

# The Annual Audit Letter for Torridge District Council

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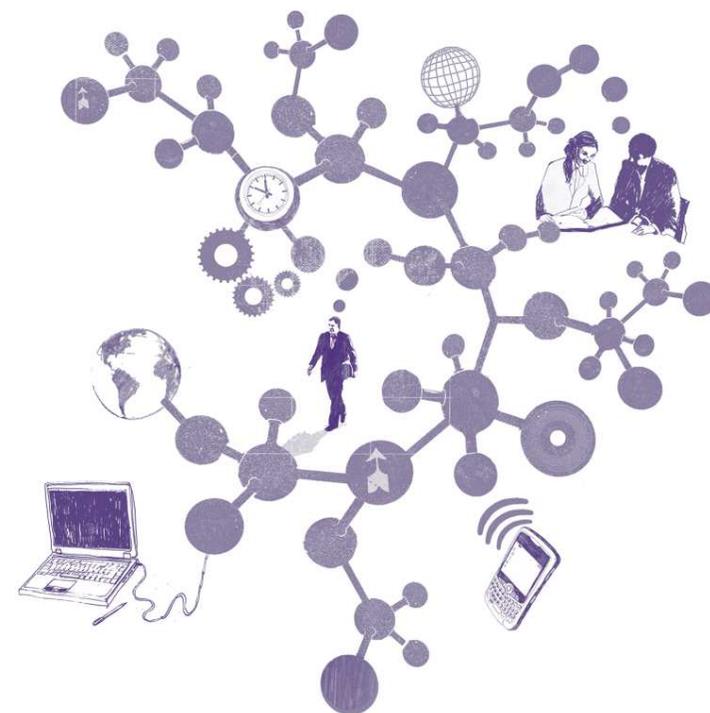
**Year ended 31 March 2015**

20 October 2015

**Geraldine Daly**  
Associate Director  
T 0117 305 7741  
E [geri.n.daly@uk.gt.com](mailto:geri.n.daly@uk.gt.com)

**Mark Bartlett**  
Manager  
T 0117 305 7896  
E [mark.bartlett@uk.gt.com](mailto:mark.bartlett@uk.gt.com)

**Stephen Clarke**  
Executive  
T 0117 30 57884  
E [Stephen.T.Clarke@uk.gt.com](mailto:Stephen.T.Clarke@uk.gt.com)



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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Torridge District Council ('the Council') for the year ended 31 March 2015.

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 we reported to you on 7 July 2015 and the changes to the Plan reported in the Audit Findings Report on 29 September 2015. Our work 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 and Public Sector Audit Appointments Limited.

## **Financial statements audit (including audit opinion)**

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 29 September 2015 to the Audit and Governance Committee. The key messages reported were:

- A number of errors were identified by management in the accounts as the draft financial statements were being finalised that impacted on the outturn position reported to members
- These issues led us to change our audit approach
- We had to delay the start of our audit, scheduled for July, until September pending the outcome of an internal investigation into the issue
- There will be additional audit fees reflecting the change in approach and the increased level of testing required as a result
- Errors were identified in the Council's accounting for the transitional protection payment receivable on NNDR and the calculation of the NNDR year end arrears position. The overall impact of adjusting for these errors was a reduction of £35k in the reported financial position of the Council
- There were two unadjusted errors in the financial statements that the Council decided not to amend for as they were not material.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 29 September 2015, 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.

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## Key messages continued

<b>Value for Money (VfM) conclusion</b>	<p>We issued an unqualified VfM conclusion for 2014/15 on 29 September 2015.</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 2015.</p>
<b>Certification of housing benefit grant claim</b>	<p>Our work on the Council's housing benefit subsidy claim is in progress and the results of the work will be reported in the Certification Report later this year.</p>
<b>Audit fee</b>	<p>The scale fee for 2014/15 was £55,050, excluding VAT. As a result of the change in our audit strategy and additional testing required during the audit there will be an additional audit fee. Further detail is included within appendix B.</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>The Council's QBR budget monitoring to the end of December, and the Draft Outturn Report forecast a surplus year end position. When the Council's draft accounts were being finalised a number of missing entries had been identified that impacted on the reported bottom line figure.</p> <p><b>Recommendation:</b> The Council should review its budget monitoring arrangements to ensure that it reports a reliable forecast surplus/deficit figure to enable effective high level decision making by members.</p>	High	<p>The systems used to produce the budget &amp; financial monitoring reports will be reviewed to ensure that they capture all relevant data to deliver reliable and accurate reporting.</p> <p>Responsible officer: Strategic Manager – Resources Due date: 31 December 2015</p>
2.	<p>The Council has been reliant on key individual(s) for the production of the financial statements, yet there appears to have been limited supervision and review processes in place.</p> <p><b>Recommendation:</b> The Council needs to carry out a review of its finance department to ensure that it has sufficient capacity and capability, with the appropriate skills and knowledge to account for local government capital and the collection fund transactions given the errors identified in these areas. Procedures for the appropriate supervision and review of finance department staff should be introduced.</p>	High	<p>Actions to address this recommendation have already started to be put in place. The appointment of a technically competent Finance Manager on an interim basis will enable the transfer of skills and development of the necessary technical expertise within the team. The recruitment of a suitably qualified and experienced Finance Manager will also address this recommendation.</p> <p>Responsible officer: Strategic Manager – Resources Due date: 28 February 2016</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
3.	<p>Finance department staff are able to enter and post their own journals. There was a system in place where the Chief Accountant would carry out random reviews but we found this process to be several months behind at the interim audit.</p> <p><b>Recommendation:</b> The Council must introduce a process for the review of journals as part of a wider review of supervision and review arrangements generally within the Finance Department.</p>	High	<p>The structure of the team is currently being reviewed, which will include supervisory responsibilities for key areas.</p> <p>Responsible officer: Strategic Manager – Resources Due date: 31 October 2015</p>
4.	<p>The Medium Term Financial Strategy (MTFS) is being refreshed and currently shows a budget gap met by savings of £370k anticipated from the Torridge Transformation Programme in 2017/18, with a budget gap of £343k in 2018/19. The Council needs to develop detailed plans to bridge the budget gaps in the MTFS.</p> <p><b>Recommendation:</b> The Council needs to develop detailed plans to bridge the budget gap in the Medium Term Financial Strategy (MTFS).</p>	Medium	<p>The Council is currently reviewing its MTFS and will shortly be developing its Strategic Plan. Part of this wider review will be the development of actions needed to balance the longer term MTFS.</p> <p>Responsible officer: Strategic Manager – Resources Due date: 31 January 2016</p>

# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees for audit services

	Per Audit plan £	Actual fees £
Council audit*	55,050	TBC
Housing benefit grant certification fee**	6,340	6,340
<b>Total audit fees</b>	<b>61,390</b>	<b>TBC</b>

## Fees for other services

Service	Fees £
<b>Audit related services</b>	Nil
<b>Non-audit related services</b>	Nil

\* \* As a result of the change in our audit strategy and additional testing there will be an additional audit fee. The additional fee will be subject to the approval of Public Sector Audit Appointments (PSAA).

\*\* Work on-going – final fee to be confirmed in our Annual Certification Report

## Reports issued

Report	Date issued
Audit Plan	July 2015
Audit Findings Report	September 2015
Certification Report	December 2015
Annual Audit Letter	October 2015



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