

Melton Borough Council

Annual Audit Letter

2013/14

Government and
Public Sector

October 2014

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

Introduction

The purpose of this letter

This letter summarises the results of our 2013/14 audit work for members of the Authority.

We have already reported the detailed findings from our audit work to the Governance Committee in the following reports:

- Audit opinion for the 2013/14 financial statements, incorporating our conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Report to those charged with Governance (ISA (UK&I) 260).
- Annual Certification Report (January 2014).

The matters reported here are the most significant for the Authority.

Scope of Work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan that we issued in January 2014 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.

We met our responsibilities as follows:

Audit Responsibility	Results
<i>Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).</i>	<p>We completed an audit of the Authority's statutory accounts for the year ending 31 March 2014.</p> <p>We issued an unqualified audit opinion on the statutory accounts on 29 September 2014.</p>
<i>Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.</i>	<p>Melton Borough Council's income, expenditure, assets or liabilities did not exceed £350 million.</p> <p>In line with the Audit Commission's guidance, we performed limited consistency checks and confirmed that the pension liability and property, plant and equipment disclosures were consistent between the audited statutory accounts and the Whole of Government Accounts Consolidation Pack.</p>

Audit Responsibility	Results
<i>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</i>	<p>The Audit Commission guidance includes two criteria relating to the value for money conclusion: the organisation has proper arrangements in place for securing financial resilience; and the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.</p> <p>We issued an unqualified value for money conclusion.</p>
<i>Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</i>	<p>Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Statement of Accounts.</p> <p>We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work.</p> <p>We found no areas of concern to report in this context.</p>
<i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i>	<p>No matters arose during our audit that would require us to produce a public interest report.</p>

Audit Responsibility	Results
<i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i>	<p>No other actions were required to be taken in relation to our responsibilities under the Audit Commission Act.</p>
<i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i>	<p>We issued a completion certificate with the unqualified audit opinion on 29 September 2014.</p>

Audit Findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 29 September 2014.

We noted no significant issues arising from our audit as explained in our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented to the Governance Committee on 22 September 2014. Our report highlighted that:

- The Authority prepared its accounts on a timely basis and a first draft of the accounts was available at the start of the audit.
- We identified some minor issues with respect to the effectiveness of the Authority's internal controls, particularly over the identification of related party transactions.
- We reviewed the reasonableness of the assumptions underlying the pension liability and concluded that we were comfortable with the assumptions adopted.
- We identified no misstatements or audit adjustments above our de minimis reporting threshold.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether you had in place, for 2013/14, proper arrangements to secure economy, efficiency and effectiveness in the Authority's use of resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

To reach our conclusion, we carried out a programme of work that was based on our risk assessment.

We issued an unqualified conclusion on the ability of the organisation to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We found the following matters which we wish to highlight:

Meeting the financial challenge

All local government organisations are faced with increased challenges in their medium term financial outlook, primarily driven by marked reductions in funding both directly from central government and indirectly through a reduction in income from the County. We found:

- The Authority has a proven track record in recent years of reliably forecasting the scale of financial challenges, identifying strategies to address the challenges, including identifying significant savings plans, and implementing them successfully.
- The Authority saved £329,000 against its 2013/14 budget and set aside £255,000 as an earmarked reserve to deal with future financial challenges.
- A new Medium Term Financial Strategy was approved by the Authority in March 2014. We reviewed the assumptions in this strategy and concluded that they were reasonable.

Corporate planning and performance reporting

Our value for money risk assessment also noted the following risks shown on the Authority's corporate risk register:

- Increased number of vulnerable families as a result of welfare reform.
- Challenge of cultural issues which could undermine the ability to transform the council and deliver the required savings.

The Authority is in the process of refreshing its corporate plan and intends to align its performance framework with the new corporate objectives. In planning for this, the Authority has performed a self-assessment of the value for money achieved by each service. Areas for focus have been identified from this self-assessment and the Council has put plans in place to ensure improvements are realised.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with

guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts. We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The audited pack was submitted on 1 October 2014. We found no areas of concern to report in this context.

Certification of Claims and Returns

We presented our most recent Annual Certification Report for 2012/13 to those charged with governance in March 2014. We certified three claims worth £23.5 million.

In one case a qualification letter was required to set out the issues arising from the certification of the claim relating to the Authority's Housing and Council Tax Benefits Scheme. Our testing identified a number of errors in relation to the Authority's compliance with Housing and Council Tax Benefit regulations. For some of the errors it was possible to quantify them and make appropriate amendments to the claim form. Other matters (which could not be quantified) were reported in our qualification letter to the Department for Work and Pensions. These matters had no material impact on the level of subsidy claimed by the Authority. These details were also set out in our Annual Certification Report for 2012/13. We will issue the Annual Certification Report for 2013/14 in January 2015.

Final Fees

We set out here our final fees for the audit.

Final Fees for 2013/14

We reported our fee proposals in our 2013/14 Audit Plan.

Our actual audit fees were in line with our proposals at £56,658.

Our fee for the certification of claims and returns is yet to be finalised for 2013/14 and will be reported to those charged with governance in January 2015 within the 2013/14 Annual Certification Report.

In 2014/15 we performed a review of the Authority's creditors and payments systems. The fee for this work was £15,000. We assessed the threats and safeguards around our independence as the Authority's external auditors and agreed with the Authority how the risks could be mitigated as shown below:

Threat	Safeguards in place
Self review	The review was completed by members of PwC's counter fraud team. None of the members of the external audit team contributed to the fieldwork for this review.
Self interest	PwC did not have a financial interest relating to the results of the review for the Authority. The work was completed on a fixed fee and under a separate engagement contract.
Undertaking management responsibility	The review did not involve PwC taking decisions on behalf of management.

Melton Borough Council

Our fees charged were:

	2013/14 outturn	2013/14 fee proposal	2012/13 final outturn
Audit work performed under the Code of Audit Practice			
- Statement of Accounts	56,658	56,658	56,658
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
Certification of Claims and Returns	To be confirmed	23,200	24,250
Non Audit Work	-	-	-



In the event that, pursuant to a request which Melton Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Melton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Melton Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Melton Borough Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Melton Borough Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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130610-142627-JA-UK