



South Derbyshire District Council

**Annual Audit Letter**

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For the year ended 31 March 2012

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# 1 Executive summary

## 1.1 Introduction

This Annual Audit Letter ("Letter") summarises the key issues arising from our 2011/12 audit at South Derbyshire District Council (the 'Council'). The Letter is designed to communicate our key messages to you and to external stakeholders, including members of the public. The Letter will be published at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and on the Council's website.

This Letter has been agreed with the Chief Finance Officer.

## 1.2 What this Annual Audit Letter covers

This Letter covers our 2011/12 audit summarising the key messages and conclusions from our work at South Derbyshire District Council in:

- auditing the 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.

## 1.3 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](http://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.

## 1.4 Key audit conclusions at 28 September 2012

The 2011/12 accounts give a true and fair view of 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.

## 1.5 Acknowledgements

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**  
**15 October 2012**

## 2 Key messages

### 2.1 Accounts audit

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Sub Committee at the Council). We presented our Annual Report to those Charged with Governance on 26 September 2012.

The accounts and working papers were of a good quality and co-operation in dealing with audit issues was also good. We recommended a small number of adjustments that officers agreed to make in the final accounts. Five proposed adjustments remained unadjusted. These totalled £45k and, if processed, would have increased the General Fund by £19k..

We identified a small number of areas where improvements could be made to the processes in place to prepare the accounts. The actions agreed with the Council to minimise the chance of errors occurring in the 2012/13 accounts were included in our report and we will follow up on progress as part of our 2012/13 audit.

#### Overall conclusion

We issued an unqualified opinion on the Council's 2011/12 accounts on 28 September 2012, ahead of the statutory deadline. Our opinion confirmed that the accounts gave a true and fair view of Council's financial affairs and of the income and expenditure recorded by the Council.

### 2.2 Value for money

The Code of Audit Practice 2010 (the Code) describes the Council's An unqualified Value for Money ('VFM') conclusion was also issued on 28

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. In our view, whilst the Council faces significant financial challenges in 2012/13 and beyond, its current arrangements for achieving financial resilience are robust.

We will continue to review arrangements for securing VFM, focusing on key risk areas, as part of our 2012/13 audit.

#### Overall conclusion

We issued our value for money (VFM) conclusion on 28 September, at the same time as our accounts opinion. We concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

### 2.3 Other matters

We concluded that the Annual Governance Statement and Explanatory Foreword were consistent with our knowledge of the Council, subject to a small number of proposed adjustments, which Officers 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 submitted the audited pack on 28 September 2012 based on there being no significant issues with the quality of the information contained in the pack.

We did not receive any questions or objections from local government electors on the accounts, allowing us to certify the audit as complete on 28 September 2012.

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

#### **2.4 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 marginally decreased against key measures compared to 2009/10 and identified that the Council should continue to seek improvement in record keeping and accuracy to reduce to reduce the number of qualified and amended claims.

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 Sub Committee.

#### **2.5 Outputs and fees**

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

## A 2011/12 reports issued

### Reports issued

Report	Date Issued
Fee letter and scope for 2011/12	March 2011
Audit approach memorandum	February 2012
Interim report	August 2012
Financial resilience	September 2012
Annual report to those charged with governance (ISA 260)	September 2012
Annual audit letter	October 2012
Grants certification report 2011/12	December 2012 (planned)

## B Audit and other fees 2011/12

Audit area	Planned 2011/12	Actual 2011/12
Statutory audit	108,000	108,000
Assurance based review of the fixed asset system	7,500	7,500
Total code of practice fee		
Certification of grant claims and returns <sup>1</sup>	59,000	To be confirmed on completion of work and reported in Grants Certification Report 2011/12



“In law, audit fees are not a fee for audit services, but a levy to fund the costs of the [Audit] Commission, out of which it meets the costs of audits and its other statutory costs.”  
*Audit Commission work programme and scales of fees 2011/12*

<sup>1</sup> The quoted fee for grant certification work is an estimate only and is charged at published hourly rates







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