



The Annual Audit Letter for South Somerset District Council

Year ended 31 March 2013

October 2013

Simon Garlick

Director

T 0117 305 7878

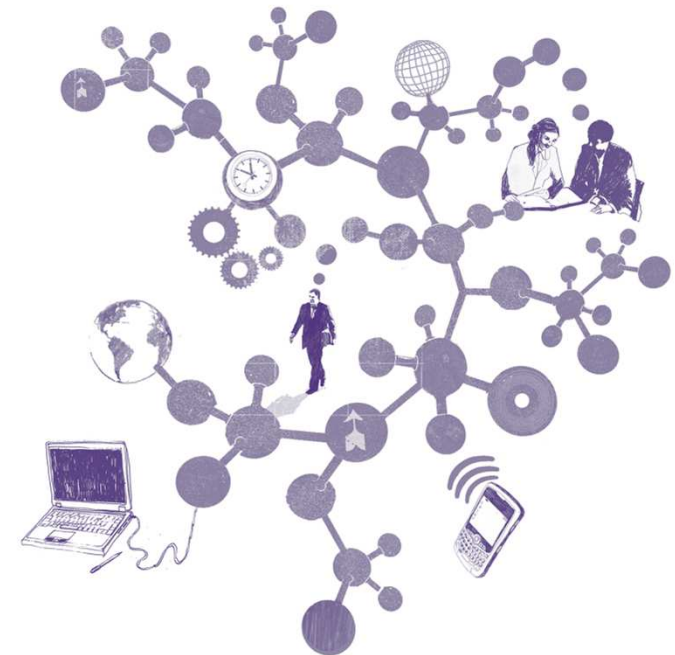
E simon.p.garlick@uk.gt.com

Peter Lappin

Senior Manager

T 0117 305 7865

E peter.lappin@uk.gt.com



Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	6
3. Value for Money	8
Appendices	
A Reports issued and fees	11

Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

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 Somerset District Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and the 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).

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 (the Audit 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).

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 presented to the Audit Committee on 23 May 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
- no issues arising from the Council's Whole of Government Accounts submission.

Our certification of the Council's grant claims and returns is still on-going. Our findings in respect of our certification work will be reported to you in a separate report.

Executive summary

Key areas for Council attention

During the course of our audit we have made a number of recommendations relating to internal control, these have been reported as part of our Audit Findings report. Recommendations have been discussed and agreed with the Assistant Director (Finance and Corporate Services) and the finance team.

Our overall value for money conclusion for this year is unqualified. Looking beyond this year and next, the Council has a medium term financial plan, which recognises the need for substantial future savings. We have reviewed the Council's financial resilience and concluded that current arrangements are adequate albeit there are substantial financial challenges ahead. We issued a separate report on the Council's financial resilience and this is referred to later in this document.

Acknowledgements

This Letter has been agreed with the Assistant Director (Finance and Corporate Services) and will be presented to the Audit Committee on 24 October 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

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

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 by 30 June 2013 in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 28 June 2013.

Issues arising from the audit of the accounts

Our audit of the financial statements submitted for audit did not identify any errors which would adjust the reported General Fund balance. There was a reduction in both creditors and cash at bank by £1.26 million.

There was one unadjusted misstatement relating to the inclusion of the current fair value of the investment of £0.59 million in Lufton 2000 in the Council's balance sheet. The Council agreed to consider its inclusion in the 2013/14 accounts.

The audit has been facilitated by good supporting working papers and excellent assistance by the finance team and all requests for additional information were dealt with promptly by the finance team.

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 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, 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

01. Executive summary

02. Audit of the accounts

03. Value for Money

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 value for money 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.

Overall our work highlighted that the Council has managed its finances effectively. It has relatively high levels of reserves (as a percentage of gross expenditure) and it has delivered ambitious savings targets. This has led to significant underspends over recent years.

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. The Council has used benchmarking in a focused manner, where there has been a review of the service or considering the impact of a LEAN review on performance.

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.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	64,801	64,801
Grant certification fee	16,850	16,850
Total fees	81,651	81,651

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	May 2013
Audit Findings Report	September 2013
Certification report (expected to be issued)	December 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



© 2013 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