

The Annual Audit Letter for Bromsgrove District Council

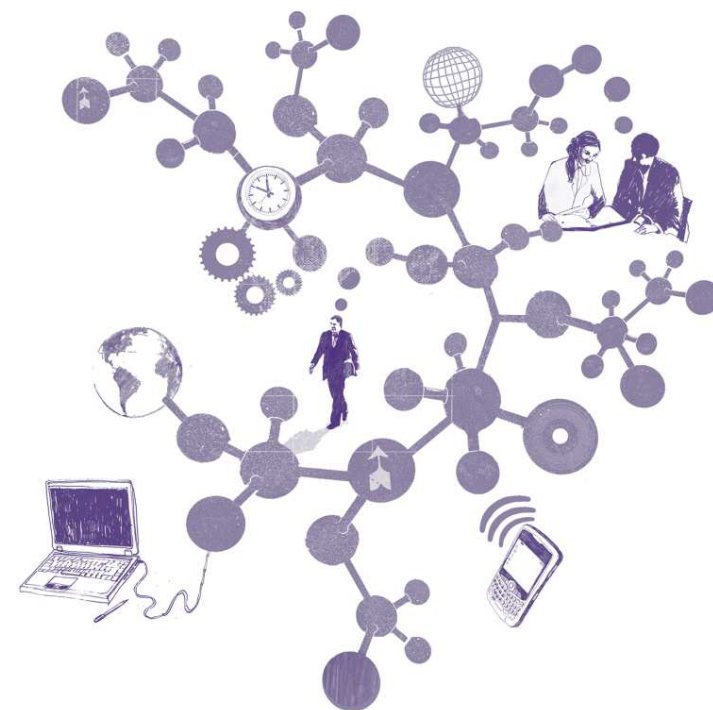
Year ended 31 March 2015

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 Bromsgrove District 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 March 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)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report issued on 23 September, to the Cabinet. The key messages reported were:

- we issued an unqualified opinion on the accounts
- we issued an unqualified value for money conclusion, and
- we issued a series of Section 11 recommendations.

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. The opinion on the accounts makes reference to the issue of S11 recommendations. Those recommendations are repeated in Appendix A.

The accounts were presented for audit after the statutory deadline of 30 June. The accounts were not of good quality and were restated in August, resulting in material adjustments. The arrangements in place to support the audit were not good and they should be improved for next year.

Key messages continued

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> <p>The Council has adequate levels of reserves and has a forward financial plan which are the key reasons why we have assessed the Council as financially resilient in the medium term.</p> <p>Within our Audit findings report we raise a number of matters in relation to the Council's arrangements under the VfM assessment criteria. A number of these concerns have been raised in previous years' audit reports.</p> <p>We consider that improvements are needed in budget management arrangements. There should be improved forecasting and better analysis of the financial out-turn. In particular, a greater understanding of underspends and savings is needed.</p> <p>Performance management arrangements need to be strengthened, to both ensure that there are clear links between priorities and budget, and that services are of good quality, efficient and effective.</p> <p>A more detailed assessment is contained in our Audit Findings report and our detailed findings are not repeated here.</p>
Certification of housing benefit grant claim	<p>We are currently auditing the Council's 2014/15 housing benefit grant claim. As initial testing identified some errors which have triggered 40+ testing, it is probable that the opinion will be qualified. The work will be completed by the deadline of 30 November.</p>
Audit fee	<p>Our fee for 2014/15 set out in the audit plan was £48,680 excluding VAT. A fee variation will be requested due to the additional work involved in completing our audit. We will agree that additional fee with the Executive Director (Finance and Resources) and Public Sector Appointments (PSAA).</p>

Appendix A: Recommendations made under section 11 (3) of the Audit Commission Act 1998

We have made some detailed recommendations in our audit findings report on the accounts production process and value for money arrangements, and these are not all repeated here. The table below repeats the S11 recommendations, to which we are expecting a formal response.

