

# The Annual Audit Letter for Kent County Council

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**Year ended 31 March 2014**

22 September 2014

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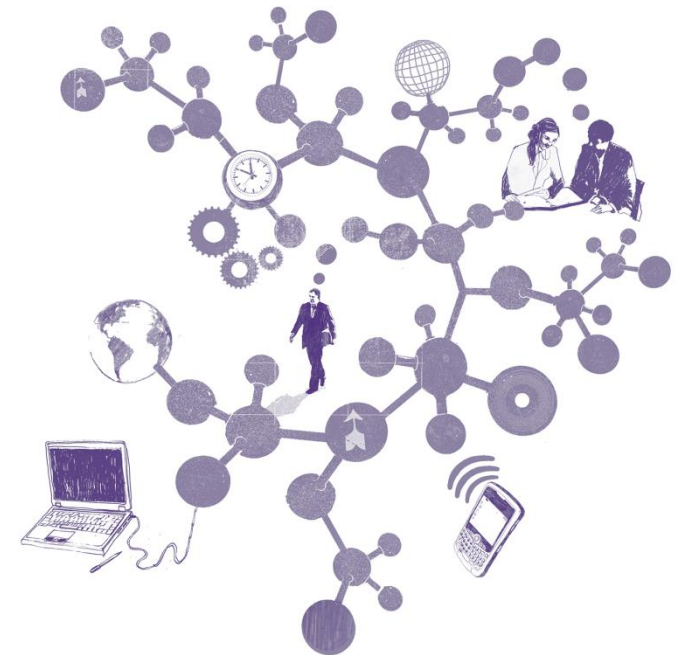
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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Kent County 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 in April 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.

<b>Financial statements audit (including audit opinion)</b>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 24 July 2014 to the Governance and Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none"><li>• We did not identify any adjustments affecting the Council's reported financial position of net expenditure of £1,018,629k although we did report a number of adjustments that were made by officers to improve the presentation of the financial statements. We also reported that one adjustment was not accepted by officers and remained unadjusted in the final version of the statement of accounts presented to the Governance and Audit Committee meeting on 24 July.</li><li>• The Council produced good quality draft financial statements supported by comprehensive working papers and officers responded positively to additional requests for evidence to enable us to carry out the majority of audit work in the three week onsite visit.</li></ul> <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 24 July 2014, 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.</p>
<b>Value for Money (VfM) conclusion</b>	<p>We issued an unqualified VfM conclusion for 2013/14 on 24 July 2014.</p> <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 2014.</p>

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# Key messages

<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We are currently auditing the Council's pack. At this stage we propose to issue a certificate confirming the Council's pack was consistent with the audited financial statements.
<b>Audit fee</b>	Our fee for 2013/14 was £207,900, excluding VAT which was in line with our planned fee for the year and remains the same as the fee in the previous year, which was reduced by 40%. Further detail is included within appendix B.

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>Capital programme outturn: There was significant slippage on the 2013/14 capital programme as the year end capital outturn is an underspend of £53.038m. This money has been re-phased into the 2014/15 financial year. The original capital budget for 2013/14 was £286m and the revised budget approved for the year was £256m. This underspend represents 21% of the planned spend for the year. The Council needs to ensure that the capital budget is realistic.</p> <p><b>Recommendation:</b> Capital budgets need to be realistically set and closely monitored so there is a smaller underspend at year end.</p>	Medium	<p>Agreed. This has proven to be the holy grail but we continue to press for more realistic timings for projects from the service managers.</p> <p>Responsible office: Finance Due date: 31 March 2015</p>
2.	<p>Financial planning: The Council has set an ambitious transformation programme which started in 2013/14. It will transform how the Council provides its services. The Council needs to ensure that it realigns its financial planning throughout Facing the Challenge.</p> <p><b>Recommendation:</b> The Council needs to ensure that financial planning remains aligned to Facing the Challenge and is responsive to the changing Council structure.</p>	High	<p>Agreed. This is a 'constant' and we remain committed to this.</p> <p>Responsible office: Finance Due date: On-going</p>
3.	<p>Unit cost information: The Council has an understanding of its unit costs in the demand led services and reports these on a quarterly basis to Cabinet. It has recognised that a wider understanding across the Council is required alongside Facing the Challenge transformation.</p> <p><b>Recommendation:</b> The Council needs to ensure that all officers responsible for budget monitoring are aware of the unit costs.</p>	Medium	<p>Agreed. This will have increasing importance and as a first step we are introducing intensive commercial expertise training for finance staff so they can help service managers look at their budgets.</p> <p>Responsible office: Finance Due date: 31 March 2015</p>

