

The Annual Audit Letter for Coventry City Council

Year ended 31 March 2014

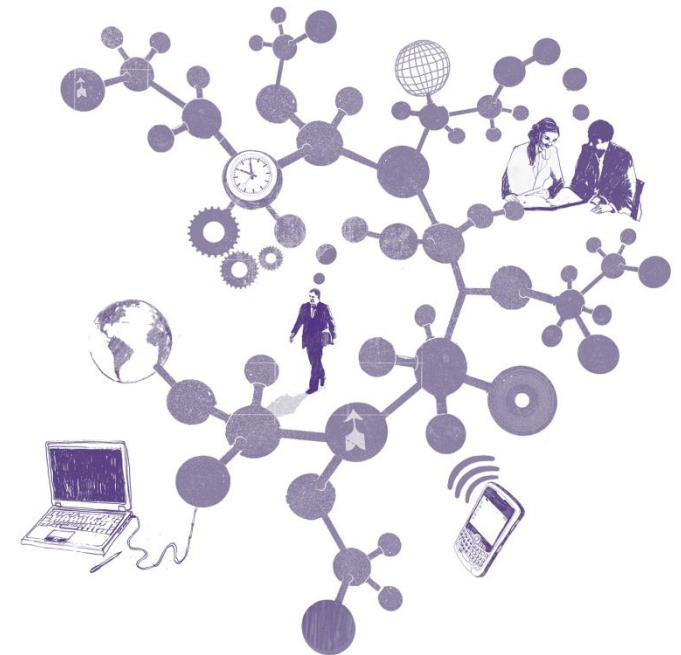
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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Coventry City 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 7 April 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 15 September to the Audit and Procurement Committee. The key messages reported were:

- the Council has successfully implemented new key financial systems during 2013/14 and avoided the many pitfalls that can occur when making such significant changes to IT systems. The Council produced draft accounts to a good standard and with an overall high level of compliance with disclosure requirements
- there were two adjustments to the financial statements submitted for audit which affected the Council's reported financial position, though neither of them had any impact on the Council's net expenditure. The first adjustment resulted in the value of the Council's investment in Coventry Solihull Waste Disposal Company increasing by £46.7m. This was the result of a revaluation exercise performed in conjunction with Solihull MBC. The adjustment is not due to an error made in the drafting of the accounts but arose because the revaluation exercise was completed after the accounts had been submitted for audit. The second adjustment, arising from an over-accrual of rental income, resulted in the Council's General Fund reserve decreasing by £2.3m.

The key recommendations arising from our financial statements audit are detailed in Appendix A.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 25 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

| | |
|--|--|
| Value for Money (VfM) conclusion | <p>We issued a qualified VfM conclusion for 2013/14 on 24 September 2014.</p> <p>An Ofsted inspection of children's services in March 2014 judged the services provided by the Council to be inadequate. The Council are taking action in respect of the issues raised by Ofsted but, because of the severity of their findings, we issued a qualified value for money conclusion.</p> <p>The Council failed to achieve their total targeted savings for 2013/14, securing savings of £12.6m against a target of £17.2m. The failure to hit the target was largely due to the level of savings intended from children's services not being achieved. We were satisfied with all other aspects of the Council's arrangements for securing value for money</p> <p>The key recommendations arising from our value for money conclusion work are detailed in Appendix A.</p> |
| Whole of Government Accounts | <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> <p>The Council should have submitted its draft consolidation pack to the Department for Communities and Local Government by 30 June. We did not receive a draft consolidation pack to review until 18 September. Our review of the pack identified a number of significant omissions.</p> <p>A recommendation in respect of Whole of Government Accounts is included in Appendix A.</p> |
| Certification of grant claims and returns | <p>Our certification work on the Council's Housing Benefit Subsidy claim is currently underway. We expect to certify this claim by the Department of Work and Pension's deadline of 30 November.</p> |
| Audit fee | <p>Our fee for 2013/14 was £249,311, excluding VAT, which represented a reduction of 4% from the previous year. Further detail is included within appendix B.</p> |

