

The Annual Audit Letter for Cheshire East Council

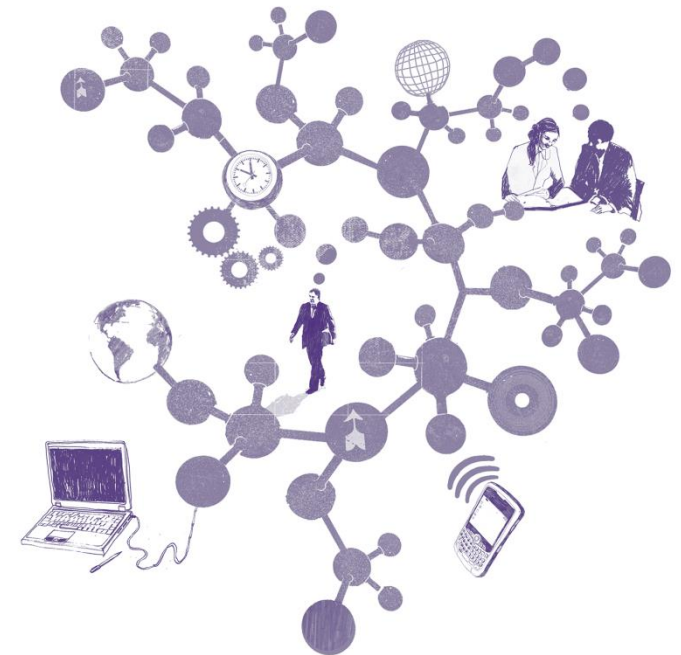
Year ended 31 March 2015

October 2015

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Cheshire East 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 that we issued in March 2015 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 and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements, which covered the group and the single entity accounts, in our Audit Findings Report on 24 September to the Audit Committee.

We reported a number of amendments to the financial statements, which included adjustments for:

- the timing and accounting treatment of assets when schools transfer to academy status.
- the amount of capital expenditure and capital grant associated with the Council's contribution to investment in the SEMMMS relief road
- disclosures within the cash flow statement
- disclosures in notes to the financial statements.

Overall, whilst some changes impacted upon the reported income and expenditure, these changes had no impact on the Council's usable reserves and there was no financial loss to the Council. We reported that there were no 'unadjusted misstatements'.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 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.

Key messages continued

Value for Money (VfM) conclusion

We issued an unqualified VfM conclusion for 2014/15 on 30 September 2015, reporting the key messages in our audit findings report.

The Council has effective arrangements in place which enabled it to deliver savings, addressing the financial gap, originally identified as £8.3m for 2014/15 and £6.6m in 2015/16. These funding pressures continue and the Council has identified that it needs to deliver recurrent savings of £13m for 2016/17 and then additional savings of £10.2m in 2017/18. The Council has a strong local tax base and is less dependent on government grant which reduces its exposure to the risk of reductions in government grant funding, although resources available for service expenditure may still fluctuate, particularly local funding that is derived from business rates.

The financial gap, whilst not as large as that faced by some neighbouring Councils, represents a significant challenge. This will require the Council to continue to identify where alternative service delivery arrangements and working co-operatively with partners, alongside other service improvements, can help it to reduce costs and provide effective services.

The Council set a net budget for 2015/16 of £246.6m. In the most recent monitoring report presented to Cabinet on 29 September 2015 the revenue costs for the year are forecast to exceed budget by £0.9m. This is a small overspend and work is underway to achieve a balanced position by the end of the financial year.

The Council has refined its approach to the monitoring and management of capital profiling and forecasting with a clear distinction between active management to re-profile expenditure and identification of genuine slippage against committed capital schemes. Alongside budget planning and monitoring arrangements, assurance on arrangements for managing risk, treasury management information and the results of Internal Audit work, we are satisfied that the Council has adequate arrangements for financial planning, control and governance.

The Council continues to contain its expenditure within available resources. The performance management framework provides the Council with a measure of the effectiveness of key services as mapped to its strategic 'Outcomes'. Overall these measures concluded performance across the wide range of council services to be within an acceptable range of the target or showing good progress in 2014/15. As the Council makes further changes in the way services are delivered, both as a means of securing cost savings but also to introduce commercial practices and provide incentive and opportunity for growth, the Council is also reviewing its project management arrangements. This is to ensure that these continue to provide an appropriate and effective mechanism for scrutiny and challenge, commensurate with risk and its business needs.

Key messages continued

Value for Money (VfM) conclusion

In our previous VFM conclusion we referred to the progress being made by the Council to respond to the results of the OFSTED inspection in 2013 of the arrangements for the protection of children. The Council have now received the outcome of the 2015 OFSTED Inspection which covered services for children in need of help and protection, children looked after and care leavers in Cheshire East and the review of the effectiveness of the Local Safeguarding Children Board. The overall judgement from the 2015 inspection is that services 'require improvement' to be good but the inspectorate recognised and noted the significant improvements made and progress since the last inspection. Going forward, the Council will work with other stakeholders to secure further improvements.

The Council engages in a range of partnership arrangements to pursue opportunities for efficiencies or investment and growth that support the Council's objectives. These include the Cheshire and Warrington LEP, the involvement in the public-private sector partnership which will develop and continue to run Alderley Park and the agreements with the Clinical Commissioning Groups to integrate elements of health and social care through the Better Care Fund. The risks, finance and performance of the Better Care Fund continue to be monitored and there is scope to expand the pooled fund, if greater integration can secure improve standards of care or financial efficiency.

