



The Annual Audit Letter for Plymouth City Council

Year ended 31 March 2013

October 2013

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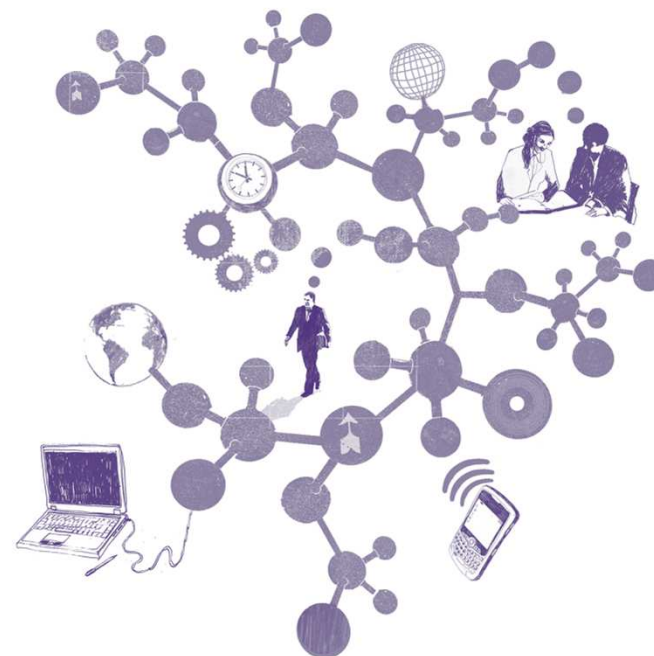
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Section 1: Executive summary

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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 Plymouth City 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 19 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 discussed with the Audit Committee on 13 June 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 certified the non domestic rates return without amendment and we are working on the other two claims and returns that are subject to external assurance.

Executive Summary continued

Key areas for the Council's 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 overspent its budget by approximately £500,000 in 2012/13. However, some large overspends – particularly within Adult Social Care – were compensated for by savings elsewhere. The Council is currently updating its medium term financial strategy (MTFS) and aims to finalise this five year financial plan alongside its budget for 2014/15. A robust MTFS will be central to enabling the Council to operate effectively with reducing resources.

Our audit of the Council's financial statements identified two errors which were not corrected. These related to the Council's investments in Icelandic Banks and the provision necessary to cover the future costs associated with managing the Council's closed landfill site. These are covered in Section Two of this Letter.

Looking ahead to 2013/14, the Council and its partners (Devon County Council and Torbay Council) need to establish:

- the status of the waste partnership they have formed (i.e. whether it is a Joint Committee or other arrangement);
- the governance arrangements for the partnership; and
- the accounting treatment of the asset that is currently being constructed.

Acknowledgements

This Letter has been agreed with the Chief Executive and the Assistant Director, Finance, Efficiency, Technology and Assets.

We will present it to the Council's Audit Committee on 12 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

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 1 July 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 1 July 2013.

The financial statements were produced to a high standard and there was evidence of good internal Quality Assurance procedures.

Issues arising from the audit of the accounts

Our audit only identified a small number of amendments made, none of which were material. There were two unadjusted misstatements:

- As reported in previous years, the Council had not followed the accounting treatment for its Icelandic Bank investments in accordance with the CIPFA guidance. Had the Council followed this guidance, it would have reversed the £3.2m loss in investment income previously recognised in the financial statements.
- The Council had not included a provision within its financial statements for the future after-care costs of managing its closed landfill site. These are estimated to be in the region of £6.6m.

These unadjusted misstatements do not impact on the Council's financial outturn for the year.

Annual governance statement

The Council's Annual Governance Statement complied with the guidance issued by CIPFA and SOLACE (the Society of Local Authority Chief Executives) and was in line with our understanding of the Council.

However, the Annual Governance Statement contained a number of items referred to as 'significant governance issues' – including Health and Social Care Reforms, Welfare Reforms and Health Inequalities.

Whilst these are undoubtedly challenges for the Council, and may be appropriate for inclusion within its risk registers, we do not consider that they reflect governance failures within the Council itself.

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

We issued an unqualified opinion on the Council's 2012/13 accounts on 19 September 2013, ahead of the 30 September 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 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.

Overall, our work highlighted that the Council has adequate arrangements in place to secure financial resilience. The Council is in the progress of updating its medium term financial strategy and, once complete, will mean that it is planning over a five year horizon.

The Council reported a deficit of approximately £0.5m in 2012/13, although there were a number of significant overspends, particularly Adult Social Care, as well as compensating underspends within this outturn. We identified that the Council should ensure that it robustly challenges future savings plans to ensure that progress closely monitored.

We have produced a separate financial resilience report which sets out our findings and recommendations in more detail. This was presented to the Council's Audit Committee in September 2013.

Value for Money

Challenging economy, efficiency and effectiveness

We concluded that the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. In reaching this conclusion, we reviewed the Council's corporate plan and its proposals for accommodation, ICT and business rates.

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

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.

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

Appendix A: Reports issued and fees

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

Fees

	Per Audit plan £	Actual fees £
Audit Fee	181,428	181,428
Grant certification fee	23,900	23,900
Total fees	205,328	205,328

Our grant certification work will be completed by 30 November 2013. We will confirm our final fee for the year once this work has been completed.

Fees for other services

Service	Fees £
Plymouth City Airport Due Diligence Review	£16,900

Reports issued

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



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