

Audit Committee – 9 November 2015

Annual Audit Letter 2014/15

1. Summary of report

- 1.1 This report presents Grant Thornton's Annual Audit Letter 2014/15. It summarises the key issues arising from the work that the external auditors have carried out at Walsall during 2014/15. The letter is designed to communicate their key messages and conclusions to the council and external stakeholders, including members of the public. The letter covers the following work areas:
- auditing the 2014/15 year end accounts
 - assessing the council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money (VfM) is achieved

2. Recommendations

- 2.1 Audit Committee are requested to formally consider and receive the external Annual Audit Letter 2014/15.



James Walsh, Chief Finance Officer
2 November 2015

3. Governance

The Annual Audit Letter summarises the key work areas and audit conclusions arising during 2014/15 to assist the council in maintaining strong governance arrangements.

4. Resource and legal considerations

None directly relating to this report.

5. Performance and risk management issues

Performance and risk management is embedded in the final accounts process.

6. Equality implications

None directly associated with this report.

7. Consultation

The report is prepared in consultation with finance and senior officers across the council.

8. Background papers - Various financial working papers.

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The Annual Audit Letter for Walsall Council

Year ended 31 March 2015

October 2015

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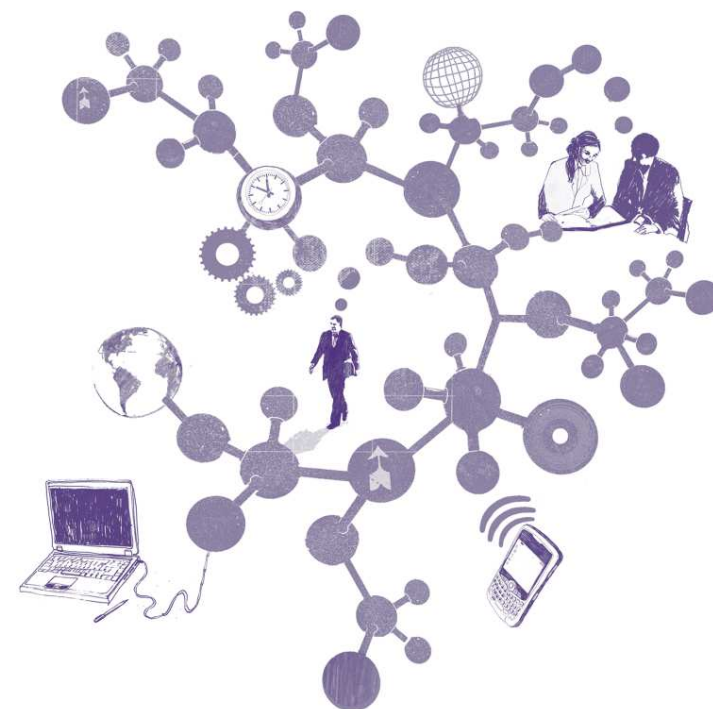
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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Walsall Council ('the Council') for the year ended 31 March 2015.

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 in July 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 and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 23 September to the Audit Committee. The key message to report is that we issued an unqualified opinion on the 2014/15 accounts on 28 September 2015, meeting the deadline set by the Department for Communities and Local Government.</p> <p>There were no material adjustments made to the accounts nor any unadjusted misstatements identified as a result of the audit. Some changes were made to improve disclosures and there was a small change affecting the reported financial position, due to the valuation of Birmingham Airport shares not being available until after the accounts were issued for audit. 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.</p> <p>As reported last year, your finance team continue to operate to high standards of performance in financial reporting.</p>
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Key messages continued

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2014/15 on 28 September 2015.</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 2015.</p> <p>The Council, like others, is facing some significant challenges, both financially and operationally. In our risk assessment we identified risks around the Council's financial position in the face of austerity, budget pressures around Looked after Children (LAC) and Social care, and a poor Ofsted report around school attainment.</p> <p>We considered these issues, and followed up the residual risks highlighted in the 2013/14 VfM conclusion. We concluded that the Council has adequate arrangements in place to address the risks identified and is making progress against the recommendations made last year. We were therefore able to issue an unqualified opinion. Appendix A contains more detail.</p>
Certification of housing benefit grant claim	<p>We have yet to certify the Council's 2014/15 housing benefit grant claim. This work will be completed by 30 November.</p>
Audit fee	<p>Our fee for 2014/15 was £190,470, excluding VAT which was in line with our planned fee for the year and is consistent with the previous year fee. Further detail is included within appendix B.</p>

Acknowledgement

2014/15 has been the last year of our current external audit relationship with this Council, which commenced in 2007/08. We would like to convey our thanks and appreciation to the Council's officers and members for the constructive and professional manner they have supported our audits over the period.

