

Audit Committee – 12 November 2012

Annual Audit Letter 2011/12

1. Summary of report

1.1 This report presents Grant Thornton's Annual Audit Letter 2011/12. It summarises the key issues arising from the work that the external auditors have carried out at Walsall during 2011/12. 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 2011/12 year end accounts
- assessing the council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money (VfM) is achieved
- certification of grant claims and returns to various government departments and other agencies

Audit Committee are requested to formally consider the attached document.

2. Recommendations

2.1 Audit Committee are requested to formally consider and receive the external Annual Audit Letter 2011/12.



James Walsh, Chief Finance Officer
17 November 2012

3. Governance

3.1 Grant Thornton have been appointed as the council's independent external auditors by the Audit Commission. The Annual Audit Letter summarises the key work areas and audit conclusions arising from these, to assist the council in maintaining strong governance arrangements.

4. Resource and legal considerations

4.1 None directly relating to this report.

5. Performance and risk management issues

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

6. Equality implications

6.1 None directly associated with this report.

7. Consultation

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

8. Background papers - Various financial working papers.

Author: Vicky Buckley – Head of Finance, ☎ 01922.652349, buckleyv@walsall.gov.uk

Walsall Metropolitan Borough Council

Annual Audit Letter 2011/12

12 October 2012

Introduction

Purpose of this letter

This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at Walsall Metropolitan Borough Council ('the Council') during our 2011/12 audit.

The Letter is designed to provide a brief overview of our key messages to the Council and external stakeholders, including members of the public.

The letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

What this Letter covers

This Letter covers our 2011/12 audit, including key messages and conclusions from our work in:

- auditing the 2011/12 year end accounts
- assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money is achieved
- certification of grant claims and returns to various government departments and other agencies.

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).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Key messages

Accounts audit

We received the draft financial statements prior to the commencement of our audit fieldwork, in accordance with the earlier timetable agreed with the Council. Supporting working papers were made available at the start of the audit, and requests for information were acted upon promptly enabling a smooth audit process. We are pleased to report that the working papers presented were of a high quality and Officers dealt promptly with the queries we raised.

We issued an unqualified audit opinion on 25 September 2012, ahead of the statutory deadline.

We identified one audit adjustment that impacted on the Council's reported income and expenditure position (statement of comprehensive income). This related to a missing accrual and increased the expenditure on the provision of services by £850,000.

In addition, an adjustment was also required to the Council's balance sheet to reflect the increase in the value of ordinary and preference shares at Birmingham Airport of £2,078,000. This adjustment does not impact on the Council's income and expenditure position.

Our main audit conclusions for the year

The 2011/12 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

We concluded that the Annual Governance Statement and Explanatory Foreword were consistent with our knowledge of the Council, subject to a small number of minor adjustments, which management incorporated into the final versions of the documents.

The Council submitted its draft Whole of Government Accounts pack for audit by the deadline of 30 July and we met the audit deadline of 30 September based on there being no significant issues with the quality of the information contained in the pack.

In 2012/13 we will discuss future accounting challenges with the Council, including planning for changes to financial reporting requirements, for example, around accounting treatment of schools and leased assets.

Key messages (continued)

Value for Money audit

An unqualified Value for Money ('VFM') conclusion was also issued on 25 September 2012 confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

As part of this work we reviewed the Council's arrangements for securing financial resilience over the medium term. Our overall conclusion was that whilst the Council faces significant financial challenges in 2012/13 and beyond, its current arrangements for achieving financial resilience are robust. The detailed findings of our review were reported separately to the Council in our report on the Council's arrangements for securing financial resilience.

In addition, we also completed a detailed risk assessment of whether the Council had 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 concluded that the Council had proper arrangements in place.

We will continue to review arrangements for securing VFM, focusing on key risk areas, as part of our 2012/13 audit. This will include the VFM implications of Ofsted's recent inspection into the Council's safeguarding children arrangements.

Certification of claims and returns

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2010/11 certification work we reported early in 2012 that performance had generally improved against key measures but identified that the Council should work to reduce the number of claims requiring amendment.

We are currently in the process of certifying the 2011/12 grant claims and returns. Once this work is complete we will report in full on the findings of our work in a separate report to the Audit Committee.

Outputs and fees

Our audit outputs and fees are shown at Appendices A and B.

Acknowledgements

This Letter has been agreed with officers and will be presented to Audit Committee on 12 November 2012.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council.

Grant Thornton UK LLP
12 October 2012

Appendix A 2011/12 reports issued

Report	Date Issued
Audit Plan	March 2011
Audit Approach Memorandum	March 2012
Interim Audit Report	June 2012
Annual Report to Those Charged With Governance (ISA 260)	September 2012
Financial Resilience Report	October 2012
Annual Audit Letter	October 2012
Grants Certification Report 2011/12	January 2013 (planned)

Appendix B Audit and other fees 2011/12

Audit area	Budget 2011/12	Actual 2011/12
Total Code of Practice fee	£315,000	£315,000
Non-Code fee	0	0
Certification of grant claims and returns*	£55,000	To be confirmed on completion of work and reported in Grants Certification Report 2011/12

* The quoted fee for grant certification work is an estimate only and is charged at published hourly rates.



Grant Thornton

www.grant-thornton.co.uk

© 2012 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ("Grant Thornton International"). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This proposal is made by Grant Thornton UK LLP and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement.

The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP