



# The Annual Audit Letter for Exeter City Council

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**Year ended 31 March 2013**

October 2013

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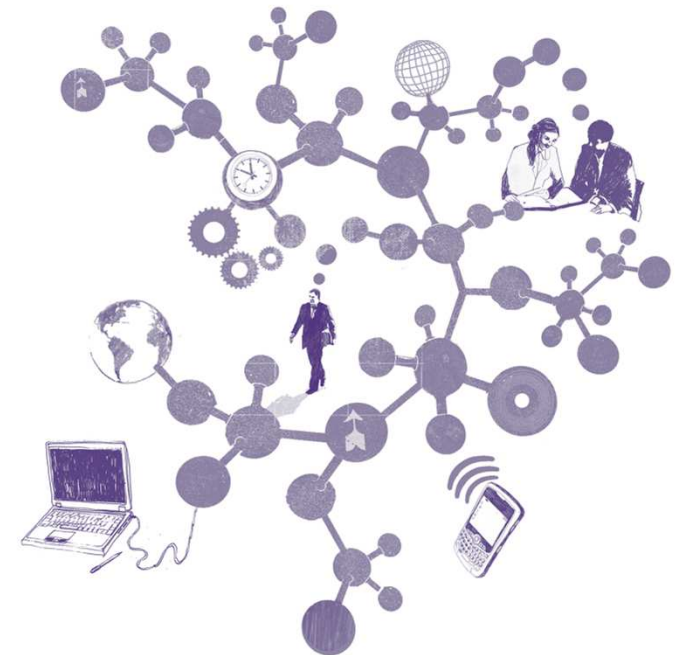
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## Section 1: Executive summary

**01. 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 Exeter 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 the Audit and Governance Committee in the Audit Findings Report on 26 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 on 26 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 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 conclusion on the Council's Whole of Government Accounts submission
- we have certified two grant claims and returns, both of which were certified without amendment.

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# Executive summary

## 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 did not identify any adjustments affecting the Council's reported financial position. We agreed a small number of minor adjustments to the classification and presentation of information. We issued an unqualified audit opinion on the financial statements.

Our value for money work did not identify any significant issues and we issued an unqualified conclusion. We identified a small number of areas for the Council to consider going forward.

Our work on the Council's Whole of Government Accounts return (WGA) did not identify any issues and we issued an unqualified assurance statement.

Looking forward the Council faces significant challenges:

- the Council faces difficult financial pressures in the years ahead and is currently developing more detailed saving plans to ensure all financial requirements are met;
- increased demand for services, along with the welfare reform will put additional pressures on the Council's budget; and
- ensuring the Council realises the benefits of its transformation programme including implementing its enhanced corporate arrangements for risk management and procurement

## Acknowledgements

This Letter has been agreed with the Chief Executive and will be presented to the Audit and Governance Committee on 27 November 2013.

We would like to 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**

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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. Working papers supporting the accounts were made available from the start of the audit fieldwork.

The accounts were prepared to a good standard and all requests for additional information were dealt with promptly by the finance team

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

We did not identify any adjustments affecting the Council's reported financial position. We made a small number of adjustments to the classification of items in the main financial statements and to the presentation of information in the supporting notes to the accounts.

## **Annual governance statement**

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

## **Whole of Government Accounts return (WGA)**

We completed our work in line with the Audit Commission's guidance. The Council's return was below the threshold for undertaking a full audit of the consolidation pack. We issued a short form assurance statement in advance of the national deadline which confirmed that the required information was consistent with the statutory accounts.

## **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 and Governance Committee at the Council). We presented our report to the Committee on 26 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, ahead of the deadline set by the Department for Communities and Local Government.

Our opinion confirmed 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

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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 a small number of findings that the Council should focus on. However, none of these were considered to be significant issues and did not impact on our value for money conclusion. Further details are provided in our Financial Resilience report issued to the Audit & Governance Committee 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 whether it has achieved cost reductions and improved productivity and efficiencies.

Our work we did not highlight any issues that required reporting.

## 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

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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.

At the point of preparing this audit letter we have certified two of the three grant claims and returns for the financial year 2012/13 relating to expenditure of £73.5M. We did not identify any issues with the claims and certified them without amendment.

The final claim outstanding item for 2012/13 relates to the Council's Housing and Council Tax Benefits claim which is not due for audit certification until the end of November 2013..

## **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 certification work is on-going and we will present the messages from our work in our certification report which will be issued to the Council in December 2013.

# 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	76,283	76,283
Grant certification fee	14,650	*14,650
<b>Total fees</b>	<b>90,933</b>	<b>90,933</b>

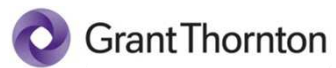
(\* indicative fee, pending completion of the grants work in November. It is possible the final fee could be higher or lower than the indicative fee depending on the work needed to certify the grants).

### Fees for other services

Service	Fees £
Review of VAT transactions	5,200

### 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	Due December 2013



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