



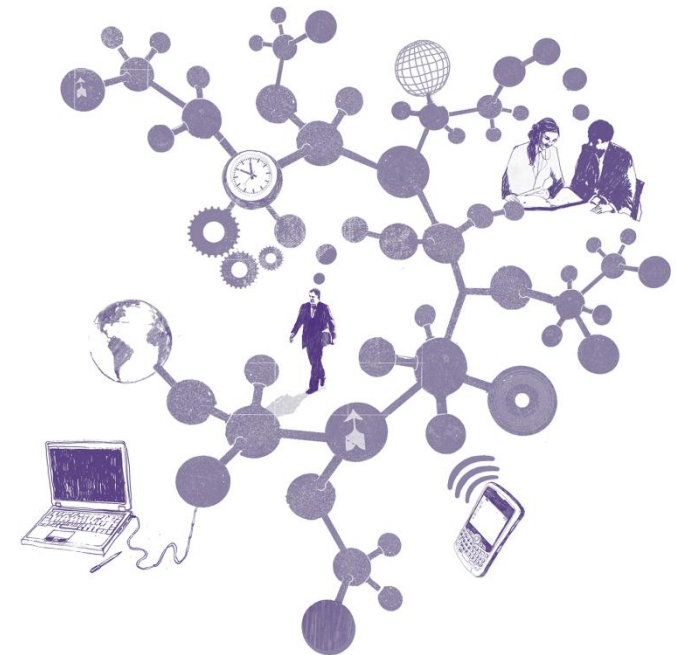
The Annual Audit Letter for Cheltenham Borough Council

Year ended 31 March 2013

11 October 2013

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Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

The Council has met the financial challenges of reduced funding well, but these now look set to continue for several years.

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 Cheltenham Borough Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- Value for money - 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 25 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 that we issued on 22 April 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
- an unqualified opinion on the council's Whole of Government Accounts submission
- we have certified two grant claims and returns, one of which was certified with an amendment and none were qualified. No issues have been identified from our work to date. Our audit of the Housing and Council Tax Benefit claim is on-going. The detailed findings from our work will be reported in our grant certification report.

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.

The Council's accounts were, for the first time, prepared by Go Shared Services (GOSS) under the new shared service arrangement. We identified no material errors in the draft accounts. It was also the first year of our audit appointment. As expected some teething problems were encountered which made the audit process difficult to complete within our planned deadlines. However, we will work with the Council and GOSS to help make the process smoother in future.

The Council continues to operate in a difficult financial climate. Indications are that public sector spending will continue to be subdued for several years, with the government setting a target of achieving a budget surplus in the next parliament. This may well lead to further reductions in government funding for local authorities.

Our Value for Money work concluded that the Council has sound arrangements in place to plan its finances over the next five years. The Medium Term Financial Strategy 2012/13 to 2017/18 incorporates financial forecasts, budget gaps and savings plans to bridge the gaps. Given that future budget predictions are subject to uncertainty, officers and members will need to continue working effectively and proactively together to manage the risks the Council faces and to bridge any funding gaps identified.

Nevertheless, the Council is responding well to the challenges of the Local Government Finance Settlement, delivering savings and targeting its resources effectively.

Acknowledgements

This Letter has been agreed with the Director of Resources and will be presented to Audit Committee on 15 January 2014.

We would like 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

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Our audit of your accounts went well and we were able to issue an unqualified opinion and Value for Money Conclusion by the 30 September deadline.

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 produces its signed accounts on 29 June 2013 in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 8 July 2013.

Issues arising from the audit of the accounts

We identified no material errors in the accounts. We did however, identify 2 non material errors. The Council amended the accounts to reduce the value of debtors and creditors as a result of incorrect grossing up but decided not to adjust the accounts to include Civic Regalia within heritage assets this year, but these will be included in future accounts. In addition, a small number of adjustments and changes were made to enhance disclosures in the accounts.

Annual governance statement

The Council has in place a thorough and robust process to produce the annual governance statement. The statement was consistent with our knowledge of the Council and complaint with guidance issued by CIPFA.

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 25 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified qualified opinion on the Council's 2012/13 accounts on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. 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

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

We were able to provide an unqualified Value for Money Conclusion. We identified that, whilst the Council faces challenges, particularly in 2013/14 and 2014/15, its current arrangements for securing financial resilience are good.

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 manage effectively 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 have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our work highlighted that, whilst the Council faces challenges, particularly in 2013/14 and 2014/15, its current arrangements for securing financial resilience are good.

Further details are provided in our Financial Resilience report issued in September 2013.

Challenging economy, efficiency and effectiveness

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

Our work concentrated on the council's achievement of its £480k savings plan for 2012/13 and its plans for delivering further savings of £3.299m over the next five years.

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

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

We have completed our work on the Business Rates and Pooling of Housing Capital Receipts grant claims. Both were certified by the relevant deadline, and without amendment. Our work on the Housing and Council Tax Benefit claims continues

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 two **claims** and returns Business Rates and Pooling of Housing Capital Receipts grant claims for the financial year 2012/13 relating to expenditure of £52.6 million. Our work on Housing and Council Tax Benefit continues.

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.

Key messages

The key messages from our certification work are summarised in the table below. Further details will be provided in our certification report which will be issued in January 2014.

Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	Both claims submitted by the relevant deadline. One claim certified with an amendment.	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	One claim (Pooling of Housing Capital Receipts) certified with an amendment but was unqualified.. One claim (National Non Domestic Rates) was certified without amendment or qualification.	●
Supporting working papers	Working papers have been of a good standard.	●

Appendices

Appendix A: 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 fees £
Audit Fee	64,974	64,974
Grant certification fee	12,750	12,750
Total fees	77,724	77,724

We have not yet completed our grant certification work. We will report the final fee in our Grant Certification Report.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	April 2013
Audit Findings Report	September 2013
Certification report	September 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



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