



The Annual Audit Letter for Guildford Borough Council

Year ended 31 March 2014

13 October 2014

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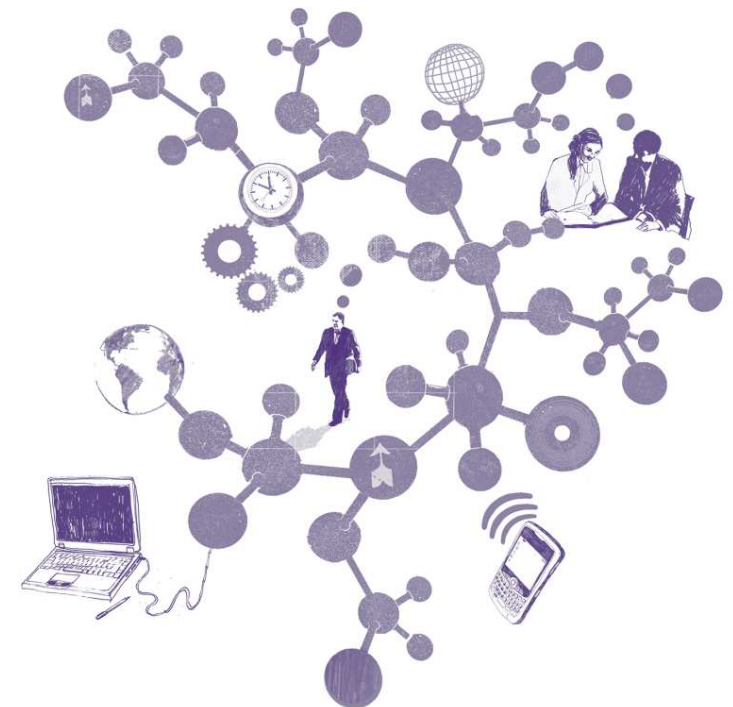
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Contents

Section	Page
1. Key messages	3
Appendices	
A Key issues and recommendations	5
B Summary of reports and audit fees	6

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Guildford Borough 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 on 26 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 25 September 2014 to the Corporate Governance and Standards Committee. The key messages reported were:

- The Council provided a good set of financial statements and supporting working papers. We did not identify any changes needed to the primary statements.
- We identified a number of adjustments to improve the presentation of key financial information to assist the reader and give greater information on the basis of key judgements and estimates.
- We made two recommendations to improve internal control processes, as set out in Appendix A, which the Council has agreed to implement.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 26 September 2014, meeting the deadline of 30 September 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

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 26 September 2014. The key messages reported were:</p> <ul style="list-style-type: none">• The Council has continued to achieve a good financial outturn and has satisfactory arrangements in place to ensure financial resilience and deliver value for money.• the Council is taking action to address capital budget underspends and to address a number of challenges to deliver affordable housing as part of its Local Plan• We made a recommendation for the Council to consider how it strengthens the independence of the internal audit function. <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>
Whole of Government Accounts	<p>As the Council falls below the threshold set by the National Audit Office, we are only required to carry out limited work on the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We confirmed on 26 September 2014 that a review was not required and that the balances of property, plant and equipment and pension liabilities in the pack were consistent with the audited financial statements.</p>
Certification of grant claims and returns	<p>We are carrying out certification work on your housing benefit subsidy claim and will report our findings from this work separately in our annual certification report.</p> <p>We have completed the certification of the housing capital receipts return, which was unqualified.</p>
Other work	<p>We are carrying out work into an objection raised by a local elector on the basis of setting fees for taxi licences. We will report the outcomes of this work separately when we have completed it.</p>
Audit fee	<p>Our fee for 2013/14, subject to any changes arising from on-going certification work, was £96,178, excluding VAT which represents a reduction to our planned fee for the year and also represented a reduction of 1% from the previous year. Further detail is included within appendix B.</p>

Appendix A: Key issues and recommendations

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

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	<p>The process for checking journals had been strengthened since our previous report so that all high value journals and a sample of the rest are reviewed by the Head of Financial Services. There remains a risk that inappropriate journals could be missed by this process or only be corrected retrospectively.</p> <p>Recommendation: Senior officers should review all journals before they are posted.</p>	Medium	<p>The revised process has been operating since January 2014. In addition, having reviewed the list of high value journals, the Head of Financial Services has recently put in place a procedure to review all treasury management journals at the time the deal ticket is signed and that the bank reconciliation journal is signed by the Principal Accountant, when she reviews the bank reconciliation on a monthly basis.</p> <p>The financial services team do not have the resources to check all journals, but we feel our current, improved procedures are adequate and address the key risks associated with manual journals to the financial system.</p> <p>Responsible officer: Head of Financial Services Due date: No further action proposed.</p>
2.	<p>Following the restructure of the corporate management team, the Head of Internal Audit function has been performed by the Executive Head of Corporate Development, who is a member of the Council's management team. We challenged whether this demonstrated the independence from management that is a necessary part of the Head of Internal Audit function.</p> <p>Recommendation: The Council should consider how to formally separate the function of Head of Internal Audit from the roles within the executive management team, and test its proposed solution against CIPFA's Internal Audit Standards</p>	High	<p>The Executive Head of Organisational Development, who is currently the Head of Internal Audit, is currently carrying out a restructure within his department and will take the audit recommendation into account as part of the restructure. The Council's Constitution will also need updating to reflect the changes in delegation.</p> <p>Responsible officer: Executive Head of Organisational Development Due date: 31 December 2014</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit. We are carrying out work in connection with an objection raised by an elector in relation to taxi licensing fees. We will confirm the fee for this work when we have completed it.

Fees

	Per Audit plan £	Actual 2013/14 fees (tbc) £	2012/13 fees £
Audit Fee	75,810	* 76,710	75,810
Grant certification fee	22,000	** 19,468	21,383
Total fees	97,810	96,178	97,193

Fees for other services

Service	Fees £
None	Nil

* There is an 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 NDR3 claims. The additional fee is subject to agreement by the Audit Commission.

** The Audit Commission updated its scale fee for certification work to reflect the removal of the need to test council tax benefit claims as part of work on Housing Benefits subsidy claim. We will report the final fee later in the year in our annual certification report.

Reports issued

Report	Date issued
Audit Plan	26 March 2014
Audit Findings Report	25 September 2014
Certification report	TBC
Annual Audit Letter	October 2014



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