

The Annual Audit Letter for Southwark Council

Year ended 31 March 2014

27 October 2014

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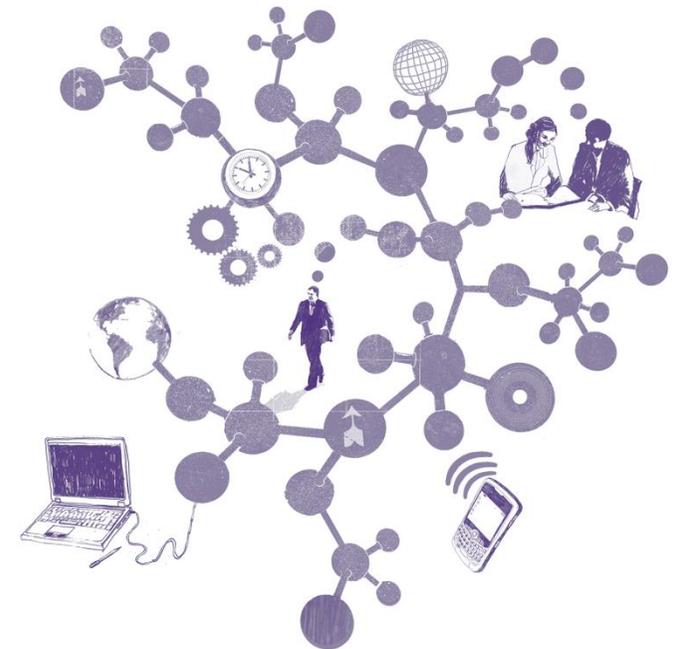
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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Southwark 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 24 February 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)	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 16 September 2014 to the Audit and Governance Committee. The key messages reported were:</p> <ul style="list-style-type: none">• the Council's draft financial statements were complete and submitted by the statutory deadline;• the draft financial statements submitted for audit were of a good quality; and• the Senior Accountant has been very responsive to audit queries and requests for additional information. <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 30 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.</p>
Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 30 September 2014.</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 2014.</p>

Key messages

Whole of Government Accounts	The Council submitted the Whole of Government Accounts consolidation pack significantly later than the 30 June deadline as we received it for audit on 19 September 2014. Following the completion of the audit work, the Council amended the consolidation pack. We reported that the final version of the pack was consistent with the audited financial statements on 9 October 2014. The deadline for submission was 3 October 2014. The reason for the late report was due to the late submission of the original return and focus on accounts testing for the pension fund audit at the end of September.
Certification of grant claims and returns	We are currently auditing the 2013/14 Housing Benefit claim. We will meet the deadline of 30 November for submission of the audited claim.
Audit fee	Our fee for 2013/14 was £313,794 for the Council, and £23,500 for the pension fund, excluding VAT. The Council fee was in line with our planned fee for the year and remains the same as the fee in the previous year, which was reduced by 40%. The pension fund fee was increased by £2,500 from the planned fee. Further detail is included within appendix B.
Objections from the public	An elector has written to me making objections to the 2013/14 financial statements on parking related matters. Until I have reviewed the issues and considered whether or not to exercise my formal statutory powers, I will not issue an audit closure certificate.

Appendix A: Key issues and recommendations

This appendix summarised the significant (high priority) recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Management response/ responsible office/ due date
1.	<p>IT risk environment: Our assessment of the IT control identified that there were a number of officers who could access specialist codes in the SAP system.</p> <p>Recommendation: Access to the SA38 and SE38 codes should be limited to ICT staff assigned to SAP support activities. Where end users currently have access to SA38, due to the need to run customised reports, these should be attached to a custom transaction code and allocated via staff role.</p>	<p>Agreed. We will restrict access accordingly.</p> <p>Responsible office: ICT</p> <p>Due date: End June 2014</p>
2.	<p>Capital programme: The capital programme slippage in 2013/14 totalled £37m, which was re-phased into the 2014/15 budget. The level of slippage has reduced since the prior year but this is still significant against an original budget of £100m. This has increased the pressure on delivery in the current financial year.</p> <p>Recommendation: The Capital Programme should be closely monitored to ensure potential slippage is re-phased effectively.</p>	<p>Cabinet continues to review the capital programme on a quarterly basis. Strategic directors responsible for individual projects continue to do all that is possible to ensure potential slippage is re-phased effectively.</p> <p>Responsible office: Finance</p> <p>Due date: On-going</p>

Appendix A: Key issues and recommendations (continued)

No.	Issue and recommendation	Management response/ responsible office/ due date
3.	<p>Medium term financial planning: The Council's financial plan is set on an annual basis for only one financial year. The Council needs to set a three year budget to ensure longer term plans with multi-agency working can be entered into and delivered. At a high level, the current medium term financial planning covers the period to 2016/17.</p> <p>Recommendation: The Council should strengthen financial planning for the longer term by extending the annual budget into a rolling 3-5 year budget.</p>	<p>The council's ability to extend planning horizons is dependent on the government's settlement periods.</p> <p>Budget options for 2015/16 are being considered and a public consultation exercise is under way. Thematic budget reviews are also being considered, although these are more likely to require investment and to have longer delivery timescales taking individual projects in to 2016/7 and beyond.</p> <p>Responsible office: Finance</p> <p>Due date: On-going</p>
4.	<p>Finance team capacity: The Council needs to ensure that the right skills and knowledge are demonstrated by all members of the team to avoid undue pressure on a small number of individuals.</p> <p>Recommendation: The Council needs to ensure the finance team has the sufficient skills and capacity to deliver the support required to departments in the toughening financial environment.</p>	<p>Agreed. The division has an agreed resourcing plan prepared in September 2013 and updated in April 2014, which is kept under review. There is also a divisional learning and development plan. Both these plans will be updated at the end of 2014/15. Acting up and secondment arrangements are also used to address resource needs arising from staff turnover, sickness or maternity leave. However, the division is also likely to seek efficiencies resulting in staff reductions in the years ahead.</p> <p>Responsible office: Finance</p> <p>Due date: March 2015</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Audit (note 1)	326,294	316,394
Grant certification (note 2)	47,900	24,047
Pension Fund (note 3)	21,000	23,500
Total fees	395,194	361,441

Fees for other services

Service	Fees £
HRA cost allocation	18,900
Teachers' Pensions Return	4,500

Note 1 - The Council audit fee reported in the Audit Plan included £12,500 for work carried out in 2012/13 and was therefore overstated. The scale fee for 2013/14 is £313,794. Following changes to certification arrangements for the National Non-Domestic Rates (NNDR) return and additional work being required as part of the accounts audit, the scale fee has been increased by £2,600 in 2013/14. Therefore, the actual fee is £316,394.

Note 2 - The planned certification fee included work relating to the NNDR and Teachers' Pensions returns which are no longer covered by the Audit Commission grants regime. In addition, at the Audit Plan stage, the approach to testing council tax reduction had not been determined. Following agreement of the work required, the grants fee has been reduced as this is no longer covered in the housing benefit claim.

Note 3 - The actual fee for the pension fund audit is £2,500 higher than the planned audit fee. There were delays in providing information to audit and key officers were not available during the main audit visit which increased the level of work required by the team.

Reports issued

Report	Date issued
Audit Plan	24 February 2014
Audit Findings Report	16 September 2014
Certification report	Planned for December 2014
VfM Report	16 September 2014
Annual Audit Letter	27 October 2014



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