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>Medium Term Financial plan: We reported in our AFR that the Council has identified that it needs to make £85m of savings over the life-time of the Medium-term Financial Plan (MTFP).</p> <p>Good progress has been made towards identifying savings. Proposals have recently been considered by the Corporate Management Team. These proposals have been developed by service managers taking into account the priorities agreed by Members within the Corporate Plan. These plans will be consulted upon and will feed into the 2016/17 budget and update of the MTFP.</p> <p>These proposals will require some difficult decisions to be made about whether some services continue to be provided in the same way, and for others, whether they are provided at all.</p> <p>Recommendation: Members and Officers will need to confirm the detailed savings plan as part of the 2016/17 budget process, if the Council is to continue to be financially resilient.</p>	High	<p>Cabinet have published a draft balanced budget for 2016/17 and further budget options for 2017/18, for consultation with stakeholders and higher level cash limits for services for 2018/19 and 2019/20 for which options are being worked on. Walsall will have to manage a 25-40% funding reduction over the next four years, alongside increasing levels of demand. The Council is aware that difficult service delivery decisions will have to be made and is starting consultation with residents on future options, feedback from which will be reported to Cabinet and Council and used to inform budget decisions. Options for 2018/19 onwards, including alternative service delivery options, will be published and consulted on as soon as possible.</p> <p>Responsible officer: Leader of the Council and Chief Executive Officer Due date: February 2016 and ongoing</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
2.	<p>Looked After Children (LAC) (2013/14 residual risk and continuing risk in our initial risk assessment)</p> <p>Last year we reported on the overspends in this area. This continues to be a challenge as there was once again an overspend in 2014/15. This is also one area where the planned savings were not achieved. The Council is putting in place action plans to both manage demand and control better other areas of the budget such as staff and agency costs.</p> <p>Earmarked reserves have been set aside to mitigate some of the possible overspends and to reflect that action plans will take time to deliver changes. This continues to be a residual risk for our VfM conclusion.</p> <p>Recommendation: This is an area that continues to present risk to delivery of the budget and must be kept under review by Members.</p>	Medium	<p>The budget is based on an estimated population of LAC. Numbers fluctuate based on need and these are kept under review and reported. Council in February 2015 made some one-off support available to assist in funding this demand, however it is recognised that the current level of LAC demand pressures cannot be managed within the existing budget in these areas, requiring some in year investment. Cabinet have allocated further funds to cover the shortfall in 2015/16 and intend to make provision in the 2016/17 budget. Action plans and budget will be reported regularly to Cabinet.</p> <p>Responsible officer: Executive Director – Children’s Services</p> <p>Due date: On-going and by February 2016 (for budget setting)</p>
3.	<p>Adult Social Care (2013/14 residual risk and continuing risk in our initial risk assessment)</p> <p>Last year we highlighted that whilst the Council was committed to modernising and transforming social care to improve outcomes for adults in Walsall, the Council faced significant risks of overspend. Success in managing demand is partly reliant on Walsall NHS Trust. Similarly to LAC, this area did once again overspend in 2014/15 and is an area where there was slippage in achieving the target savings. This continues to be a residual risk for our VFM conclusion.</p> <p>Recommendation: As recommended for LAC, both action plans and budget need to be kept under review by Members.</p>	Medium	<p>The directorate is currently experiencing significant pressures in relation to care costs. It is recognised that the current level of demand pressures cannot be managed within the existing budget in these areas, requiring some in year investment. Cabinet have allocated further funds in 2015/16 and intend to make provision in the 2016/17 budget. Action plans and budget will be reported regularly to Cabinet. Additionally, the Service has invited challenge to its plans from the LGA sector led improvement peer challenge in November.</p> <p>Responsible officer: Executive Director – Adult Social Care. Due date: On-going and by February 2016 (for budget setting)</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
4	<p>Children – Educational attainment</p> <p>Ofsted have raised concerns over educational attainment in the Borough. A quarter of Walsall's schools are assessed as poor. The Education Challenge Board, has a role in monitoring progress and providing challenge for Walsall's school improvement strategy. External review of progress has included positive statements about the direction of travel. The Council has not included this area as a specific risk in the corporate risk register. A follow up inspection by Ofsted is expected imminently.</p> <p>We have assessed this as a residual risk for the VfM conclusion as this is a major service provided by the Council and is not currently assessed as effective.</p> <p>Recommendation:</p> <p>Members should receive assurance that adequate progress is being made against the improvement strategy and that milestones are being met.</p> <p>Members should be satisfied that enough is being done to improve the educational attainment of children in the Borough.</p>	High	<p>The Council has an externally chaired Education Challenge Board since Autumn 2014. The role of the Board is to challenge performance against a detailed action plans and performance indicators. The Chair reports directly to the Education and Children's Services Scrutiny Committee which dedicates half of the agenda to scrutinise educational improvement. Additional financial investment is also being made into school improvement. An external review of progress has included positive statements about direction of travel. A follow up inspection is expected imminently.</p> <p>Responsible officer: Executive Director – Children's Services</p> <p>Due date: On-going</p>

