

# The Annual Audit Letter for South Somerset District Council

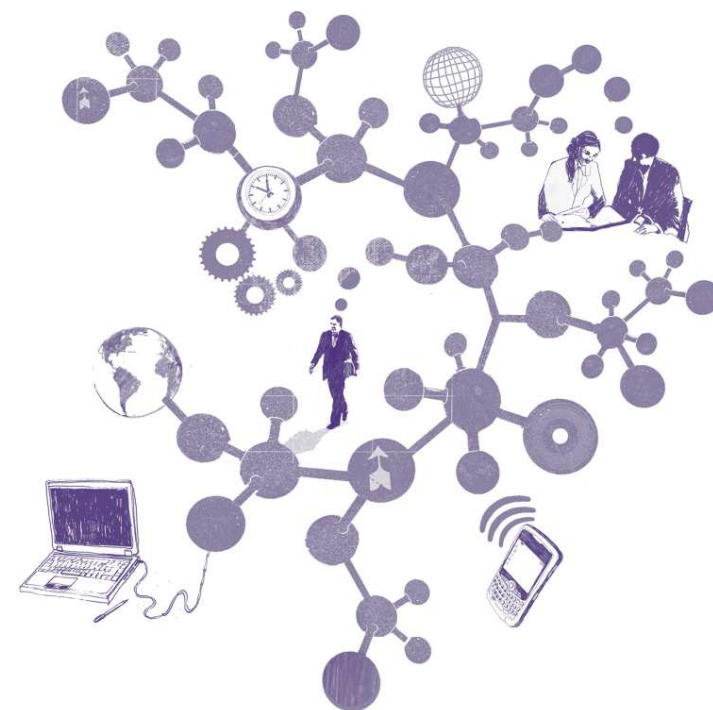
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**Year ended 31 March 2014**

23 October 2014

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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at South Somerset District Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued 27 March 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.

## **Financial statements audit (including audit opinion)**

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 29 September 2014 to the Audit Committee. The key messages reported were:

We had received an objection to the accounts for 2013/14 regarding:

- the legal costs of a planning application and
- the renegotiation of planning obligations.

We were satisfied that both issues did not have a material impact on the financial statements for 2013/14.

However, we had yet to determine the substance of the objection and this would be concluded after the issuing of the opinion. Consequently, the certificate closing the audit was delayed. Subsequently, we received a further objection regarding the renegotiation of planning obligations.

We had not identified any adjustments affecting the Council's reported financial position but we identified a number of adjustments to improve the presentation of the financial statements. The Council included a separate disclosure for the provision for business rate appeals.

The Council had implemented our recommendations from last year (2012/13) about including the investment in Lufton 2000 in its accounts.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 30 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

# Key messages

<b>Value for Money (VfM) conclusion</b>	<p>We issued an unqualified VfM conclusion for 2013/14 on 30 September 2014.</p> <p>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 2014.</p>
<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
<b>Certification of grant claims and returns</b>	<p>Our work to certify the Council's Housing Benefit Subsidy claim is in progress. This is the only claim or return requiring our certification for this year.</p>
<b>Audit fee</b>	<p>Our fee for 2013/14 for the main audit was £65,701, excluding VAT, which was an increase of £900 over the fee reported in our audit plan. This increase was in respect of work on material business rates balances. This work was previously carried out as part of the certification work for the national non domestic rates return and the fee was included within the certification fee in prior years. Further detail is included within Appendix A.</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<ul style="list-style-type: none"> <li>• South Somerset's collection rate for Council Tax in 2012/13 at 97.8% (District average 98.1%) placed the Council in the worst performing third of all district councils (worst 20% of statistical neighbours).</li> <li>• In 2013/14, although the national average for Districts fell to 97.9%, South Somerset's collection rate fell by a greater percentage to 97.4%. The difference between South Somerset's performance and the District Council average is 0.5% which translates into £0.421 million (m) of uncollected Council Tax, of which £0.042m (10%) is South Somerset's share.</li> <li>• The Council's target collection rate is 97% which is well below the performance that most other district councils are already achieving.</li> <li>• The Council is currently reporting performance on Council Tax collection as green.</li> </ul> <p><b>Recommendation:</b> The Council should set a target collection rate for Council Tax that is informed by performance already being achieved by other district councils. The Council should use benchmarking more effectively when setting targets for other indicators.</p>	High	<p>The Council will review the staffing levels in order to improve the collection rates. Debt collection work has increased by 38% since the introduction of the Council Tax Reduction Scheme and economic downturn.</p> <p><b>Responsible officer:</b> Donna Parham, Assistant Director (Finance and Corporate Services) <b>Due date:</b> March 2015</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
2.	<ul style="list-style-type: none"> <li>In 2012/13 we reported that the Council had achieved significant underspends against its original and revised budgets in each of the past five years. The cumulative underspend in those five years against the original budgets was £2.3m. In the past three years, the underspend against the revised budget had been greater than that recorded against the original budget.</li> <li>In 2013/14 the Council reported that it had underspent on its original budget by £0.081m and its revised budget by £1.208m. This shows that the original budget has been a more accurate forecast than the revised budget of the final outturn in each of the past four years.</li> </ul> <p><b>Recommendation:</b> The Council needs to review the robustness of the process for producing revised estimates and identify the reasons for variances in the final quarter of the year.</p>	Medium	<p>The Council has improved budget forecasting over the past year and will look to better predict year end adjustments.</p> <p>The budget is revised only for carry forwards and additional commitments which are added into the budget. They tend not to be spent by year end and increase the underspend.</p> <p><b>Responsible officer:</b> Donna Parham, Assistant Director (Finance and Corporate Services)  <b>Due date:</b> March 2015</p>

# Appendix B: 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	*65,701
Grant certification fee	12,200	**10,736
<b>Total fees</b>	<b>77,001</b>	<b>76,437</b>

\* 'There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NNDR3 claims. The additional fee is 50% of the average fee previously charged for NNDR3 certifications for a district council and is subject to agreement by the Audit Commission.'

\*\* The indicative fee for grant certification has been reduced from the plan because the housing benefit claim will not include council tax benefits following the introduction of the council tax local reduction scheme.

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

Report	Date issued
Audit Plan	27 March 2014
Audit Findings Report	29 September 2014
Certification report (to be issued once the certification work on Housing Benefits is completed)	December 2014
Annual Audit Letter	October 2014



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