



The Annual Audit Letter for Gravesham Borough Council

Year ended 31 March 2013

10 October 2013

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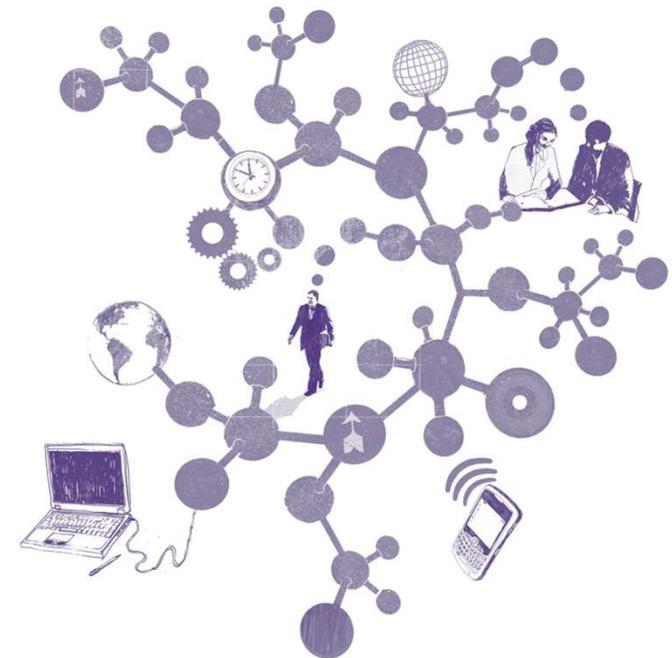
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Section 1: Executive summary

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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 Gravesham Borough 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 Finance and Audit Committee in the Audit Findings Report on 18 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 we presented to the Finance and Audit Committee on 9 April 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 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
- a short-form assurance statement on the council's Whole of Government Accounts
- we have certified two claims and returns by the end of September deadline. Our work on the Housing Benefits Subsidy claim, which has a deadline of 30 November, is still in progress.

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 have now concluded our audit for 2012/13. We issued an unqualified opinion on the Council's financial statements on 27 September 2013. We also issued an unqualified value for money conclusion, and issued short-form assurance statement on the council's Whole of Government Accounts to the National Audit Office on the same date.

The Council will continue to face the challenge of delivering a wide range of services to its local population with less money. This year it has managed to maintain a sound financial position. It is likely that there will be continued uncertainties around Government funding. Therefore Members will need to be prepared for further difficult decisions, to secure the financial resilience of the Council.

Acknowledgements

This Letter has been agreed with management and will be presented to the Finance and Audit Committee on 14 January 2014.

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

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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 24 June 2013, in accordance with the agreed timetable. Working papers were of a good standard and officers responded promptly to audit queries.

Issues arising from the audit of the accounts and Annual governance statement

We did not identify any adjustments affecting the Council's reported financial position, but we recommended three adjustments to correct misclassification errors and several others to improve disclosure and the presentation within the financial statements.

Finance staff also identified an error on the Comprehensive Income and Expenditure Statement after the draft accounts had been completed. The error did not impact on the Council's usable balances.

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 Finance and Audit Committee at the Council). We presented our report to the Finance and Audit Committee on 18 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 27 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

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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 undertook a review considering the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

We concluded the Council is responding well to the financial challenges it faces, including the on-going uncertainty over government funding. It achieved a surplus against its General Fund revenue budget for 2012/13 and plans are in place to achieve a balanced revenue budget up to 2016/17. Beyond then significant additional savings and/or additional sources of income will need to be identified. Members will need to be prepared for further difficult decisions, to secure the financial resilience of the Council. Further details are provided in our Financial Resilience report presented to the Finance and Audit Committee on 18 September 2013.

Challenging economy, efficiency and effectiveness

We 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. We found that the Council is focused on how best to address delivering services with less money. Recent developments to support this conclusion include a mid-term review of the current Corporate Business Plan, acquiring a benchmarking tool to provide a stronger focus for challenging efficiency and requesting a Local Government Association peer review.

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.

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.

Claims and returns for the financial year 2012/13 that require certification total £67.9 million.

We have certified two claims and returns by the end of September deadline without amendment or qualification. Our work on the Housing Benefits Subsidy claim, which has a deadline of 30 November, is still in progress.

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

The key messages from our certification work will be set out in our certification report that will be issued following the completion of our work on the Housing Benefits Subsidy claim

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	70,159	70,159
Grant certification fee	10,950	TBC*
Total fees	81,109	TBC*

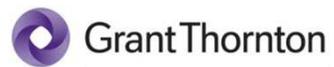
*Our certification claim work is still in progress. We will confirm the fee for this work, in our certification report, once our work has been completed.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	September 2013
Certification report	Planned - January 2014
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



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