

Hinckley and Bosworth Borough Council

Annual Audit Letter - DRAFT

2013/14

Government and
Public Sector

October 2014

Contents

Introduction	1
Audit Findings	3
Final Fees	6

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

Introduction

The purpose of this letter

This letter summarises the results of our 2013/14 audit work for members of the Authority.

We have already reported the detailed findings from our audit work to the Finance, Audit and Performance Committee in the following reports:

- Audit opinion for the 2013/14 financial statements, incorporating conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources (September 2014).
- Report to those charged with Governance (ISA (UK&I) 260) (September 2014).
- Annual Certification Report (to those charged with governance) (March 2014).

The matters reported here are the most significant for the Authority

Scope of Work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We met our responsibilities as follows:

Audit Responsibility	Results
Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).	<p>We completed an audit of the Authority's statutory accounts for the year ending 31 March 2014.</p> <p>We issued an unqualified audit opinion on the statutory accounts on 23 September 2014.</p>
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	<p>Hinckley and Bosworth Borough Council's income, expenditure, assets or liabilities did not exceed £350m.</p> <p>Therefore, in line with the Audit Commission's guidance, we performed limited consistency checks and confirmed that the pension liability and property, plant and equipment disclosures were consistent between the audited statutory accounts and the Whole of Government Accounts Consolidation Pack.</p>
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	<p>The Audit Commission guidance includes two criteria relating to the value for money conclusion: the organisation has proper arrangements in place for securing financial resilience; and the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.</p> <p>We issued an unqualified value for money conclusion.</p>

Audit Responsibility	Results
<p>Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</p>	<p>Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Statement of Accounts.</p> <p>We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work.</p> <p>We found no areas of concern to report in this context.</p>
<p>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</p>	<p>No matters arose during our audit that would require us to produce a public interest report.</p>
<p>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</p>	<p>No other actions were required to be taken in relation to our responsibilities under the Audit Commission Act.</p>

Audit Responsibility	Results
<p>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</p>	<p>We issued a completion certificate in line with the unqualified audit opinion on 23 September 2014.</p>

Audit Findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 23 September 2014.

We have already reported the detailed findings from our audit work within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented to the Audit Committee on 15 September 2014. We wish to draw the following points, included in that report, to your attention in this letter:

- The Authority prepared its accounts on a timely basis and a first draft of the accounts was available at the start of the audit;
- We did not identify any significant issues with respect to the effectiveness of the Authority's internal controls;
- We reviewed the reasonableness of the assumptions underlying the pension liability and concluded that we were comfortable with the assumptions adopted;
- We reviewed the reasonableness of the assumptions underlying the business rates appeals provision (which was a new provision in the 2013/14 financial year) and concluded that we were comfortable with the assumptions adopted; and
- There were two misstatements and one audit adjustment above our de minimis reporting threshold which were corrected by management in the final set of accounts. There were no uncorrected misstatements.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on your arrangements to secure economy, efficiency and effectiveness in your use of the Authority's resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

To reach our conclusion, we carried out a programme of work that was based on our risk assessment.

We issued an unqualified conclusion on the ability of the organisation to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources. However, we found the following matters which we wish to bring to your attention:

Bus Station Redevelopment – the Crescent

The Crescent is a new retail and leisure complex that is currently being built on the former bus station site. This is a key corporate priority for the Authority.

We reviewed the arrangements put in place by the Authority to monitor progress of the development and found no issues to report.

The Authority will purchase Block C from the developer which is the leisure block of the Crescent planned to accommodate a cinema and restaurants.

The Authority is managing the value for money risks associated with the purchase of Block C as part of the redevelopment, through a lettings focused strategy. The aim is to secure 100% occupancy of Block C which will deliver both rental income and business rates into the future. A considerable amount of interest in the properties in Block C has already been received from potential occupants.

Leisure Centre

On 21 January 2014, the Authority appointed Places for People Leisure Management Ltd (formerly named DC Leisure) to build and run a new Leisure Centre at the former Council offices site.

Significant consultation was undertaken during the procurement process and an independent leisure expert advised on the selection process.

Arrangements to monitor construction of the Leisure Centre have been established with involvement of both Estates and Finance.

It was identified by the building contractor that additional work will be required on the grounds which will add a further cost. This cost will be fully funded from reserves.

A late amendment to the specification of the swimming pool was made in September 2014. This is estimated to incur additional costs of approximately £81,118 per annum (over a 20 year period).

The Authority has reviewed the impact of the additional costs in the context of its overall financial position in future periods and has increased its savings target to £464,260 for 2015/16. The most significant proposal to meet the savings target is the ending of all payments of New Homes Bonus to parish councils and the special expenses area from 2015/16 which is estimated to reduce the savings target by £300,000. This was approved by the Council on 23 September 2014.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.


We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The audited pack was submitted on 24 September 2014. We found no areas of concern to report in this context.

Certification of Claims and Returns

We presented our most recent Annual Certification Report for 2012/13 to those charged with governance in March 2014. We certified three claims worth £53.4 million. In one case a qualification letter was required to set out the issues arising from the certification of the claim relating to the Authority's Housing and Council Tax Benefits Scheme where our testing identified a number of errors in relation to the Authority's compliance with Housing and Council Tax Benefit



regulations. For some of the errors it was possible to quantify them and make appropriate amendments to the claim form. Other matters were reported in our qualification letter to the Department for Work and Pensions. These matters had no material impact on the level of subsidy claimed by the Authority. These details were also set out in our Annual Certification Report for 2012/13.

We will issue the Annual Certification Report for 2013/14 in February 2015.

Summary of Recommendations

No recommendations were reported to the Finance, Audit and Performance Committee.

We set out here our final fees for the audit.

Final Fees

Final Fees for 2013/14

We reported our fee proposals in our 2013/14 Audit Plan.

Our actual audit fees were in line with our proposals at £64,980.

Our fee for the certification of claims and returns is yet to be finalised for 2013/14 and will be reported to those charged with governance in February 2015 within the 2013/14 Annual Certification Report.

We carried out a fraud awareness workshop and carried out tax work which fell outside of the Code of Audit Practice requirements. Our proposed and actual fee for the fraud workshop was £1,000, and for the tax work was £8,800.

We assessed the threats and safeguards around our independence as the Authority's external auditors and agreed with the Authority how the risks could be mitigated. We reported this assessment to you in our 2013/14 Audit Plan which we presented to you in March 2014.

Our fees charged were therefore:

	2013/14 outturn	2013/14 fee proposal	2012/13 final outturn
Audit work performed under the Code of Audit Practice			
- Statement of Accounts	64,980*	64,980	64,980
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
Certification of Claims and Returns	To be confirmed	23,400	28,474
Non Audit Work	9,800	9,800	2,300

* It is noted that separate to the amount charged the Authority received a £6,678 rebate directly from the Audit Commission.



In the event that, pursuant to a request which Hinckley and Bosworth Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Hinckley and Bosworth Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Hinckley and Bosworth Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Hinckley and Bosworth Borough Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Hinckley and Bosworth Borough Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2014 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

130610-142627-JA-UK