



The Annual Audit Letter for Worcestershire County Council

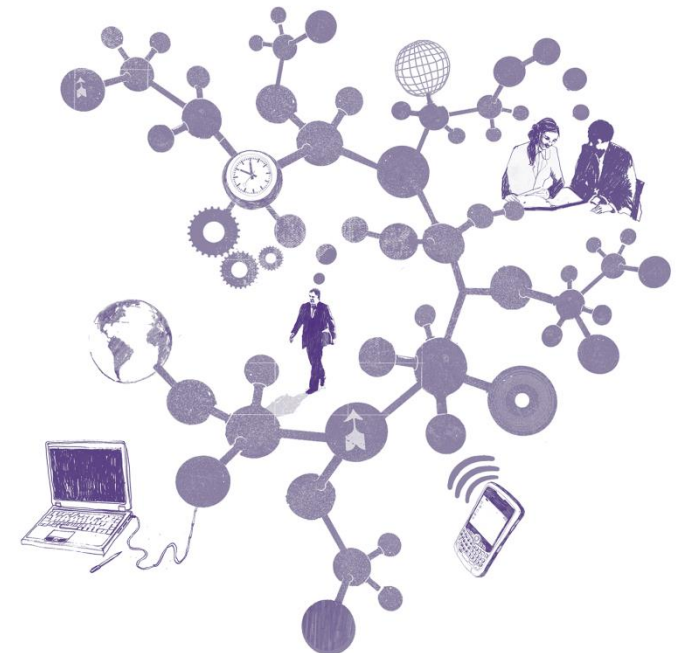
Year ended 31 March 2014

October 2014

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Worcestershire County 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 11th March 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)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 27 June 2014 to the Audit Committee. The key messages reported were:

- The draft accounts presented for audit were of a good quality, as in previous years. We have discussed with officers areas where further enhancements could be made
- A number of the adjustments to the accounts relate to Property, Plant and Equipment. These covered a range of specific points but in essence identify differences between the records held by the property department from those within finance. While efforts had been made by officers to address the issues raised last year, further focus on this area is required in future years
- More clarity could be added to the process for the compilation of the Annual Governance Statement to clearly demonstrate that cross cutting governance issues are considered and addressed, thus providing greater assurance that the statement is complete.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirmed 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.

Key messages

Pension Fund 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 27 June 2014 to the Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none">• As in previous years the audit of the pension fund has run smoothly with good working papers• We have no adjusted or unadjusted misstatements to report, with only minor adjustments needed to improve the overall presentation of the accounts• While some control deficiencies were highlighted as areas for improvement these were not considered significant. <p>We issued an unqualified opinion on the Fund's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirmed that the financial statements give a true and fair view of the Fund's financial position.</p>
Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>As part of the audit plan, we highlighted two specific risks in relation to the VfM conclusion. These were the introduction of the Better Care Fund, and plans for the new energy to waste plant at Hartlebury.</p> <p><u>Better Care Fund</u></p> <p>We were able to conclude that the partnerships to date had achieved the timescale and assurance requirements set by NHS England, however the partners had identified some areas as requiring further attention. These included, providing 7 day services, data sharing, a joint approach to assessments and care planning, and engagement with NHS providers.</p> <p><u>Energy to Waste Plant</u></p> <p>Given the large volume of correspondence from members of the public and the unique nature of the arrangement, we undertook a review of the arrangements in relation to the energy to waste plant. This review highlighted a significant issue in relation to the documentation supporting the reporting to members in December 2009 of officers' views of the preferred technological solution, further details of which are included in the Audit Findings Report.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, our VfM conclusion confirmed that we were 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

Formal Objections to the Accounts	As part of the public inspection period we have received a number of formal objections to the accounts. We are currently considering the objections in line with our statutory duties. As a result of these objections we have not been able to formally conclude the audit.
Whole of Government Accounts	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements. However we were required to report that the Council had compiled their Counter Party Data submission within the pack on a receipts and payments basis, rather than an accruals basis as prescribed by the guidance.
Certification of grant claims and returns	We have not yet certified any grant claims, however work is in progress on two local transport plan claims, with a certification deadline of the end of December 2014. We will report the findings from these claims as part of our Grant Certification Report in February 2015.
Audit fee	Our fee for the core audit in 2013/14 was £127,261, excluding VAT which was in line with our planned fee for the year. The Audit Findings Report highlighted that as a result of the significant amount of correspondence from members of the public around the waste contract we would be seeking approval from the Audit Commission for additional fee to cover the costs incurred in line with our statutory duties. An indicative fee of £35,000 was included, however this will increase as further work will be required to respond to the now formal objections received on the accounts. We will continue to keep officers updated on the likely costs. Further detail is included within appendix B.

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	Annual Governance Statement A review of the process for compilation of the Annual Governance Statement should be undertaken to ensure that the completeness of the statement can be clearly evidenced.	Medium	Agreed for programming into the Internal Audit 2014/15 Programme Responsible officer: Senior Manager, Internal Audit and Assurance. Due date: December 2014
2.	Capital Financing Officers should review the reasons for the difference identified between the two different methods for calculating the CFR	Medium	The reasons for any difference will be investigated in time for the production of the next Statement of Accounts. Responsible officer: Senior Finance Manager, Strategic Financial Planning and Reporting Due date: December 2014

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
3.	<p>Errors on Fixed Assets identified in the financial statements.</p> <p>Recommendation: Further work is needed to ensure that the differences identified between property services and the asset register held by finance are eliminated and actioned on appropriately within the accounts.</p>	Medium	<p>Agreed to review the process with a view to eliminating as far as possible inconsistencies of information held between departments.</p> <p>Responsible officer: Senior Finance Manager, Strategic Financial Planning and Reporting</p> <p>Due date: December 2014</p>
4.	<p>Declaration of interests</p> <p>Recommendation: Consideration should be given as to whether all officers should be asked to make a declaration of interests as part of the closure of the accounts.</p>	Medium	<p>Consideration will be given to enhancing the existing process.</p> <p>Responsible officer: Head of Legal and Democratic Services</p> <p>Due date: December 2014</p>
5.	<p>Valuation of assets</p> <p>Recommendation: Officers need to consider their current valuation programme to ensure that the requirements of the code, (now clarified in relation to classes of asset) are met.</p>	Medium	<p>Whilst the requirements of the Code have been materially met, consideration will be given to the improvements in revaluation methodology</p> <p>Responsible officer: Senior Finance Manager, Strategic Financial Planning and Reporting</p> <p>Due date: December 2014</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Audit Fee *	127,261	TBC
Grant certification fee **	900	TBC
Pension Fund	26,156	26,156
Total fees	154,317	TBC

*Both the significant level of correspondence from the public and the unique nature of the arrangements surrounding the waste contract means that the level of risk attached to the audit is significantly higher than envisaged by the Audit Commission when setting the scale fee which is quoted above. Work is on-going to determine the level of fee variation required for this work, particularly as we continue to receive correspondence in this area which we have a statutory duty to consider. We will discuss the level of additional fee required with officers and then submit this for approval to the Audit Commission

** The final certification fee will be reported as part of the grant certification report.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	March 2014
Audit Findings Report	June 2014
Certification report	February 2015
Annual Audit Letter	October 2014



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