No.	recommendation	Priority	Management response/ responsible office/ due date
1.	<p>The Council should put in place robust arrangements for:</p> <ul style="list-style-type: none"> • the production of the 2015/16 financial statements, which meet statutory requirements and international financial reporting standards. In order to achieve this the Council should: <ul style="list-style-type: none"> - ensure sufficient resources and specialist skills are available to support the accounts production - introduce appropriate project management skills to the production of the financial statements 	High	<p>A qualified accountant within the team is developing a full and comprehensive timetable which will be informed by the statutory deadlines to ensure that the finance team are aware of all roles and responsibilities to undertake the production of the 2015/16 financial statements. This timetable will be supported by County Council officers in ensuring the deadlines are timely.</p> <p>Regular training for the team has already commenced following identification of the needs for the team. Officers from the County Council are supporting technical training together with external courses on final accounts production being made available to the team. Once the systems improvements have been actioned an assessment will be made of the vacant accountant posts to enable the correct resource to be made available within the team.</p> <p>The timetable and management of the production of the financial statements will be subject to a weekly review by the Director of Finance and Resources together with a monthly update to the Audit and Governance Committee.</p> <p>Responsible officer: Jayne Pickering</p> <p>Due date: by 30 June 2016, although progress against key milestones reported to each Audit Board.</p> <p>The Audit Board should provide assurance to Cabinet on progress after every Audit Board meeting.</p>

Appendix A: : Recommendations made under section 11 (3) of the Audit Commission Act 1998 (continued)

No.	recommendation	Priority	Management response/ responsible office/ due date
2.	<p>The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that:</p> <ul style="list-style-type: none"> • the financial statements are compiled directly from the ledger • the entries in the accounts are supported by good quality working papers which are available at the start of the audit • the financial statements and working papers have been subject to robust quality assurance prior to approval by the Executive Director (Finance and Resources) • provides additional training, where necessary, to ensure all staff involved in the accounts production process have the necessary skills and information; • the production of the financial statements is monitored through regular reporting to Directors and the Audit Board. 	High	<p>As mentioned above, a qualified accountant within the team is developing a full and comprehensive timetable.</p> <p>Alongside this work the following will be prepared:</p> <ul style="list-style-type: none"> • full set of template working papers (agreed with External Audit) • full set of reconciliation schedules to be approved monthly by the Director of Finance • preparation of the CIPFA Toolkit with all relevant prior year figures populated • ensure that the work the “system accounts recovery team “ are undertaking supports the direct preparation of the financial statements from the ledger • periods within the timetable to be allocated to ensure quality checking <p>Training and monitoring is mentioned in the action point above</p> <p>Support will be sourced from the County Council to ensure the information to be provided to the Auditors is of a quality standard</p> <p>Responsible officer: Jayne Pickering</p> <p>Due date: 31 December 2015 for project plan. Progress on this and the other recommendations to be reported to each Audit Board</p>

Appendix A: : Recommendations made under section 11 (3) of the Audit Commission Act 1998 (continued)

No.	recommendation	Priority	Management response/ responsible office/ due date
3.	The Council should put in place robust arrangements to ensure that the budget preparation processes are based on sound assumptions which enable an accurate forecast to be made of budget out-turn, including realistic assessments of demand factors, service and demographic changes as well as sound assumptions around turnover and vacancy rates	High	<ul style="list-style-type: none"> • New processes have been put in place to ensure that Heads of Service propose any additional funding / income and savings with clear evidence and data as to the justification for the change to budget • All vacancies to be agreed by the Directors / Chief Exec and Portfolio Holders • Assessment of 2014/15 actual position to be used to inform any potential changes to the budget for 2016/17 <p>Responsible office: Jayne Pickering</p> <p>Due date: 31 December 2015</p>

Appendix A: : Recommendations made under section 11 (3) of the Audit Commission Act 1998 (continued)

No.	recommendation	Priority	Management response/ responsible office/ due date
4.	The Council should ensure that budget monitoring processes are timely to enable an accurate forecast to be made in-year of the likely year-end outturn and action to be taken, where necessary, to address budget variances.	High	<p>Heads of Service are to report to both CMT and Portfolio Holders their projected out-turn and the rationale as to why the projections may be different to the current position. A new system of on-line financial planning will be available in 2016 which will enable managers to review their financial position in a more timely way and therefore make more informed projections as to the year end.</p> <p>Responsible officer: Jayne Pickering</p> <p>Due: 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 £
Main Audit	48,680	48,680
Additional fee		tbc
Housing benefit grant certification fee	8,760	8,760
Total audit fees	57,440	67,125

We are proposing a further fee to reflect the additional costs associated with the opinion audit, which included additional days to that planned and the additional involvement of senior staff to deal with the particular issues we faced.

The original fee was agreed based on the assumption that particular quality standards were met in relation to the quality of the accounts, working papers and access to staff. As already discussed with the Executive Director (Finance and Resources) and the Audit Board, these standards were not met. The fee will be agreed with Council officers and then be submitted for approval by Public Sector Audit Appointments.

Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015



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