## Appendix A: Key issues and recommendations (continued)

No	Issue and recommendation	Priority	Management response/ responsible office/ due date
4.	<p>Project Initiation Document (PID) process: the Council re-introduced the PID savings process for the 2014/15 budget. For all projects over £200,000 the responsible directorate/ manager prepares a PID identifying how savings will be delivered, the quantum of savings and project milestones. The PIDs were due for completion by 1 May but at the end of June 2014 the central finance team monitoring returns had not received a PID for all savings. There was a gap of £7m mainly in respect of waste and children's savings. The outstanding PIDs were being chased by the Business Partners who are responsible for ensuring these are completed in a timely manner by the directorate.</p> <p><b>Recommendation:</b> The Council should ensure that PIDs are fully completed before the start of the financial year to ensure there is no slippage in the total deliverable in the year.</p>	High	<p>Agreed. We have reviewed the PID template ready for 2015/16 and beyond for completion before April 2015.</p> <p>Responsible office: Finance Due date: February 2015</p>
5.	<p>Restructuring: The Council has undertaken significant restructuring over the past few years and this has led to changes in officers undertaking roles. As the Council implements Facing the Challenge, the changes are likely to increase. Our accounts audit identified a small number of controls and procedures that were not being undertaken as they should be during 2013/14.</p> <p><b>Recommendation:</b> The Council needs to ensure that where posts are removed or restructured all tasks undertaken by that role are captured.</p>	Medium	<p>Agreed.</p> <p>Responsible office: Council wide Due date: On-going</p>
6.	<p>Foreword to the Accounts: The Foreword to the 2013/14 Statement of Accounts does not fully explain the changes to the Council in the financial year. It should tell the Council's story and be a standalone document form the Accounts.</p> <p><b>Recommendation:</b> The Council should enhance the Explanatory Foreword to reflect the changes to the Council and accounting treatments in the financial year.</p>	High	<p>Agreed – the foreword will be reviewed and enhanced.</p> <p>Responsible office: Finance Due date: May 2015</p>

## Appendix A: Key issues and recommendations (continued)

No	Issue and recommendation	Priority	Management response/ responsible office/ due date
7.	<p>Property, Plant and Equipment valuation: The Code of Practice requires councils to value all assets within an asset class simultaneously as at the 31 March. The Council did not follow this approach in 2013/14. However, it has demonstrated that this would not result in a material misstatement to the value of property, plant and equipment at the year end and therefore has not impacted on the values reported in the 2013/14 Statement of Accounts.</p> <p><b>Recommendation:</b> The Council should update its rolling programme of asset valuations to ensure that all assets within a class are valued simultaneously.</p>	High	<p>There has been no change to the Code and the Code states “a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date”. We believe that we conform to this. However, we will review the tranches that we value on an annual basis and will ensure that the assets not revalued are not materially different at the balance sheet date.</p> <p>Responsible office: Finance Due date: 31 March 2015</p>

# Appendix B: 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	4,700	0
Objection work in relating to 12/13	0	1,695
<b>Total fees</b>	<b>212,600</b>	<b>209,595</b>

## Grant certification

The Audit Commission has removed the Teachers' Pension Return from the list of grants covered by the certification arrangements. Therefore, the fee for grant certification in 2013/14 has not been charged as we are not auditing the return under the Code of Audit Practice arrangements.

## Objection work relating to 2012/13

We undertook an investigation in the year into an objection made in respect of the 2012/13 financial statements. Upon conclusion of our work, we certified the closure of the 2012/13 financial statements in July 2014.

## Fees for other services

Service	Fees £
Certification of Regional Growth Fund and TIGER 2013 claims	6,500
Certification of Initial Teacher Training 2012/13 claim	3,500
Review of residential price increases	7,220

## Reports issued

Report	Date issued
Audit Plan	30 April 2014
Audit Findings Report	24 July 2014
Value for Money Report	24 July 2014
Annual Audit Letter	22 September 2014





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