



The Annual Audit Letter for Maidstone Borough Council

Year ended 31 March 2013

October 2013

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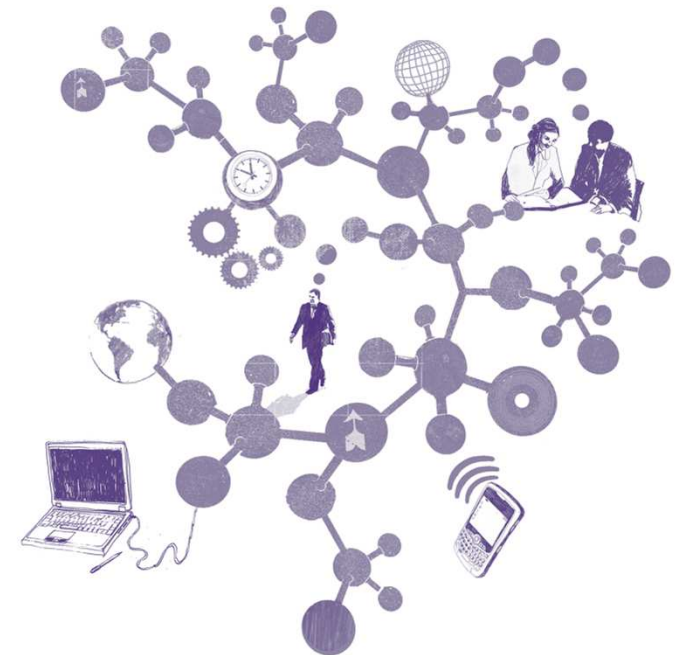
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Section 1: Executive summary

01. 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 Maidstone 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 16th September 2013. Further findings which emerged subsequent to that date were reported to the Chair of the Audit Committee in a letter on 30th 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 we issued on 15th July 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

We also:

- completed a "short form" assurance statement on the council's Whole of Government Accounts submission, confirming the relevant entries were consistent with the audited statutory accounts
- certified the Council's NNDR3 return which was signed off without amendment or qualification. Our work on the housing benefit and council tax benefit subsidy claim, which has a deadline of 30 November, is still in progress.

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.

We issued an unqualified opinion on the Council's financial statements on 30th September 2013, the deadline date set by statute. Difficulties were experienced during the audit with elements of the accounts not supported by working papers until late in September. The Council will need to continue to work proactively with auditors to ensure the timely provision of the draft financial statements and supporting working papers. This will be particularly important given the increasing demands on officers to understand and implement changes to the financial reporting framework which are proposed over the coming years.

The Council reported an underspend against its revenue budget for 2012/13 and has continued to implement robust savings plans to offset the financial pressures it faced. The Council's arrangements for financial resilience are sound. Given its partnership working and increasing focus on commercialisation, we have highlighted that:

the Council needs to continue to ensure that there are robust governance arrangements in place for partnership working, and that the arrangements entered into will continue to support delivery of corporate priorities and objectives; and

- carefully consider the potential risks and opportunities for commercialisation plans under the Localism Act, and incorporate the impact of schemes adopted into its medium term financial planning.

Like other local authorities, the Council has responded to legislative changes through implementation of plans under the Localism Act which have transformed the way in which services are funded. These include local retention of business rates and localisation of council tax support from 1st April 2013.

Acknowledgements

This Letter has been agreed with the Director of Regeneration and Communities and will be presented to Audit Committee on 25th November 2013.

We would like to 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 draft accounts for audit on 5th July 2013, five days later than the statutory deadline. Working papers were available from the start of the audit fieldwork, but were not complete. Your previous auditors commented adversely on the quality of working papers in 2011/12.

In 2012/13, there was an overall improvement in the quality of the draft accounts and supporting working papers presented for audit. Nevertheless, this must remain an area for further improvement.

Issues arising from the audit of the accounts

We presented our audit findings report to the Audit Committee on 16th September 2013. We noted at the time of reporting, officers had not provided working papers to support balance sheet entries for council tax and non domestic rates. Working papers were subsequently provided on 24th September 2013. Audit review identified differences between the accounts presented to members in September, the supporting working papers and reports from the underlying revenue systems. We were not able to understand fully the reasons for these differences and reported a level of uncertainty over the balance sheet figures for council tax and NNDR of £247k and £955k respectively. Further assurances were sought from officers on this issue in a revised letter of representation. Notwithstanding the above, a number of amendments to debtor and creditor balances were required in order to correctly reflect the agency arrangements applicable to collection fund entries and comply with the requirements of the Code. These had the impact of reducing debtors on the Council's balance sheet by £2541k and creditors by £1475k.

Annual governance statement

Our review of the annual governance statement concluded it was consistent with our knowledge of the Council and the Council had complied with the six principles of effective governance, as determined by CIPFA/SOLACE.

Whole of Government Accounts

We issued an assurance statement to the NAO and DCLG on 2nd October 2013, confirming the consolidation pack was consistent with the Council's financial statements.

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 Committee at the Council). We presented our report to the Audit Committee on 16th September 2013 and further reported on 30th September in a letter to the Chair of the Audit Committee. The difficulties encountered has resulted in additional audit fees (Appendix A).

We issued an unqualified opinion on the Council's 2012/13 accounts on 30th September 2013, having determined the level of uncertainty as noted was not material. 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.

The Council is required to publish its audited accounts with the audit report on its website by 30th September. It missed this due to work up to the 30th September.

Audit of the accounts

Key areas for Council action

Key issues arising from our audit for future management focus include:

- investigating the reasons for discrepancies between the Council's main financial ledger and revenues system, to resolve before the completion of 2013/14 accounts preparation;
- reviewing working practices to ensure the issues identified do not recur in the future;
- the number of disclosure amendments in the accounts required as a result of the audit is relatively high in comparison with other local authorities; and
- the Council's external valuer provided timely information in respect of asset valuations, however they were not asked to provide a global impairment review of the Council's asset portfolio.

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 reviewed the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Overall our work concluded despite the challenging financial environment and sustained period of budgetary constraint, the Council has continued to exercise a prudent medium term financial strategy. Financial planning and budget monitoring processes are robust, and savings targets were achieved in 2012/13. Savings targets for the next three years remain challenging and further financial savings will need to be identified.

Challenging economy, efficiency and effectiveness

We reviewed whether the Council had prioritised its resources to take account of the tighter constraints it is required to operate within and whether it had achieved cost reductions and improved productivity and efficiency

Our work highlighted that the Council's arrangements to secure value for money operated effectively and we had no further recommendations for improvement.

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.

We have certified the Council's return for national non-domestic rates without amendment or qualification by the government deadline of 27 September 2013.

Other work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work

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.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and grant claim certification work. No non-audit services were provided to the council during 2012/13.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	66,400	69,919*
Grant certification fee	17,600	tbc
Total fees	84,000	tbc

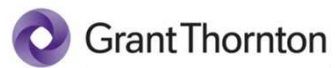
Fees for other services

Service	Fees £
None	Nil

*An additional audit fee of £3,519 plus VAT has been proposed as a result of the additional input required from the audit team in order to deliver the audit opinion by the statutory deadline. It should be noted that the fee should not be considered final until approval has been given by the Audit Commission.

Reports issued

Report	Date issued
Audit Plan	15/07/2013
Audit Findings Report	16/09/2013
VfM – Financial Resilience Report	16/09/2013
Annual Audit Letter	28/10/2013
Certification report	TBC



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