



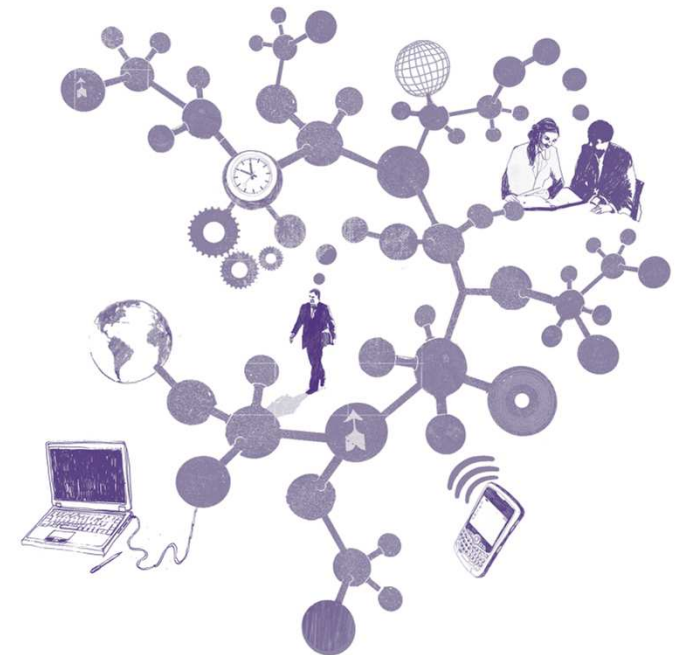
The Annual Audit Letter for South Hams District Council

Year ended 31 March 2013

October 2013

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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 South Hams 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 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 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.

The Council was below the £300 million audit threshold set by the National Audit Office (NAO) for Whole of Government Accounts and therefore a full review was not required. We issued the shortform assurance statement to the NAO by the 4 October deadline.

Our certification work is on-going and key findings will be reported in our Certification report following completion of all work.

Executive summary (continued)

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.

We noted that the quality of the financial statements was good but recommended that the Council review the processes in place for identifying capital expenditure following incorrect capitalisation of expenditure.

The Council continues to face significant financial challenges over the medium term following further reductions in government funding and is seeking to address a budget gap of £2.35 million over the next four year period from 2014-15. The Council has a very good understanding of the financial challenges being faced and is proactively planning to address these issues through a significant transformational change programme which aims to deliver a new operating model. However, there remain uncertainties and risks, and the Council should ensure appropriate monitoring and reporting of performance against agreed saving plans.

Acknowledgements

This Letter has been agreed with the Head of Finance and Audit and will be presented to the Audit Committee on 16 January 2014.

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 28 June 2013, ahead of the national deadline of 30 June 2013. Access was provided to electronic working papers to support our work from the start of our audit fieldwork, which commenced 22 July 2013.

Issues arising from the audit of the accounts

One adjustment of £293,000 affecting the Council's net expenditure reported in the Comprehensive Income & Expenditure Statement was made to the financial statements. This change related to errors in capitalising expenditure on property, plant and equipment but had no impact on the Council's general fund.

A small number of adjustments were also made to improve the disclosures within the financial statements.

Annual governance statement

The Council's Annual Governance Statement (AGS) complied with requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC) and contained the elements as prescribed in Delivering Good Governance in Local Government: Framework.

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, 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 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 whilst the Council faces significant financial challenges due to further reductions in government funding leading to a budget gap of £2.35 million over the next four year period from 2014-15 to 2017-18, the Council has a very good understanding of the financial challenges being faced and is proactively planning to address these issues through a significant transformational change programme which aims to deliver a new operating model. Further details are provided in our Financial Resilience report issued in September 2013.

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 concluded that adequate arrangements are in place.

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.

For the financial year 2012-13, there are two claims and returns that require certification, with a value of £55 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

Our work with regard to the National Non-Domestic Rates Return is complete and this was certified without amendment or qualification.

Our work on the certification of the Housing and Council Tax Benefits claim is on-going and the key messages from our certification work will be reported in our certification report due to be issued on completion of work on this claim.

Appendices

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	Actual fees
Audit Fee	£56,972	£56,972
Grant certification fee*	£12,300	£12,300
Total fees	£69,072	£69,072

* Certification work is still on-going. The final fee will be reported to Members later in the year as part of the annual certification report.

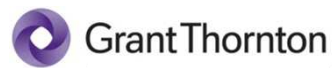
Fees for other services in 2012-13

Service	£
VAT and employment tax advice	£8,000
Review of client response to HMRC	£2,500

* Please note that we were engaged to undertake the VAT and Employment Tax advice before our formal appointment as the Council's external auditors.

Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	September 2013
Certification report	Planned for November 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



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