

# *Staffordshire County Council*

*Annual Audit Letter*

2014/15

Government and  
Public Sector

October 2015

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## **Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies**

*In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.*

# Introduction

## *The purpose of this letter*

This letter summarises the results of our 2014/15 audit work for members of the Council.

We have already reported the detailed findings from our audit work to the Audit and Standards Committee in the following reports:

- Audit opinion for the 2014/15 financial statements, incorporating opinion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources (September 2015); and
- Report to those charged with Governance (ISA (UK&I) 260) (September 2015).

We also issued the Economy, Efficiency and Effectiveness Report in September 2015 to the Director of Finance and Resources.

We will report separately to the Pension Fund Management Board in October 2015 the work which we have undertaken on the risks identified in our audit plan relating to the Staffordshire Pension Fund.

## *Scope of Work*

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As an administering Authority of a pension fund, the Authority is also responsible for preparing and publishing Accounting Statements for the Staffordshire Pension Fund.

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2015 and is 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.

We met the following responsibilities during the year:

### **Audit Responsibility**

*Perform an audit of the accounts and pension fund accounting statements in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).*

*Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.*

*Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.*

*Consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.*

*Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.*

## **Audit Responsibility**

*Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.*

*Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.*

*Issue a report noting whether or not the pension fund financial statements in the pension fund annual report and accounts are consistent with those in the authority's statement of accounts.*

The next section of this report sets out how we have met our responsibilities during the course of the audit and what our key findings were.

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# Audit Findings

## Accounts

We audited the Council's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on the Council's Statement of Accounts which contained the Staffordshire Pension Fund accounts on 30 September 2015.

We noted significant issues arising from our audit within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented to the Audit and Standards Committee on 14 September 2015 with an update letter issued to the Director of Finance and Resources on 30 September 2015. We wish to draw the following points, included in that report, to your attention in this letter:

- The draft accounts (including pension fund) were submitted to us ahead of the June deadline and were of a good quality.
- Supporting working papers were ready at the start of the audit and were of a good quality.
- Key members of staff were available from day one of the audit and responded promptly to our audit questions and requests for information.
- Our work on the Council's systems identified no material weaknesses.
- The most complex issues for 2014/15 have been the accounting for the single lump sum payment pension contributions and the accounting for schools non-current assets. We are satisfied that these were appropriately reflected and disclosed in the financial statements.

- We reviewed the reasonableness of the assumptions underlying the pension liability and concluded that we were comfortable with the assumptions adopted.
- We identified no material errors and there were no uncorrected misstatements. Two misstatements were corrected by management; these did not impact on the draft reported General Fund outturn or on the cash position of the Council.
- We identified no misstatements in the draft Pension Fund accounts.

## Financial standing

Your cashflow forecasts did not include any material uncertainties related to events and conditions that may cast significant doubt on your ability to continue as a going concern, and indicated sufficient resources available to meet your commitments for at least a 12-month period after the date of our audit opinion. We concluded the use of the going concern assumption was appropriate.

## Accounting systems and systems of internal control

The Council is responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. We review these arrangements for the purposes of our audit of the financial statements and our review of the Annual Governance Statement. Our work identified no significant deficiencies in internal control.

## *Annual Governance Statement*

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

## *Use of Resources*

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether you had in place, for 2014/15, proper arrangements to secure economy, efficiency and effectiveness in your use of the Authority's resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

- that the organization has proper arrangements in place for securing financial resilience; and
- that the organization has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

To reach our conclusion, we carried out a schedule of work that was based on our risk assessment. Our work focused on your medium term financial plans and savings targets over the next few years for detailed review. This risk was included to highlight that there is a significant risk in relation to our value for money responsibility.

The key points we noted from this work were:

Staffordshire County Council

- You have demonstrated in the past that you have programme management arrangements in place and that you substantially achieve the savings targets which you have set yourself.
- You have recognised that as demand for care for the elderly, for people with disabilities and for looked after children continues to grow that you need to invest to be able to provide this support, with £20m being invested in 2015/16.
- You have applied a number of assumptions in setting your MTFS. In some cases these were more prudent than in our benchmark average. However, we believe these are realistic assumptions which will help you to meet manage the financial risks which exist over the plan period.
- The Audit Commission value for money profile, whilst backwards looking, continues to show a number of key areas where the Authority is providing services which appear to demonstrate good value for money when compared with other County Councils. Spend on services is largely in line with the average for other authorities with the exception of sustainable economy and environmental services which are below the average.
- The assumptions you have used in setting your Medium Term Financial Strategy ("MTFS") are broadly in line with other similar authorities. Our work in this particular area has not identified any issues which would lead to a qualified value for money conclusion. We have identified that further work will need to be performed by the Council on the MTFS once you have factored in the impact of any further loss in revenue support grant from the government, once this becomes known, and that you will need to begin to replenish the level of reserves which

have been used in previous years to manage the overspends incurred or budget gaps.

- The majority of savings which are included in the MTFS are legacy savings which have a recurrent impact over the lifetime of the MTFS. Our testing of schemes over £1.0m did not identify any issues.

We identified no concerns in these areas that impacted on our value for money conclusion.

We therefore issued an unqualified conclusion on the ability of the organisation to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### *Whole of Government Accounts*

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The audited pack was submitted on 1 October 2015 before the 2 October deadline. We found no areas of concern to report as part of this work and concluded that it was consistent with the financial statements.

### *Other responsibilities*

We are required to determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act. This includes a requirement to consider whether, in the public interest, we should make a report on any matter coming to their notice in the course of the audit. There were no issues to report in this regard.

### *Audit Completion*

We are required to issue a certificate when we have completed the audit in accordance with the requirements of

the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

We anticipate being able to issue our completion certificate once we have been able to review the Pension Fund Annual Report (which is being drafted in accordance with deadlines set by the Local Government Pension Scheme Regulations 2008). We expect to be able to conclude on this prior to 1 December 2015.

# Final Fees

## Final Fees for 2014/15

We reported our fee proposals in our audit plan to the Audit and Standards Committee in March 2015. We varied our fee because of the additional risk based work for the additional local risk based audit work on the migration of pension fund data from SAP to Altair.

Our actual fees (excluding VAT) charged were as follows:

	2014/15 outturn	2014/15 fee proposal
<b>Audit work performed under the Code of Audit Practice</b>	146,340	146,340
- Statement of Accounts		
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources		
- Whole of Government Accounts		
<b>Additional local risk based audit work</b>	2,211	2,211
<b>Pension Fund audit work</b>	28,637	28,637
<b>Sub-Total Audit Code Work</b>	<b>177,188</b>	<b>177,188</b>
<b>Non-audit work</b>		
- Support requested by Staffordshire internal audit under a framework agreement let by Staffordshire covering 4 local authorities (Council Reviews £19,391 and Other Bodies' Reviews £13,300)	32,691	-
- Certification of claims and returns (Teachers Pensions') (Note 1)	6,000 6,500	-
<b>TOTAL</b>	<b>215,879 – 216,379</b>	<b>177,188</b>

Note 1: Our fee for certification of claims and returns is yet to be finalised for 2014/15.





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