



Exeter City Council

Annual Audit Letter 2011-12

22 October 2012

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Introduction

Purpose of this letter

This Annual Audit Letter ("Letter") summarises the key issues arising from the work that we have carried out at Exeter City Council ("the Council") during our 2011-12 audit.

The Letter is designed to provide a brief overview of our key messages to the Council and external stakeholders, including members of the public.

The Letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

What this Letter covers

This Letter covers our 2011-12 audit, including key messages and conclusions from our work in:

- auditing the 2011-12 year end accounts;
- assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money is achieved; and
- certification of grant claims and returns to various government departments and other agencies.

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).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to the local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ("the Code") issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Key Messages

Accounts audit

We were presented with the Council's draft financial statements on 27 June 2012. Accompanying working papers were provided by the Council at the start of our final accounts visit on 30 July 2012, in accordance with the agreed timetable.

The financial statements and working papers were of a good quality and finance staff provided us with a high level of support, dealing with our audit queries efficiently, with timely responses to requests for additional information. This enabled us to complete our work and issue our draft report to those charged with governance on 5 September 2012.

We issued an unqualified audit opinion on 28 September 2012, ahead of the statutory deadline.

We recommended a small number of adjustments to the draft accounts. Management agreed to process all of these adjustments, none of which resulted in a change in the Council's General Fund balance.

We proposed a small number of recommendations where improvements could be made to the processes in place to prepare the accounts. These principally related to strengthening the Council's journal authorisation processes and the automation of processes for preparing the Comprehensive Income and Expenditure Statement in accordance with

the Service Reporting Code of Practice (SeRCOP). These actions have been agreed with the Council and we will follow up on progress as part of our 2012-13 audit.

Our main audit conclusions for the year

The 2011-12 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

In addition, we read the both the Annual Governance Statement and the explanatory foreword to the accounts and considered whether the statement was in accordance with our knowledge of the Council. We considered these to be satisfactory in terms of content, a fair representation of Council operations during the year and in line with the Code requirements.

The Council submitted its draft Whole of Government Accounts (WGA) information for audit by the Department for Communities & Local Government (CLG) deadline of 30 July 2012. We were able to submit the audited WGA to the CLG by the deadline of 5 October 2012 based on

there being no significant issues with the quality of the information contained in the pack.

We received one question from a member of the public that impacted upon the financial statements for the year ended 31 March 2012. We have considered the points raised, as required under the Audit Commission Act 1998 and confirm that there was no significant impact upon the financial position reported in the accounts.

In 2012-13, we will discuss future accounting challenges with the Council, including planning for changes to financial reporting requirements. We will also, as in previous years, invite members of the Council's finance team to our forthcoming technical update workshops to highlight and discuss the key financial reporting changes for the 2012-13 accounts.

Value for Money audit

An unqualified Value for Money (VFM) conclusion was also issued on 28 September 2012 confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

As part of this work we reviewed the Council's arrangements for securing financial resilience over the medium term. Our overall conclusion was that whilst the Council faces significant financial challenges in 2012-13 and beyond, its current arrangements for achieving financial resilience are robust.

Our review did highlight opportunities for the Council to strengthen its arrangements further. Whilst we found that the Council has a good understanding of the key assumptions used during the financial planning process, there is scope to improve the level of sensitivity analysis and scenario planning within its Medium Term Financial Plan to assess the potential impact on the Council of changes in key economic factors and assumptions. In addition, the Council should look to develop a routine

mechanism for monitoring and understanding unit costs within services, for example through the use of benchmarking.

We also undertook targeted risk based work to consider the Council's progress in delivering improvements and savings through its management restructure. We have carried out a high level review to assess the extent to which the anticipated economies and efficiencies from the senior management reorganisation have been delivered and are being monitored.

As a result of this work, we concluded that the enlarged senior management team, working through the structure described by the new Corporate Plan, has helped sharpen strategic thinking in many areas, including the area that we considered in more detail, parking services. In this area, we found that the Senior Management Team had a sound understanding of the underlying principles and rationale around the different aspects of parking services. In particular, the team demonstrated the need to use tariffs creatively to balance the often contrasting requirements of businesses, retailers, shoppers and visitors alongside the requirement to support the Council's own income generation and carbon reduction targets and maintain objectives to manage highway congestion. Our review highlighted two key areas of focus for the Council over the coming months:

- Continuing to effectively manage uncertainties and anxieties amongst staff following management's review of service areas and the likely outcomes of the Vanguard reviews. Although the high level restructuring is now complete, the next task is to review staff organisation throughout service areas; and
- Addressing the potential difficulties in monitoring performance against Corporate Plan objectives. New measures and indicators devised by the Council, working with Vanguard and using a systems thinking methodology, are likely to lead to significant changes in how performance monitoring and management operates in the Council.

We will continue to review the progress in delivering the benefits arising from the restructuring as well as the specific areas of service review and performance monitoring as part of our 2012-13 programme of work.

Certification of claims and returns

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2010-11 certification work we reported early in 2012 that performance had generally improved in comparison to previous years.

We are currently in the process of certifying the 2011-12 grant claims and returns. Once this work is complete we will report in full on the findings of our work in a separate report to the Resources Scrutiny Committee.

Outputs and fees

Our audit outputs and fees are shown in Appendices A and B.

Acknowledgements

This letter has been agreed with Council management and will be presented to Resources Scrutiny Committee on 21 November 2012.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council.

Grant Thornton UK LLP
22 October 2012

A 2011-12 reports issued

Report	Date Issued
Audit Plan	January 2012
Review of Internal Controls: Procurement Services and Grant Income	February 2012
Audit Approach Memorandum (Accounts)	April 2012
Annual Report to Those Charged With Governance (ISA 260)	September 2012
Financial Resilience Report	September 2012
Annual Audit Letter	October 2012
Grants Certification Report 2011-12	December 2012 (planned)

B Audit and other fees 2011-12

Audit area	Budget 2011-12	Actual 2011-12
Total Code of Practice fee	£127,139	£127,139
Certification of grant claims and returns *	£20,000	To be confirmed on completion of work and reported in Grants Certification Report 2011-12
Questions and objections from the public **	£nil	To be confirmed
Non code work – Review of controls in relation to the procurement and grant income systems	£nil	£10,000

* The quoted fee for grant certification work is an estimate only and is charged at published hourly rates.

** Work on dealing with questions and objections from the public is not budgeted for and is charged at hourly rates based on Audit Commission guidance.



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