



# The Annual Audit Letter for Torbay Council

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**Year ended 31 March 2013**

September 2013

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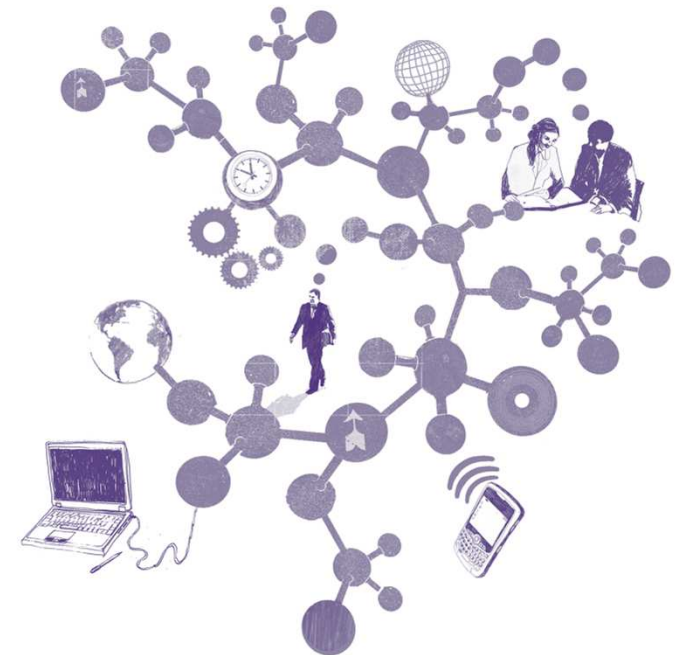
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# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4
2. Audit of the accounts	7
3. Value for Money	9

## **Appendices**

A Reports issued and fees

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## Section 1: Executive summary

**01. Executive summary**

**02. Audit of the accounts**

**03. Value for Money**

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# Executive summary

## **Purpose of this Letter**

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Torbay Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to the audit committee in our Audit Findings Report on 25 September 2013.

## **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)).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

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 25 April 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Audit conclusions**

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts confirming they give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission

Our work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work.

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## Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

The draft financial statements were produced in accordance with the national deadline of the 30 June. We identified an error during our audit, but this did not impact on the reported year end surplus of £0.4m

Although we issued an unqualified Value for Money (VfM) conclusion we did identify areas which the Council should consider. Further details in respect of these can be found in Section 3.

Our audit of the Council's Whole of Government Accounts return (WGA) identified a difference in the balances between Torbay and Devon County Council in respect of pre 1998 discretionary pension payments. The Council needs to ensure that steps are taken to address this inconsistency.

Looking forward the Council faces significant challenges in that:-

- the Council faces significant financial pressures over the next 3 years and is currently developing detailed saving plans to address any shortfalls; and
- increased demand for services will put additional pressures on the Council's budget.

## Acknowledgements

This Letter has been agreed with the Executive Head – Finance, and will be presented to the Audit Committee on 22 January 2014.

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

**Grant Thornton UK LLP**  
**September 2013**

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## Section 2: *Audit of the accounts*

01. Executive summary

**02. Audit of the accounts**

03. Value for Money

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# Audit of the accounts

## **Audit of the accounts**

The key findings of our audit of the accounts are summarised below:

### **Preparation of the accounts**

The Council presented us with draft accounts on 28 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced 1 July 2013.

The accounts were produced to a good standard and were supported by good working papers. All requests for additional information were dealt with promptly by the finance team.

### **Issues arising from the audit of the accounts**

Our audit of the financial statements submitted for audit did not identify any errors that adjusted the reported surplus for the year of £0.4m. We did however identify an error that reduced the balance sheet by £2.95m. This arose as the Valuers report in respect of the Council's fixed assets included a Voluntary Aided school which is not a Council asset. This resulted in an overstatement of Property Plant and Equipment (PPE) and the revaluation reserve.

An amendment was also made to disclosures in respect of related party transactions within the financial statements.

There were no non-adjusted misstatements.

## **Annual governance statement**

The Council's Annual Governance Statement (AGS) complied with requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC) and contained the elements as prescribed in *Delivering Good Governance in Local Government: Framework*.

## **Whole of Government Accounts return (WGA)**

Our audit of the Council's Whole of Government Accounts return (WGA) identified a difference in the balances between Torbay and Devon County Council in respect of pre 1998 discretionary pension payments. The Council needs to ensure that steps are taken to address this inconsistency.

## **Conclusion**

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 Committee at the Council). We presented our report to the Audit Committee on 25 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 26 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

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## Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money



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# Value for Money

## Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

**The Council has proper arrangements in place for securing financial resilience.** We consider whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** We consider whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Overall our work highlighted that the arrangements were adequate. However we did note the following areas which the Council should consider:-

- to ensure an effective assurance framework is in place the Council needs to ensure that the new risk management system becomes fully embedded throughout the organisation;
- use of Council reserves needs to be managed appropriately and the Council should monitor their use to ensure this is the case; and
- although the Council has identified the level of savings required over the next 2 years it is currently in the process of developing detailed plans to support these.

Further details are provided in our Financial Resilience report issued in September 2013.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has 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.

### Overall VFM conclusion

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 2013.

# Appendices

## Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

	Per Audit plan £	Actual fees £
Audit Fee	135,000	135,000
Grant certification fee (indicative) *	18,675	18,675
<b>Total fees</b>	<b>153,675</b>	<b>153,675</b>

\* Our grant certification work is currently on-going, we will report back to you if there is any variation to the above fee.

### Fees for other services

Service	Fees £
None	Nil

### Reports issued

Report	Date issued
Audit Plan	25 April 2013
Audit Findings Report	25 September 2013
Certification work plan	15 July 2013
Certification report	TBC – November 2013
VfM – Financial Resilience Report	25 September 2013
Annual Audit Letter	7 October 2013



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