



# The Annual Audit Letter for Plymouth City Council

---

**Year ended 31 March 2015**

October 2015

**John Golding**

Partner

T 0117 305 7802

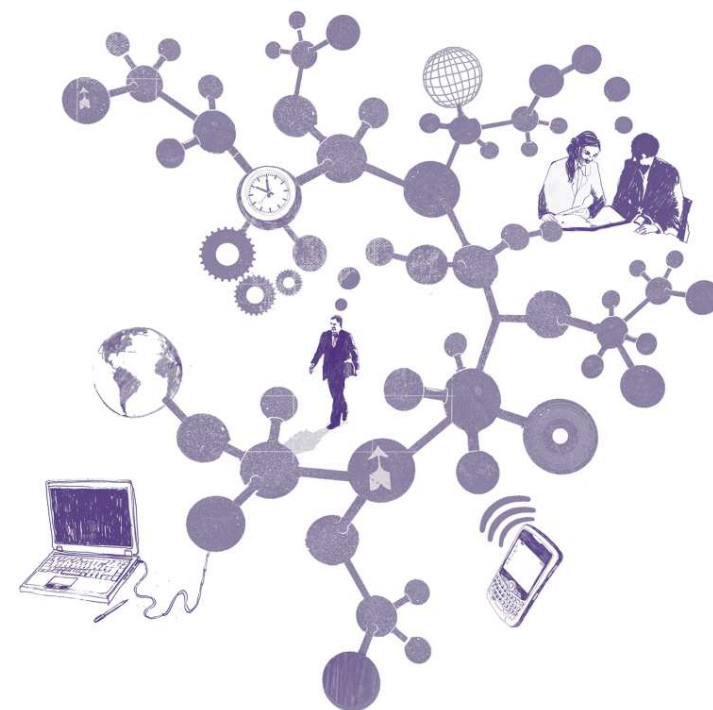
E [john.golding@uk.gt.com](mailto:john.golding@uk.gt.com)

**David Bray**

Senior Manager

T 0117 305 7889

E [david.bray@uk.gt.com](mailto:david.bray@uk.gt.com)



---

# Contents

## **Section**

## **Page**

1. Key messages

3

## **Appendices**

A Key issues and recommendations

B Summary of reports and audit fees

# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Plymouth City Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. 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 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

## **Financial statements audit (including audit opinion)**

We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

We reported the findings arising from the audit of the financial statements to the Audit Committee on 17 September 2015. The draft financial statements and working papers were not provided in accordance with the agreed timetable. We were therefore unable to complete our fieldwork as planned and needed to finalise our testing in September 2015.

However, the Council still met the Audit Committee publication date and we were able to issue an unqualified opinion by the statutory publication date of 30 September.

We have been advised that the Council is undertaking a fundamental review of the process for producing its financial statements, ensuring that there is sufficient time allowed for the completion of robust quality assurance arrangements, particularly given the reducing deadlines in future years.

# Key messages continued

## **Value for Money (VfM) conclusion**

We issued an unqualified VfM conclusion for 2014/15 on 30 September 2015.

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 2015.

The key messages reported were:

### **Securing financial resilience**

The Council has produced a four year revenue budget covering 2015/16 to 2018/19 and a three year capital budget covering 2015/16 to 2017/18. Whilst there remain some uncertainties regarding the levels of future financing, the four year revenue budget includes a savings target of nearly £48m over the period.

These savings will be achieved in a number of ways, but the largest area is the Council's Transformation Programme which will invest £14.7m to deliver more than £55m of savings.

This represents a significant challenge and will require careful and diligent management.

### **Challenging economy, efficiency and effectiveness**

Overall our work highlighted that the Council set out its future direction in its Corporate Plan and it continues to build on this. It focuses on co-operative values which inform the way that the Council goes about its business and helps to shape its future service delivery.

