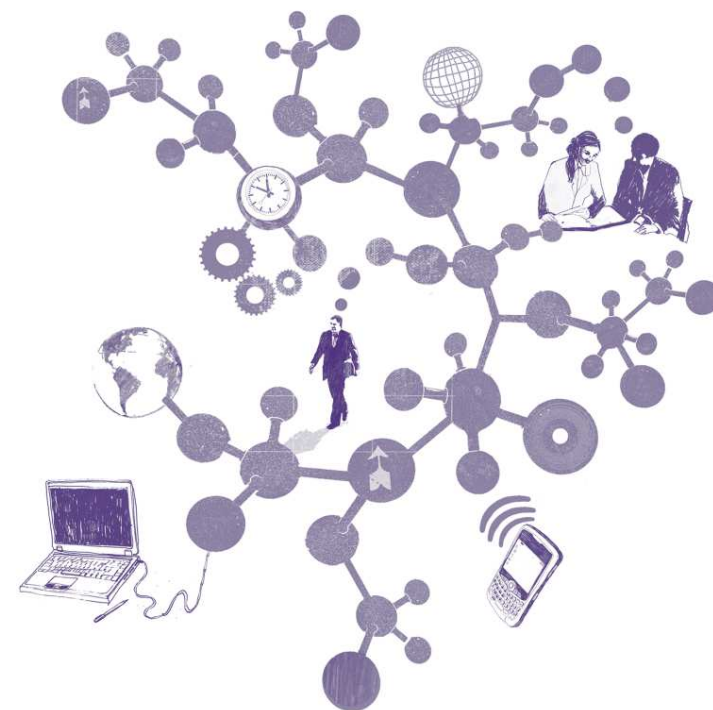
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is 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 Bromsgrove District 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 June 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)	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 24 September, to the Cabinet. The key messages reported were:</p> <ul style="list-style-type: none">• An unqualified opinion on the accounts was issued• An unqualified VFM conclusion was given• The Whole of Government accounts work was completed and the necessary return made to the NAO. No matters arose from that work. <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 30 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</p>
Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 30 September 2014.</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 2014.</p>

Key messages

Whole of Government Accounts	We reviewed the consolidation pack prepared by the Council to support the production of the Government's Whole of Government Accounts. In line with our instructions we reported that the Council was below the audit threshold level set by the National Audit Office and reviewed the worksheets specified for bodies below the audit threshold. We confirmed that the closing figures for Property, Plant and Equipment and Pensions liabilities in the consolidation pack were consistent with those in the Council's financial statements on the 30 September 2014 in advance of the deadline.
Certification of grant claims and returns	Work is currently on-going for the certification of the housing benefits subsidy claim. This work is being undertaken on behalf of Department for Work and Pensions.
Audit fee	Our fee for the 2013/14 audit fee is £64,906, excluding VAT. The Audit Commission sets the scale fee on which your audit fee is based. This scale fee was increased by £900, to reflect the additional work required around the changes to accounting for business rates this year. There were no other matters that impacted on the planned fee. The planned fee was consistent with that billed 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 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>Financial monitoring: The Q3 forecast out-turn was significantly different to the actual out-turn. No detailed analysis has been undertaken of savings achieved against budget.</p> <p>Recommendations: A detailed review of the 2013/14 out-turn against the revised budget should be undertaken. This should focus on gaining a better understanding of where recurring savings are reflected in the 2014/15 budget. The revisions to the 2014/15 budget and 2015/16 budget setting should include a review of vacancies and whether these should be included in the budgets going forward. The in year financial reports production should be speeded up, in particular to get the Quarter 1 report out more promptly and accuracy should be improved.</p>	high	<p>Presentation to 4th Tier to develop more robust forecasting and monitoring of budgets.</p> <p>Finance system to be used by budget holders to reflect more informed position on monitoring of financial position</p> <p>Responsible office: Jayne Pickering / Sam Morgan /HOS Due date: January 2015</p>
2.	<p>Performance management arrangements: The Council does not have a properly functioning performance management framework. This is in part caused by the on-going development of relevant performance (outcome) measures to support the strategic ambitions published in July 2013.</p> <p>Recommendation: Accelerate the work around developing performance measures and embedding these into routine operational and committee reporting, to support consistent and effective performance management arrangements.</p>	high	<p>Management Team currently considering options for development of reporting framework of measures to enable members to consider the information.</p> <p>Management Team currently considering development of a corporate plan to address reporting of measures together with delivery of strategic purposes</p> <p>Responsible officer: Deb Poole / Rebecca Dunne Due date: March 2015</p>

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 office/ due date
3.	<p>Ledger implementation</p> <p>The Council is planning to implement a new financial ledger by February 2015. This is a major and complex project and need to be properly planned and resourced to ensure it is developed successfully.</p> <p>Recommendation</p> <p>The Audit Board and Finance portfolio holder should have regular updates on the progress of the ledger implementation project. As a minimum, internal audit should be involved in providing independent assurance that the project is being properly planned and resourced. We can put the Council in contact with other councils who have successfully implemented a ledger system if this is considered helpful.</p>	high	<p>Discussions / Updates to be held with Internal Audit</p> <p>Verbal Update to Cabinet at each meeting</p> <p>Responsible officer; Sam Morgan</p> <p>Due Date: November 2015</p>
4.	<p>Risk register</p> <p>The Council is continuing to embed risk management procedures in day to day management arrangements. This was referred to in a report by internal audit, which concluded that there is still some progress to be made.</p> <p>Recommendation</p> <p>The Council should continue to embed risk management arrangements. in particular, the corporate risk register should be better aligned with corporate priorities and reported in its entirety to the audit committee periodically.</p>	medium	<p>Risk Register to be updated to reflect Strategic Purposes</p> <p>Report to Audit Board at six monthly intervals</p> <p>Responsible officer: Jayne Pickering</p> <p>Due date: March 2015</p>

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 office/ due date
5	<p>We reviewed a number of the on-going and planned capital schemes, particularly focussing on the adequacy of information provided prior to the decision being made to proceed.</p> <p>We noted that there wasn't a clear approval of the Council House/ Parkside project supported by a business case prior to a commitment being made.</p> <p>We noted that arrangements appeared to be better for the more recent town centre and leisure centre project, but clearly these schemes have associated risks that will need to be effectively managed.</p> <p>Recommendation</p> <p>All significant projects, particularly for capital schemes, must be supported by a clearly communicated business case that is considered before approval is given to any schemes.</p> <p>Robust project management arrangements will need to be in place as capital projects proceed, which will include adequate reporting of progress and risk management to those charged with governance.</p>	high	<p>Improvements have already been made to the reporting arrangements around decisions on major capital items.</p> <p>Responsible office: Jayne Pickering/ HOS Due date: on-going</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	64,006	64,906
Grant certification fee	3,872	3,872
Total fees	67,878	68,778

An additional £900 has been added to the scale fee, as reported in the AFR. This has yet to be confirmed as a fee variation by the Audit Commission.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	June 2014
Audit Findings Report	September 2014
Certification report	To be issued on completion of work
Annual Audit Letter	September 2014



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