How we have worked with you during the year

Senior officer team

We:

- met regularly with the Chief Executive and the Chief Finance Officer to discuss some of your major projects and to share our insight into national Local Government issues
- shared our annual reports on Local Government Governance and Financial Resilience
- shared our understanding of some of the key issues facing Local Government through our thought leadership reports covering Welfare Reform, Alternative Delivery Models, Financial Sustainability in Local Government and Devolution.
- produced a bespoke summary of key financial, demographic and economic development indicators on "Where Growth Happens".
- worked with the finance department to ensure that all local and national issues in relation to the accounts are dealt with well in advance of the opinion audit.
- shared technical knowledge, provided early warning on key risks and provided an opportunity to network with other Local Government bodies at our workshops covering taxation issues, building a successful local authority trading company, Local Government financial self sufficiency and 20:20 vision.

Audit committee Members

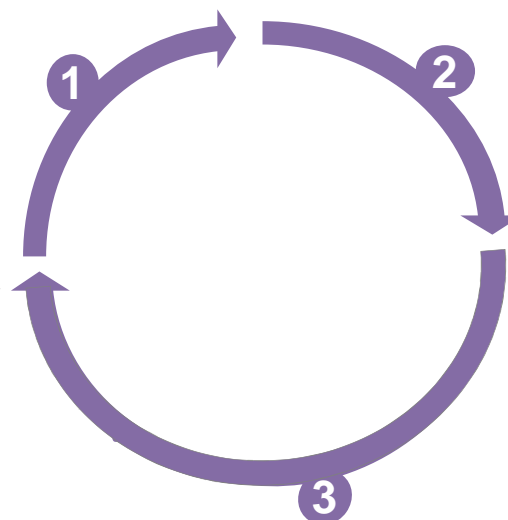
We:

- met regularly with the Audit Committee to ensure you were kept up to date with the audit progress, as well as emerging issues affecting the wider Local Government Sector
- invested in regular dialogue with the audit committee to ensure there were no surprises and to maintain a robust and independent stance
- provided independent external audit commentary and insight on the Council's issues through senior attendance at every audit committee
- provided regular, timely and transparent reports from our work and briefing notes on key sector developments.

Other councillors

We:

- arranged a workshop to raise awareness of good governance issues amongst elected Members



Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

	Per Audit plan £	Actual fees £
Council audit	189,000	190,470
Housing benefit grant certification fee	19,210	19,210
Total audit fees	208,210	209,680

As referred to in the Audit Findings Report, the actual fee charged is in line with that published by Public Sector Appointments (PSAA)

Reports issued

Report	Date issued
Audit Plan	July 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015

Fees for other services

Service	Fees £
Audit related services: <ul style="list-style-type: none">Teachers' pension	4,200
Non-audit related services: <ul style="list-style-type: none">Governance review (completion of 2013/14 work)	3,500



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