The implications for devolution in the North West provide further opportunities for the Council along with partners to deliver integrated services, with increased responsibility from central government.

Overall we are satisfied that the Council has adequate arrangements in place for the prioritisation of its resources and that it has sufficient arrangements to continue to deliver efficiency and productivity improvements as part of the management of those resources.

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.

Key messages continued

Whole of Government Accounts	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts (WGA). The Council amended their WGA return to reflect changes to the audited financial statements and other adjustments arising from the audit work.</p> <p>We reported that the Council's pack was consistent with the audited financial statements and issued our assurance statement to the NAO on 2 October.</p>
Certificate to close the audit	<p>In our report dated 30 September we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement on the Whole of Government Accounts consolidation pack, and we have completed our consideration of other matters that had been brought to our attention.</p> <p>These matters have now been concluded and we issued our certificate on completion of the audit on 21 October 2015.</p>
Certification of housing benefit grant claim	<p>We will certify the Council's 2014/15 housing benefit grant claim by 30 November as required by the Department for Work & Pensions. We will report our findings in our Grant Claim Letter.</p>
Audit fee	<p>Our fee for 2014/15 was £212,920 (excluding VAT) which is an increase of £6,800 above the scale fee for the year. This includes the additional work relating to the change in the Council's structure and the requirement to prepare group accounts as well as statements relating solely to the Council. This increase is subject to approval by PSAA Ltd. Further detail is included within appendix A.</p> <p>During 2014/15, the Audit Commission paid a rebate to the Council, in respect of audit fees totalling £21,074.</p>

Appendix A: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services relating to Cheshire East Council. The Council has a number of wholly owned companies and a joint venture company who have each appointed Grant Thornton LLP as their independent auditors. For completeness, we have also reported the fees relating to these companies.

Fees for audit services

	Per Audit plan £	Actual fees £
Council audit 2014/15	206,120	212,920
Grant certification 2014/15	32,500	TBC
Total audit fees	238,620	TBC

The increase in the fee for the Council audit of £6,800 relates to the additional work to consider specific matters raised with the auditor (£2,000) and also the extra work required in accordance with auditing standards, now that the Council is required to prepare group financial statements in addition to its 'single entity' accounts (£4,800). In order to minimise the impact of these additional requirements associated with the Cheshire East Group we have liaised closely with the audit team of the Councils' subsidiaries.

The actual fee for grant certification is not yet finalised as this work is not complete. The final fee will be reported in the Grant Certification Letter.

The fee variation is subject to specific approval by PSAA Ltd.

Fees for audit services for subsidiaries and joint ventures

	£
External audit fee for the four wholly owned companies:	
• Engine of the North Limited	6,250
• Ansa Environmental Services Limited	11,750
• Orbitas Bereavement Services Limited	6,250
• Transport Service Solutions Limited	6,250
External audit fee for CoSocius Limited (50% owned by the Council, 50% owned by Cheshire West and Chester Council)	13,500

Fees for other services

Service	Fees £
Audit related services	
Certification of teachers pension return (2013/14) for work completed in December 2014.	4,800
Non audit related services	
ASDM workshop provided in March 2015	6,100
Tax services provided to the Cheshire East companies	8,000
Tax services provided to Cosocius (joint venture)	2,300

Reports issued

Report	Date issued
Audit plan	March 2015
Informing the audit risk assessment	March 2015
External audit updates	January and June 2015
Audit findings report	September 2015
Annual audit letter	October 2015
Grant certification letter	To be issued in December 2015

Appendix B: How we have worked with you during the year

Senior Officer Team

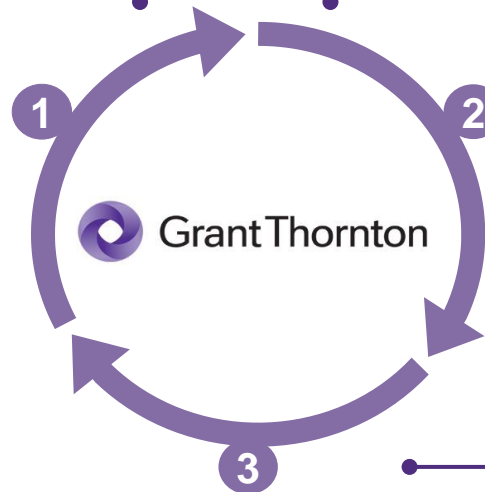
We:

- met regularly with the Chief Executive, Chief Operating Officer and Head of Stewardship and Governance to discuss some of your major projects and to share our insight into national local government issues
- shared our annual reports on Local Government Governance and Financial Resilience
- shared our understanding of some of the key issues facing local government through our thought leadership reports covering Welfare Reform, Alternative Delivery Models and Financial Sustainability in Local Government
- produced a bespoke summary of key financial, demographic and economic development indicators in "Where Growth Happens"
- met regularly with your key finance staff to discuss complex accounting issues and share technical knowledge
- provided support and opportunity to network with other Local Government bodies at our workshops covering taxation issues, building a successful local authority trading company, Local Government financial self sufficiency and 20:20 vision.

Audit Committee Members

We:

- met regularly with the Audit and Governance Committee to ensure you were kept up to date with the audit progress, as well as emerging issues affecting the wider local government sector
- provided independent external audit commentary and insight on the Council's issues through senior attendance at audit and governance committee
- provided regular, timely and transparent reports from our work and briefing notes on key sector developments.



Other Councillors

We:

- participated in the members' development programme, providing training and support to elected members about their governance responsibilities and shared our insight into what makes an effective audit committee.



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