



The Annual Audit Letter for Cheshire West and Chester Council

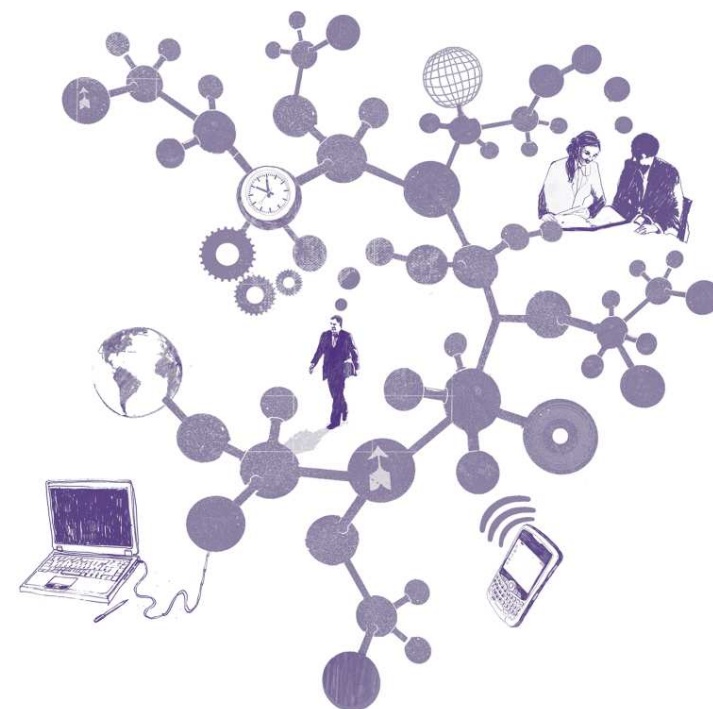
Year ended 31 March 2014

20 October 2014

Robin Baker
Engagement Lead
T 0161 214 6399
E robin.j.baker@uk.gt.com

Perminder Sethi
Senior Manager
T 0113 200 2547
E perminder.sethi@uk.gt.com

Mike Whiteley
Executive
T 0161 214 6363
E michael.w.whiteley@uk.gt.com



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Key messages

Our Annual Audit Letter summarises the key findings from the work that we have carried out at Cheshire West and Chester 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 on 23 May 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 the findings from our audit of the Council's financial statements to the Audit and Governance Committee in our Audit Findings Report on 12 August 2014. The key messages reported were:

- The accounts were well prepared with few errors and our audit did not identify any significant issues.
- Following detailed discussions with officers, and colleagues at Cheshire East Council, a number of additional disclosures were included in the accounts to better present the third-party income for the extra care housing PFI scheme.
- In December 2013 the Council purchased the Forum shopping centre for £19.1m as part of its ambitious £300m Northgate development plans. In accordance with accounting requirement the value of the Forum has been reassessed during the year and is included in the Council's balance sheet at £9.73m, which properly reflects its existing use value. The Council believes the impairment loss of £9m will be more than recovered at the point the Northgate scheme is completed.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 2 September 2014, ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirms the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded in the year.

We completed our audit of Cheshire Pension Fund and issued an unqualified opinion on 26 August 2014, confirming that the Pension Fund accounts give a true and fair view of the financial transactions for the year.

Following completion of audit work on the Whole of Government Accounts, we formally closed the Council's 2013/14 audit on 26 September 2014.

Key messages

Value for Money (VfM) conclusion

We issued an unqualified VfM conclusion on 2 September 2014, confirming the Council continues to have effective arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The Council continues to show strong financial resilience and good financial planning and management, however the scale of the financial challenge going forward remains significant. The medium-term financial plan identifies a budget gap of £49m over the three years from 2014/15 to 2016/17. Having already delivered substantial financial savings, the Council faces a significant challenge to address this budget gap and to meet its statutory responsibilities. As part of its arrangements to further improve efficiency and effectiveness, the Council has recently completed a senior management restructure. Given the significant size of the financial challenge, it is important that the Council ensures effective governance, risk management and due diligence arrangements are in place.

The Council has responded positively to the challenges created by the reduction in central government funding. As part of that response the Council has taken an innovative approach to its two major redevelopment projects, Northgate and Barons Quay, with the Council acting as developer at Barons Quay. The Council has an ambitious capital programme of £283.8m for its 3 year medium-term financial plan period to 2016/17, the majority of which is delivery of the 10 year Capital Vision. The Council needs to continue to closely monitor its capital expenditure to ensure delivery against budget as well as continuing to assess the financial viability of planned future schemes given the significant financial savings the Council will need to deliver in coming years.

Looking ahead, the Council set a net budget for 2014/15 of £290.2m. The most recent monitoring report presented to Executive on 3 September 2014 indicated that by the year end, Directorate costs would exceed budget by £1.7m (after remedial measures) whilst Council wide budgets would be underspent by £2.2m. Overall, the Council expects a year end underspend of £0.5m at the year end.

Key messages

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.
Certification of grant claims and returns	<p>We have certified the Council's Pooling of Housing Capital Receipts return with some minor amendments and are currently undertaking work on the Housing and Council Tax Benefits grant claim.</p> <p>At the Council's request, we audited the Regional Growth Fund (RGF) - Ellesmere Port Development Board return on 6 March 2014 and are currently undertaking work on the HCA Decent Homes Backlog funding return.</p>
Audit fee	Our audit fee for the Council's 2013/14 accounts was £203,133 whilst the fee for the audit of the pension fund was £29,342 (excluding VAT). Our fees were in line with our planned fees for the year. Further detail is included at Appendix A.

Appendix A: Reports issued and fees

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

Fees – Council Accounts

	Per Audit plan £	Actual fees £
Audit Fee	203,133	203,133
Grant certification fee *	32,300	32,300
Fee variation**	0	1,070
Total fees	235,433	236,503

* Expected grant certification fees as work remains on-going.

** The Audit Commission has approved in principle, a fee variation for additional audit work on business rates balances given there is no longer a certification requirement and audit work is still required for accounts purposes.

Fees – Pension Fund Accounts

	Per Audit plan £	Actual fees £
Audit Fee	29,342	29,342
Total fees	29,342	29,342

Fees for other services

Service	Fees £
Regional Growth Fund (RGF) Audit – Ellesmere Port Development Board (Building on Success)	5,500
HCA Decent Homes Backlog funding return ***	4,000 – 7,500
IAS 19 certification fees - providing assurance to auditors of pension scheme admitted bodies over IAS19 disclosures	1,964

*** Work on the Decent Homes Backlog funding return remains on-going. We expect the fees to be between £4,000 and £7,500.

Reports issued

Report	Date issued
Certification Report (2012/13)	January 2014
Audit Plan	May 2014
Audit Findings Report	August 2014
Annual Audit Letter	October 2014



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