

The Annual Audit Letter for Maidstone Borough Council

Year ended 31 March 2014

October 2014

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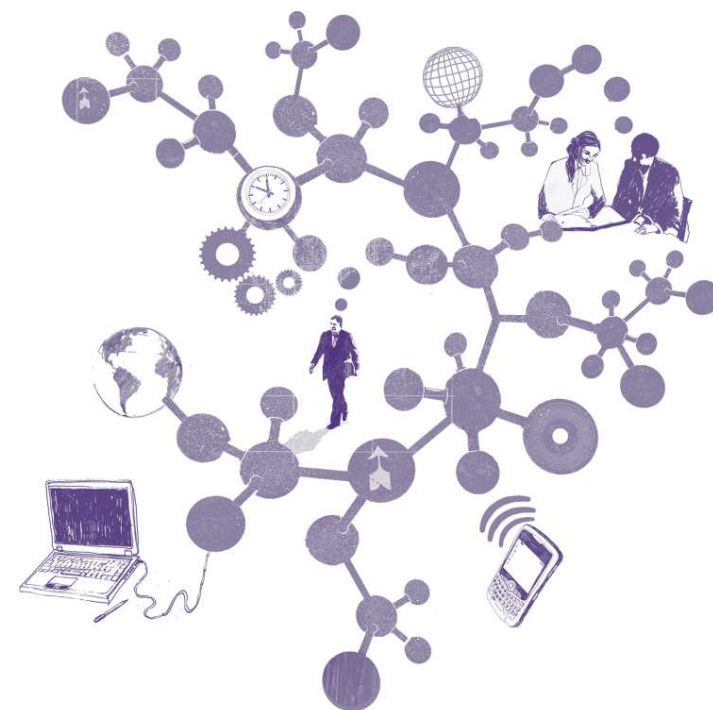
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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Maidstone Borough 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 on 14 July 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 15 September 2014 to the Audit Committee. The key messages reported were:

- The statements were of a generally good standard and supported by reasonable working papers.
- We found 3 adjustments affecting the Council's reported financial position, none of which affected the general fund balance at year-end. We identified a number of improvements to the presentation of the financial statements.
- The Council has addressed the issue we reported last year around balances relating to the collection fund although we made a recommendation around the process for reconciling revenues systems to the general ledger.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 23 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

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 23 September 2014. The key messages reported were:</p> <ul style="list-style-type: none">• The Council has continued to achieve a good financial outturn and has satisfactory arrangements in place to ensure financial resilience and deliver value for money.• The Council proposes to reduce its useable reserves over the term of its medium term financial strategy. We recommended that the Council carefully consider whether the proposed reduction would provide sufficient resilience and flexibility to deal with financial shocks and fund future projects. <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>
Whole of Government Accounts	<p>As the Council falls below the threshold set by the National Audit Office, we are only required to carry out limited work on the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We confirmed on 23 September 2014 that a review was not required and that the balances of property, plant and equipment and pension liabilities in the pack were consistent with the audited financial statements.</p>
Certification of grant claims and returns	<p>We are carrying out certification work on your housing benefit subsidy claim and will report our findings from this work separately in our annual certification report. No other claims or returns are subject to certification this year.</p>
Audit fee	<p>Our fee for 2013/14, subject to any changes arising from on-going certification work, was £82,524, excluding VAT which represents a reduction to our planned fee for the year and also represented a reduction of 6% from the previous year. Further detail is included within appendix B.</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 officer/ due date
1.	<p>We confirmed that the Council had addressed the issues we found in respect of collection fund balances in 2012/13. However, the process for reconciling cash between the council tax and non-domestic rates systems and general ledger should be formalised.</p> <p>Recommendation: Formalise the process of reconciling cash between the ledger and council tax and business rates systems.</p>	Medium	<p>The Council has a process in place for reconciling cash transactions between the general ledger and revenues system both throughout the year and at year end. This process will be reviewed to ensure that discrepancies are identified and resolved in time for the production of the 2014-15 financial statements.</p> <p>Responsible officer: Ellie Dunnet, Chief Accountant Due date: March 2015</p>
2.	<p>The budget strategy plans to reduce usable reserves to about £5m, which would be a lower percentage of gross cost of services than most similar councils</p> <p>Recommendation: Consider carefully whether the proposed reduction in usable reserves would provide sufficient financial resilience to fund projects and absorb future financial shocks. Benchmarking of reserve levels against other similar councils would provide a useful contribution to this discussion.</p>	High	<p>The benchmarked data has been referred to the member budget working group and will be considered by the Strategic Leadership and Corporate Services Overview and Scrutiny Committee in setting the medium term financial strategy for 2015-16 onwards.</p> <p>Responsible officer: Paul Riley, Head of Finance and Resources Due date: December 2014</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual 2013/14 fees (tbc) £	2012/13 fees £
Audit Fee	66,400	* 67,300	69,919
Grant certification fee	17,300	** 15,224	17,600
Total fees	83,700	82,524	87,519

* There is an additional fee of £900 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 subject to agreement by the Audit Commission.

** The Audit Commission updated its scale fee for certification work to reflect the removal of the need to test council tax benefit claims as part of work on Housing Benefits subsidy claim. We will report the final fee later in the year in our annual certification report.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	15 July 2014
Audit Findings Report	15 September 2014
Certification report	TBC
Annual Audit Letter	October 2014



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