

# The Annual Audit Letter for Kent County Council

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**Year ended 31 March 2013**

October 2013

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Director

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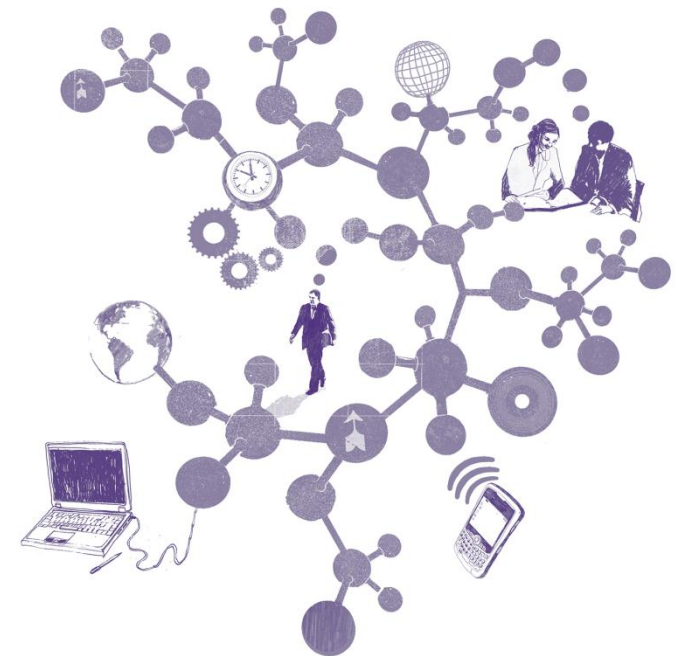
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# Section 1: Executive summary

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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 Kent County 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 on 24 July 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](http://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 in 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.

Our work on the Teachers' Pensions return is on-going. There are no other claims for audit in 2012/13.

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# Executive summary (continued)

## 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 economic environment remains challenging for local government. In December 2012 the Secretary of State announced further reductions to the Revenue Support Grant. You face a significant financial challenge to deliver the current level of services with reducing funding. You have made savings totalling £174 million in the past two years and built in a further £95 million savings into the 2013/14 budget. There is an expectation that you will have to make savings of a similar magnitude over the next three years. It continues to be one of the most challenging financial periods and members and officers have recognised that new ways of working need to be identified.

Against the tight financial backdrop you have continued to meet annual savings targets and delivered a revenue underspend in 2012/13. However, identifying savings options and then delivering against them are increasingly difficult. Savings associated with adults transformation in 2013/14 are challenging to fully deliver by the end of the financial year. Appropriate contingencies are under discussion and currently, officers predict an overall forecast underspend for the year of £4.4 million.

With this in mind, you launched 'Facing the Challenge: Delivering Better Outcomes' in September 2013 which recognises the need for whole Council transformation. This sets out the vision for the Council in the future and identifies three key themes to shape the transformation: market engagement and service review; integration and service redesign; and managing change better.

You have estimated that you will need to deliver savings of around £239 million between 2015/16 and 2017/18 and are planning to link these savings to the transformation plan.

Your financial statements were prepared to a good standard and we issued unqualified opinions on your accounts and on the pension fund on 24 July 2013. A small number of amendments were made following the accounts audits. We also issued an unqualified value for money conclusion on the same date.

## Acknowledgements

This Letter has been agreed with the Corporate Director of Finance and Procurement and shared with members of the Governance and Audit Committee.

This has been Grant Thornton's first year as your external auditors. The Audit Commission appointed us for a period of five years, with a 40 per cent reduction in scale fee compared with 2011/12. The fee reduction has required us to work closely with management to deliver the audit in an efficient way.

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**  
**October 2013**

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## 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**

You presented us with draft accounts on 14 June 2013, which is two weeks earlier than the national deadline. Good quality working papers were made available from the start of the audit fieldwork, which commenced on 17 June 2013. Officers were responsive to queries and additional information requests and the majority of the audit work was completed in the three week onsite visit.

We met with finance officers monthly to discuss the new audit methodology and attended the closedown champion meetings which enabled officers to respond to changes throughout the year. In addition, centralising the finance team for 2012/13 enhanced the closedown arrangements and led to a more efficient audit visit for the accounts.

### **Issues arising from the audit of the accounts**

A small number of disclosure amendments were made to your accounts following audit. All of which were agreed by management with the exception of one misstatement. This was not material and did not impact on the audit opinion. We worked with finance officers to 'declutter' the statement of accounts to make it more readable to stakeholders whilst ensuring compliance with CIPFA's Code of Practice.

## **Annual governance statement**

You produced an enhanced Annual Governance Statement for 2012/13 following attendance at a Grant Thornton governance session and in line with CIPFA guidance. As part of these enhancements, you chose to highlight and disclose several issues which you are addressing, recognising the continuing improvements you are making to meet the financial pressures and transformation changes to service delivery.

## **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 Governance and Audit Committee at the Council). We presented our report to the Governance and Audit Committee on 24 July 2013 and have summarised only the key messages in this Letter.

We issued an unqualified opinion on your 2012/13 accounts, including the pension fund accounts, on 24 July 2013, two months earlier than the 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.

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## 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 reviewed your arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission. We also considered and evaluated your financial resilience as measured by key indicators of financial performance on a RAG (red, amber, green) rating:

- key indicators of financial performance – green;
- financial governance – green;
- financial planning – green;
- financial control – green.

Our work highlighted that you have sound processes in place for financial governance, planning and control. You continue to face significant financial pressures to balance your budgets and have started on a journey to transform services to meet increasing demands with reduced funding. You are planning to improve the financial monitoring reports to streamline the information so those responsible for budgets have greater understanding of the latest financial position. Further details are provided in our Financial Resilience report presented to the Governance and Audit Committee on 24 July 2013.

### Challenging economy, efficiency and effectiveness

We reviewed whether you have prioritised your resources to take account of the tighter constraints you are required to operate within and whether you have achieved cost reductions and improved productivity and efficiencies. Our work did not identify any significant weaknesses that would impact on our conclusion for 2012/13. Our work highlighted that you have continued your strong record of making efficiencies and savings and your corporate governance arrangements are sufficient to help you deliver value for money.

### 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 you put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ending 31 March 2013.

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## 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**

To date, you have submitted one return for audit: Teachers' Pensions Return. This is currently being audited and the deadline for certification is 30 November 2013. Findings from the audit will be provided in our certification report issued in December 2013.

# Appendices

# Appendix A: Reports issued and fees

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

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	207,900	207,900
Grant certification fee	6,250	6,250
<b>Total fees</b>	<b>214,150</b>	<b>214,150</b>

## Fees for other services

Service	Fees £
Regional Growth Fund claim audit	4,000

## Reports issued

Report	Date issued
Audit Plan	April 2013
Audit Findings Report	July 2013
VfM – Financial Resilience Report	July 2013
Annual Audit Letter	October 2013
Certification report (to be issued)	December 2013



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