



The Annual Audit Letter for Cheltenham Borough Council

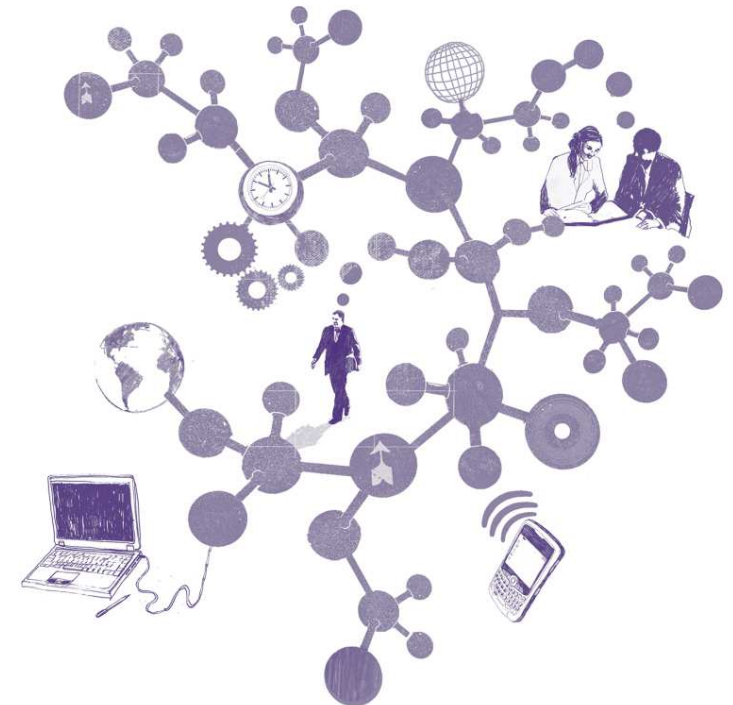
Year ended 31 March 2015

27 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 Cheltenham Borough 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 on 25 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 in our Audit Findings Report on 23 September 2015 to the Audit Committee. The key messages reported were:

- A material error was identified in the draft financial statements that resulted in the requirement for a prior year adjustment. This related to the overstatement of Property, Plant and equipment by £2,790k.
- Assets Under Construction were understated in both 2013-14 and 2014-15, and were corrected in both years.
- We identified a material classification adjustment of £4,210k between the revaluation reserve and capital adjustment account to transfer revaluation reserve balances for assets that had been disposed of.
- We identified a £2,005k classification adjustment relating to PPE assets that had been revalued downwards, with the loss taken to revaluation reserve instead of the Comprehensive Income and Expenditure Statement.
- We identified a small number of other classification and disclosure amendments to the financial statements. All were adjusted in the final audited financial statements.
- There was one unadjusted item in the financial statements relating to the UBICO surplus, which was increased by £163k after UBICO's audit. This will be accounted for in the 2015-16 financial year.

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.

Key messages continued

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2014/15 on 29 September 2015.</p> <p>The key messages reported to support our conclusion were:</p> <ul style="list-style-type: none">• The 2014/15 outturn reported an underspend against the original budget;• a robust medium term financial strategy is in place;• finance management is sound with effective reporting of variances from plans;• the Council understands its priorities and allocates resources appropriately• works in partnership with other authorities to achieve efficiencies and value for money; and• is exploring innovative ways of delivering high quality services whilst making savings through shared services with other local district councils. <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>
Certification of housing benefit grant claim	<p>We are currently auditing the Council's Housing Benefit claim in advance of the 30 November 2015 deadline and will report any findings to the Audit Committee in January 2016.</p>
Audit fee	<p>Our fee for 2014/15 was £65,974 excluding VAT which was in line with our planned fee for the year as set out in the Audit Plan. 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 encountered a number of issues in 2014/15 with their fixed asset module. This led to a number of errors in the PPE disclosures in the statement of accounts due to the fixed asset module not being up to date as at 31 March 2015.</p> <p>Recommendation: A review is undertaken of the effectiveness of the fixed asset module and a decision made by the Section 151 Officer on how to move forward with this to ensure that the fixed asset register is able to be used effectively in 2015/16.</p>	High	<p>The fixed asset module has now been reconciled to the balance sheet for all assets held. A review will be done in 2015/16 to consider the level of integration of the fixed asset module to the General Ledger module within Agresso to ensure their effectiveness and ongoing accuracy.</p> <p>Responsible office: GOSS Business Partner Due date: December 2015</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	65,974	65,974
Housing benefit grant certification fee	12,020	TBC
Pooling of Housing Capital Receipts certification fee	0	2,100
Total audit fees	53,954	TBC

Reports issued

Report	Date issued
Audit Plan	25 March 2015
Audit Findings Report	23 September 2015
Certification Report	Expected January 2016
Annual Audit Letter	27 October 2015



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