Appendix A: Key recommendations

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

| No. | Recommendation | Priority | Management response/ responsible officer/ due date |
|-----|---|----------|---|
| 1. | The Council should put arrangements in place to revalue classes of assets simultaneously and to make the required PPE disclosures in its accounts on a class by class basis | High | Arrangements are in hand to ensure that assets within the same class are valued simultaneously for the 2014/15 accounts and to make the required disclosures Responsible officer: Finance Manager, Corporate Finance Due date: June 2015 |
| 2. | The Council should consider the issues raised in the Audit Findings report in respect of accounting for PFI contracts as part of the preparation of the 2014/15 financial statements | High | These issues will be considered as part of the preparation of the 2014/15 accounts Responsible officer: Finance Manager, Corporate Finance Due date: June 2015 |
| 3. | The Executive Director of Resources should continue to assess the adequacy of the General Fund reserve in the light of the financial risks facing the Council over the medium and long term | High | The Local Government Act 2003 requires the Executive Director of Resources to give assurance on the adequacy of reserves of the Authority when it sets its budget each year. The adequacy of all reserves will continue to be monitored and reported at key points through the annual financial cycle process. In particular where there are key emerging areas of risk, such as the recent part-localisation of Business Rates, this will be factored into any assessment of reserve levels. Responsible officer: Executive Director of Resources Due date: On-going |

Appendix A: Key recommendations

| No. | Recommendation | Priority | Management response/ responsible officer/ due date |
|-----|--|----------|--|
| 4. | <p>The Council needs to maintain its sound financial position by continuing to :</p> <ul style="list-style-type: none"> keep tight financial control keep the medium term financial plan up-to-date and plan for a range of scenarios ensure that identified savings from the ABC programme are delivered try to identify realistic ways of making savings in the medium term in respect of childrens social care and early intervention services. | High | <p>On-going maintenance of tight financial control continues to be a key focus for the Council as demonstrated by its continued sound budgetary control performance. This has been reinforced by the Council's new financial information system which is delivering more timely budgetary control information to members and senior officers.</p> <p>Rolling medium term financial planning forecasts reflecting a range of potential scenarios continue to be maintained and Members are being informed of these within the forthcoming Budget Setting process.</p> <p>Delivery of the abc Programme and savings identified as part of a new developing Budget strategy are being managed within a comprehensive range of projects. These include themes incorporating Friargate, the Customer Journey and a wide ranging Workforce Strategy.</p> <p>In response to the Ofsted Inspection report on its Children's Services earlier this year the Council is focussing on ensuring that the service is resourced to meet the immediate demands of the service across Coventry. Over the medium term, it will be necessary to ensure that social care and early intervention services are delivered in a way that strikes an appropriate balance between service need and the achievement of value for money.</p> <p>Responsible officer: Executive Director of Resources Due date: On-going</p> |
| 5. | <p>The Council should ensure that it:</p> <ul style="list-style-type: none"> • submits its 2014/15 Whole of Government Accounts consolidation pack to DCLG by the set deadline • minimises significant omissions from the pack submitted. | High | <p>The Council will seek to submit the 2014/15 Whole of Government Accounts (WGA) return in line with the Government set timescale and without significant omissions. Given the recently tightened timescales for the WGA it is important to note that the Council's first priority will continue to be the main Statement of Accounts, which is subject to statutory deadlines</p> <p>Responsible officer: Finance Manager, Corporate Finance Due date: In line with Government deadline</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 | 229,810 | 231,280 |
| Grant certification fee | 21,600 | 18,031 |
| Total fees | 251,410 | 249,311 |

There is an additional fee of £1,470 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 50% of the average fee previously charged for NDR3 certifications for Metropolitan District Councils and is subject to agreement by the Audit Commission

Fees for other services

| Service | Fees £ |
|---------|--------|
| None | Nil |

Reports issued

| Report | Date issued |
|-----------------------|--------------|
| Audit Plan | 7 April |
| Audit Findings Report | 15 September |
| Annual Audit Letter | 20 October |



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