



# The Annual Audit Letter for South Derbyshire District Council

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**Year ended 31 March 2013**

10 October 2013

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Director

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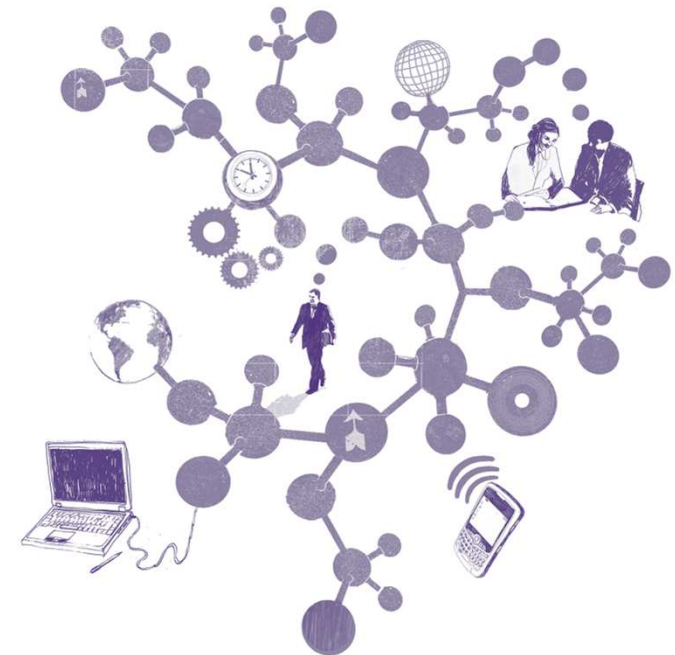
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# Contents

| <b>Section</b>                               | <b>Page</b> |
|--|-------------|
| 1. Executive summary                         | 3           |
| 2. Audit of the accounts                     | 6           |
| 3. Value for Money                           | 8           |
| 4. Certification of grant claims and returns | 10          |

## **Appendices**

A Reports issued and fees

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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

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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 South Derbyshire District 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](http://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 in March 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.

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## **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.

### **Medium Term Financial Position**

The Council's overall financial position is, like those of most councils, very challenging. There are projected budget gaps in each of the years covered by the Medium Term Financial Plan (to 2017/18). Figures released by CLG in July 2013 have indicated that further savings will be needed. We are satisfied that the Council is taking sensible action to safeguard its financial future and the essential services which it provides, but significant risks and uncertainties remain and it is vital that the Council continues to:

- Maintain tight financial control
- Keep the MTFP up-to-date and plan for a range of scenarios
- Effectively manage its efficiency savings plan to ensure that the required savings are delivered.

## **Acknowledgements**

This Letter has been agreed with the Director of Finance and Corporate Services and will be presented to Audit Sub Committee on 18 December 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**

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## 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

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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 30 July 2013, in accordance with the agreed timetable. Supporting working papers were made available from the start of the audit fieldwork, which commenced on 30 July 2013.

The draft accounts and supporting working papers were of a high standard.

### **Issues arising from the audit of the accounts**

We identified one material adjustment. This related to £6.6m of internal recharges that had been incorrectly allocated within income and expenditure. This was corrected by management and did not affect the Council's reported net expenditure or reserves position. We also identified a number of adjustments to improve the presentation of the financial statements.

There were no unadjusted misstatements. All adjustments identified during the audit have been made within the final set of financial statements.

### **Annual governance statement**

We reviewed your Annual Governance Statement and we have no matters that we need to report.

## **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 Sub Committee at the Council). We presented our report to the Audit Sub Committee on 25 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 26 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.

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## Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

**03. Value for Money**

04. Certification of grant claims and returns



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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 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 the Council has adequate arrangements for securing financial resilience. Its overall financial position is challenging with projected budget gaps in each of the years covered by the Medium Term Financial Plan (to 2017/18). The Council's arrangements mean that it is well placed to address this challenge.

### 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 highlighted that the Council is responding well to the challenges of the Local Government Finance Settlement and delivering savings through restructuring. The Council has identified £300k of savings in 2013/14 and is targeting its resources effectively.

## 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.

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## 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

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## Certification of grant claims and returns

Our 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.

# Appendices

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## Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and provision of non-audit services.

### Fees

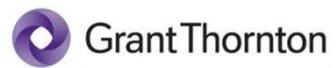
|                         | Per Audit plan<br>£ | Actual fees<br>£ |
|-------------------------|---------------------|------------------|
| Audit Fee               | 64,800              | 64,800           |
| Grant certification fee | 31,400              | 31,400           |
| <b>Total fees</b>       | <b>96,200</b>       | <b>96,200</b>    |

### Fees for other services

| Service                                      | Fees £ |
|--|--------|
| Review of Housing Capital Spend: Phase 1 & 2 | 17,450 |

### Reports issued

| Report                | Date issued                   |
|-----------------------|-------------------------------|
| Audit Plan            | March 2013                    |
| Audit Findings Report | 13 September 2013             |
| Annual Audit Letter   | 10 October 2013               |
| Certification report  | To be issued in December 2013 |



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