



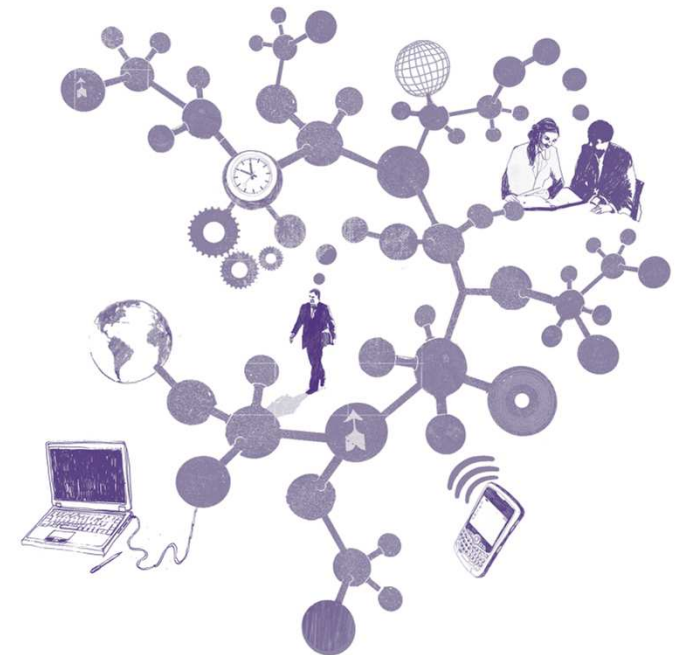
The Annual Audit Letter for Cheshire West and Chester Council

Year ended 31 March 2013

30 September 2013

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Section 1: Executive summary

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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 Cheshire West and Chester 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)
- certification of grant claims and returns (Section four).

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 those charged with governance in the Audit Findings Report dated 8 August 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).

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 19 March 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 which 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.

Executive summary

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 Council generated some £15m in cost improvements during 2012/13 helping to achieve an underspend year end revenue outturn position of £1.5m. Looking ahead, the Council needs to ensure its Medium Term Financial Plan (MTFP) remains responsive given the £43m savings still required between 2013/14 and 2016/17.

Whilst the Council's decision making processes have improved, there remains an on going need to ensure the approach taken is clear, transparent and subject to appropriate challenge and review.

Looking ahead, the Council has an ambitious programme of major projects in development including Barons Quay, a retail, leisure and commercial development in Northwich, the Chester Northgate development, which includes both commercial and retail use, and the commercial development of the Chester Business Quarter. Given the significant size of these projects, it is important that the Council ensures effective governance, risk management and due diligence arrangements are in place as these projects continue to develop.

Acknowledgements

This Letter has been agreed with the Director of Resources and will be presented to the Executive on 9 October 2013 and the Audit and Governance Committee on 12 November 2013.

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

Grant Thornton UK LLP
30 September 2013

Section 2: Audit of the accounts

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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 12 June 2013, ahead of the national deadline. Good quality working papers were made available from the start of the audit fieldwork and officers were available throughout our audit to provide additional supporting information.

Issues arising from the audit of the accounts

Our audit work did not identify any adjustments affecting the Council's reported financial position. The draft and audited financial statements recorded net expenditure of £263m. We agreed with officers a number of minor adjustments to improve the presentation and disclosure of the financial statements.

Annual governance statement

We examined the Council's arrangements for compiling the Annual Governance Statement (AGS) and read the AGS to consider whether it was in accordance with our knowledge of the Council. A number of minor narrative adjustments were agreed with officers.

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 and Governance Committee at the Council). We presented our report to the Audit and Governance Committee on 27 August 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 27 August 2013, ahead of the 30 September 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.

We completed our audit of Cheshire Pension Fund and issued an unqualified opinion on 9 September 2013, confirming that the Pension Fund accounts give a true and fair view of the financial transactions for the year.

Following completion of the Cheshire Pension Fund audit, we formally closed the Council's 2012/13 audit on 9 September 2013.

Section 3: 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. 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. 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 whilst the Council has faced, and continues to experience significant financial pressures and risks, its current arrangements for securing financial resilience are effective. However, there remains an on going need for the Council to:

- continue to develop its decision making processes ensuring the approach taken is clear, transparent and subject to appropriate challenge and review
- continue to closely monitor sickness absence rates at a sufficiently detailed level to identify outliers, and take appropriate action given sickness absence rates have increased marginally over the year to 9.9 days, compared to its target of 8 days.

Further details are provided in our Financial Resilience report issued in August 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.

Our work noted the delivery of some £15m in cost improvements during 2012/13, helping to achieve an underspend year end revenue outturn position of £1.5m. Looking ahead, the Council needs to ensure its Medium Term Financial Plan (MTFP) remains responsive given the £43m savings still required between 2013/14 and 2016/17.

The Council also needs to fully implement its decision to present key performance indicators of financial health and risk exposure, including a commentary to the Executive and Audit and Governance Committee.

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.

Section 4: Certification of grant claims and returns

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Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

Our work on certification of grant claims is currently 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 in early 2014.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and the provision of non-audit services.

Fees

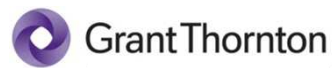
	Per Audit plan £	Actual fees £
Audit Fee	203,133	203,133
Grant certification fee	45,900	45,900
Total fees	249,033	249,033

Fees for other services

Service	Fees £
Regional Growth Fund Due Diligence	19,430

Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	August 2013
VfM – Financial Resilience Report	August 2013
Annual Audit Letter	September 2013



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