## Key messages continued

<b>Whole of Government Accounts</b>	<p>The slippage in the completion of the financial statements audit referred to earlier meant that the Council was not in a position to provide us with the information necessary for us to complete our WGA work by the deadline of 2 October 2015. Rather than qualifying our assurance statement, we suggested that the Council should seek an extension from the Department for Communities and Local Government (DCLG). This was granted.</p> <p>We subsequently reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts and reported that this was consistent with the Council's audited financial statements. We completed our work ahead of the revised deadline.</p>
<b>Certification of housing benefit grant claim</b>	<p>Our work on the certification of the Housing Benefits claim is on-going. The key messages from our certification work will be reported in our certification report, once all work has been completed.</p>
<b>Audit fee</b>	<p>The fee set by the Audit Commission for 2014/15 was £182,498 excluding VAT. As noted earlier, this has been a challenging audit and we will need to consider the impact of this on the final audit fee. Further information on our fees is included at Appendix B.</p>

# Appendix A: Key issues and recommendations

This appendix summarises the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p><b>Financial Statements Production</b></p> <p><b>Recommendation:</b> The Council should undertake a fundamental review the process for the production of its financial statements and their subsequent audit, ensuring that there is sufficient time allowed for the completion of robust quality assurance arrangements.</p>	High	<p>Agreed. We are developing new procedures in association with our new auditors (BDO) to confirm strict deadlines and format of reports and downloads. We are talking to other leading Local Authorities to establish best practice. We have reassigned the Lead Accountant, with emphasis on a more technical background plus responsibility for our finance systems team.</p> <p><b>Responsible officer:</b> Head of Corporate Strategy</p> <p><b>Due date:</b> Started, with completion in December 2015</p>
2.	<p><b>Bank Reconciliations</b></p> <p><b>Recommendation:</b> The Council should simplify its bank reconciliation process so that there is a clear and transparent link between the balance on the bank statements and that in its main accounting system.</p>	Medium	<p>Agreed We have already introduced a simplified bank reconciliation with monthly management sign off plus assigned a new Lead Accountant to take overall responsibility for the bank transactions.</p> <p><b>Responsible officer:</b> Lead Accountant – Treasury Management &amp; Capital</p> <p><b>Due date:</b> Started, with completion in November 2015</p>
3.	<p><b>Information Security Policies</b></p> <p><b>Recommendation:</b> Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness.</p>	Medium	<p>Agreed Finance will discuss this issue with our Information Security Officer and ensure new procedures are included in the Finance Systems Team’s workplan.</p> <p><b>Responsible officer:</b> Lead Accountant Strategic Finance</p> <p><b>Due date:</b> December 2015</p>

## Appendix A: Key issues and recommendations (cont'd)

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
4.	<p><b>Systems Access</b></p> <p><b>Recommendations:</b>            Logs relating to information security events on each system and the network should be to detect inappropriate or anomalous activity.            The policy regarding intruder lockout should be reviewed to ensure that controls are in place to detect repeated attempts at gaining access to the Network Accounts. This should include the requirement for regular reporting and review of failed attempts to log into the Network.</p>	Medium	<p>Agreed            The Finance Systems team will ensure robust controls and procedures are put in place</p> <p><b>Responsible officer:</b> Lead Accountant Corporate Finance</p> <p><b>Due date:</b> November 2015</p>

The following recommendation was included within our Audit Plan. The Council's response was that this would be addressed in the next financial year (i.e. 2015/16) and we have therefore not followed this up as part of our 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
5.	<p><b>Journal Authorisation</b></p> <p><b>Recommendation:</b>            Sample testing of journals should be undertaken by management in order to ensure that they are appropriate for the Council.</p>	Medium	<p>Sample testing of journals will be carried out from 1 May 2015. The Finance Systems Team will set up a new procedure to sample journals every month and get them signed off by a manager.</p> <p><b>Responsible officer:</b> Lead Accountant</p> <p><b>Due date:</b> May 2015</p>

# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees for audit services

	Per Audit plan £	Actual fees £
Council audit	182,498	*TBC
Housing benefit grant certification fee	17,720	**TBC
Delt	4,650	4,650
<b>Total audit fees</b>	<b>204,868</b>	<b>TBC</b>

\*As set out above, this has been a challenging audit and we will need to consider the audit fee. We discussed this with the Council's Head of Corporate Strategy on 7 September 2015 and will advise the Audit Committee of any amount payable in due course.

\*\*The indicative fee published by the Audit Commission for grant certification work required in 2014/15 for the Council is £10,890. As the work has not yet been completed on the grant certification, we cannot confirm the final fee.

## Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015
Certification Report	Expected November 2015

## Fees for other services

Service	Fees £
<b>Audit related services</b>	
Teachers Pensions end of year return (outside of the Audit Commission regime)	4,200
<b>Non-audit related services</b>	
VAT advisory services	5,135
Trading Company Advice	3,750
Tax compliance services (Delt)	3,950
VAT advisory services (Delt)	3,800





© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**