



Stevenage Borough Council

Annual Audit Letter

For the year ended 31 March 2012

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1 Executive summary

1.1 Purpose of this letter

This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at Stevenage Borough Council ('the Council') for the year ended 31 March 2012. The Letter is designed to communicate our key messages to the Council and external stakeholders, including members of the public. We ask that the Council ensures that this Letter is published on the Council's website.

1.2 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).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our main audit conclusions for the year

The accounts for the year ended 31 March 2012 give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

1.3 Key messages for the Council

Accounts audit:

We did not identify any significant audit adjustments that impact on the Council's income and expenditure position (statement of comprehensive income) or balance sheet (statement of financial position). Adjustments processed to the accounts were minor and of a presentational nature only and had no overall effect on the Council's reported assets and liabilities.

An unqualified audit opinion was issued on 24 September 2012. Further details can be found in section 2 of the Letter.

Value for Money:

An unqualified VFM conclusion was issued on 24 September 2012 confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012. Further details can be found in section 3 of this Letter.

Grants certification:

To date we have certified two claims, of which neither have been qualified and one was subject to a minor amendment. Once the work on the remaining claims has been completed we will report in full on our findings.

1.4 Acknowledgement

This Letter has been agreed with the Deputy Chief Executive & Strategic Director (Resources) and will be presented to the Audit Committee on 28 November 2012.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP

October 2012

2 Audit of the accounts

We issued an unqualified opinion on the Council's accounts for the year ended 31 March 2012 on 24 September 2012, ahead of the statutory deadline of 30 September 2012. Our opinion confirmed that the accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

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 Annual Report to Those Charged with Governance to a joint meeting of the Audit Committee and the Statement of Accounts Committee on 24 September 2012 and summarise only the key messages in this Letter.

In the conduct of our audit, we did not have to alter or change our audit plan, which was as communicated to the Council in our Audit Approach Memorandum, dated June 2012.

2.1 Design effectiveness of internal controls

We undertook work on key financial systems sufficient to support our approach to the accounts audit. The work was in three main areas:

- a review of key financial controls for the purpose of designing our programme of work for the financial statements audit
- assessment of the work of internal audit to ensure that it was appropriate to support our work in auditing the Council's accounts
- a high level review of the general IT control environment

Our work did not identify any control issues that presented a material risk to the accuracy of the financial statements.

2.2 Key audit and financial reporting issues

We did not identify any significant audit adjustments that impact on the Council's income and expenditure position (statement of comprehensive income) or balance sheet (statement of financial position). Adjustments processed to the accounts were minor and of a presentational nature only and had no overall effect on the Council's reported assets and liabilities.

The key messages arising from our audit of the Council's financial statements were:

- In order to align the valuation of non-HRA properties with HRA properties at 1 April, there was no valuation completed as at 31 March 2012. The valuation as at 31 March 2011 was rolled over to 1 April 2011. We have reviewed the approach used by the Council in terms of the valuations performed for non-HRA properties and assessed whether the valuation of non-HRA properties is still applicable and appropriate. We are satisfied that the procedures in place are sound and that judgements which impact the value of the assets have been applied appropriately.

2.3 Annual Governance Statement

We examined the Council's arrangements and process for compiling the Annual Governance Statement (AGS) and read the AGS and Explanatory Foreword to consider whether they were in accordance with our knowledge of the Council. Our review of Internal Audit also supported our review of the AGS which, in turn, informs our VFM conclusion and our audit of the financial statements.

We concluded that the AGS and Explanatory Foreword were consistent with our knowledge of the Council.

2.4 Public Challenge Matters

We received no questions or objections in respect of the financial statements for the year ended 31 March 2012 and were able to issue our audit certificate on the same date as signing the accounts.

2.5 Whole of Government Accounts (WGA)

The Council submitted its draft WGA L-Pack for audit in line with the Department of Communities & Local Government (CLG) deadline. Minor adjustments were required to be made to the pack as a result of our audit and we submitted the audited WGA in advance of the 5 October 2012 deadline.

3 Value for money

The Code of Audit Practice 2010 (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; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our conclusion based on the following two criteria specified by the Audit Commission:

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.

3.1 Key findings

Securing financial resilience

To support our conclusion against this criteria we undertook a follow up review to our work performed in the same area in the prior year, which considered the Council's performance against a series of key performance

indicators and the arrangements in place against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

The key findings from this review were:

- The Council has a good track record in managing expenditure against budget. This reflects good performance in challenging financial times.
- The lack of brought forward capital receipts for the General Fund means that borrowing is required. Currently, the Council are utilising investment balances in preference to taking out additional borrowing. The Council have recognised that borrowing is not a long term solution and that this can only really support the capital programme in the short term.
- With the introduction of the Localism Bill, there are to be some fundamental changes to Council financing going forward. From 2013/14, there will be the localisation of both Council Tax Benefit and Business Rates and also the centralisation of other benefits with the introduction of the Universal Credit from 1 October 2013. These all represent significant changes for the Council to respond to, and they must ensure that planning is able to react to the uncertainties that these changes will bring.

- The Council are currently progressing their Asset Management Strategy. It is recognised that that *"in order to have a sustainable, affordable General Fund Capital Strategy, it is imperative that the Asset Management Plan is implemented to release resources to reduce the burden on the General Fund and ensure that the capital programme delivers the right investment outcomes for the Council's assets."*

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 efficiencies.

We have completed a review against key risk indicators which has not highlighted any significant issues that would impact on our conclusion in respect of this criteria.

As part of our 2011/12 audit plan, we agreed with management the benefits of reviewing the Council's plans for developing a detailed business case for ICT shared services across North Hertfordshire District Council, East Hertfordshire District Council and Stevenage Borough Council.

We have met with key staff at both the operational and senior management level, to gain an understanding of the governance structures in place to oversee the business case development process. In addition, we have reviewed key documents that support the process in place for risk management and governance activities and controls, to assess how well current and future needs and investment decisions are made, and whether they are at the appropriate level. This review has not highlighted any significant issues with the governance arrangements.

3.2 Overall conclusion

On the basis of our work, 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 2012.

4 Grants Certification

4.1 Introduction

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2010/11 certification work we reported that performance had generally improved against the key performance measures.

We are currently in the process of certifying the 2011/12 grant claims and returns. Once this work is complete we will report in full on the findings of our work.

A Audit reports issued and fees

Report	Date issued
Annual audit plan	January 2012
Audit approach memorandum	June 2012
Report to those charged with governance (ISA 260)	September 2012
Financial resilience II	September 2012
Annual audit letter	October 2012
Grants Certification Report	January 2013

Audit area	2011/12 Budget	2011/12 Actual
Statutory audit	£140,730	£140,730
Certification of grant claims and returns*	£40,000	TBC
Total Code of Audit Practice fee	£180,730	TBC

* The quoted fee for grant certification work is an estimate only and will be charged at published hourly rates. The final fee will be included within the annual certification work report.

There has been no non-code work completed.



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