



The Annual Audit Letter for Stevenage Borough Council

Year ended 31 March 2013

24 October 2013

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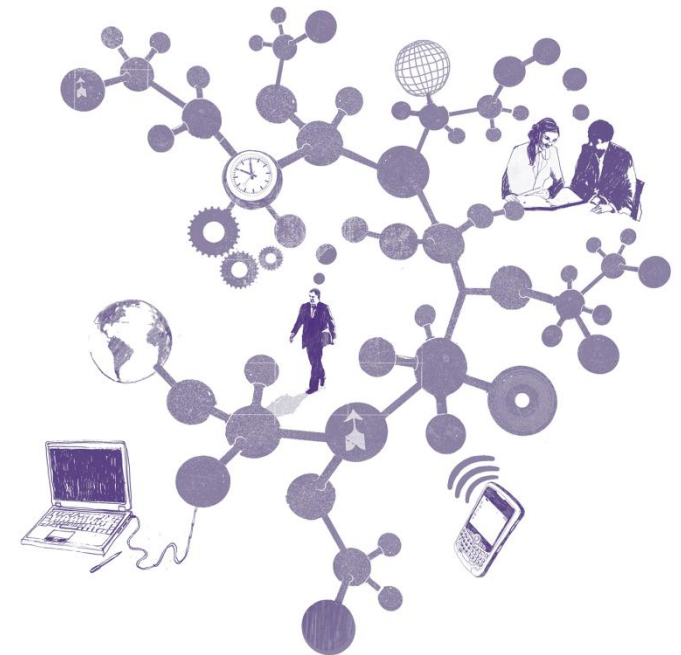
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Section 1: Executive summary

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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 Stevenage 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 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 line with the Audit Plan that we issued on 18 March 2013. It 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 we 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
- our certification work on the Council's grant claims and returns is nearing completion. Of the three we are required to certify, based on our work to date we expect none to be qualified and only one to have needed amendment.

Executive Summary (cont.)

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.

In our 2011/12 Annual Audit Letter we highlighted the Council's good track record in managing expenditure against budget, reflecting a good performance in challenging financial times. This has continued into 2012/13. However, a number of the issues we reported in 2011/12 continue to present challenges going forward:

- The Council has minimal capital receipts to fund the General Fund capital programme and has to largely rely on borrowing. In response to this, the Council has developed its Asset Management Strategy to identify all surplus and uneconomic assets and develop a longer term approach. The next challenge is to ensure this delivers tangible results.
- The Council has set itself a target of £1 million savings per annum over the next four years. It will need to build on its successful track record to date in delivering annual savings plan in order to avoid its General Fund balance falling below the minimum risk-assessed level it has established.
- Changes to local government financing arising from the localisation of Business Rates and Council Tax Benefit and the Governments welfare reform agenda will remain key issues in 2013/14 and beyond.

The Council's financial statements were again prepared to a good standard, and only presentational amendments were required as a result of the audit, with no adjustments to balances required. We issued an unqualified audit opinion and value for money conclusion.

Acknowledgements

This Letter has been agreed with the Strategic Director Resources and will be presented to Audit Committee on 18 November 2013.

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

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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 us with draft accounts on 27 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 29 July 2013.

The financial statements presented for audit were complete, and the comprehensive file of supporting working papers provided a good audit trail from the statements to the individual transactions in the financial ledger, which was clear and easy to follow.

Issues arising from the audit of the accounts

Due to a change in presentation, the opening balance for the value and accumulated depreciation of Council Dwellings in Note 15 were both reduced by £25,783k compared to the audited 2011/12 accounts. While the previous methodology was accepted practice, the change was made to provide a consistent treatment across all asset groups, with no overall effect on the Balance Sheet. We accepted the validity of the revised accounting treatment.

There were a number of re-allocations of amounts disclosed within the Movement in Reserves Statement and in Note 7 on statutory adjustments. These had no overall effect on the Council's reserve balances or other financial statement balances.

We agreed the accounting entries the Council made for the Local Authority Mortgage Scheme but consider that the scheme represents a financial guarantee and therefore that disclosure of the fair value of this guarantee was also required.

The fair value is unlikely to be materially different from the amount disclosed in the accounts at present although it could vary significantly in the future. The Council has confirmed that it will continue to review future guidance and reassess the potential impact on the financial statements in future periods.

Annual governance statement

We reviewed the Council's annual governance statement and found it to be an accurate reflection of the Authority's performance in relation to governance issues during 2012/13.

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 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 25 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

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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 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 updated our 2011/12 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 concluded that the Council's arrangements remain fit for purpose. However, the Council needs to:

- continue to maintain adequate levels of reserves and ensure that the Medium Term Financial Strategy remains responsive, given the scale of savings required in future years; and
- progress the Asset Management Review to enable the release of resources to reduce the burden on the General Fund.

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.

In doing this, we carried out a detailed risk assessment of the Council's arrangements based on the key risk indicators set out in Audit Commission guidance, building on our knowledge gained from previous assessments. We did not identify any matters that require drawing to your attention.

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 three claims and returns for the financial year 2012/13 relating to expenditure of £92.9 million.

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 issued in November 2013.

Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All claims have been (or are planned to be) submitted to the relevant department and auditor in line with required timetable.	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	<ul style="list-style-type: none">• Pooling of Housing Capital Receipts return required no amendment.• One line amended on National Non-Domestic Return by £310k.• Work on the Housing and Council Tax Benefit Subsidy claim is in progress and the results will be reported in our annual certification report. No amendments proposed, subject to final review.	●
Supporting working papers	All claims and returns supported by adequate working papers.	●

Appendices

Appendix A: Reports issued and fees

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

Fees

	Per Audit plan £	Actual fees £
Audit Fee	84,438	84,438
Grant certification fee [estimate]	19,300	19,300
Total fees	103,738	103,738

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	March 2103
Audit Findings Report	September 2013
Certification report	November 2013
Annual Audit Letter	October 2013



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