

# *Hinckley and Bosworth Borough Council*

*Annual Audit Letter*

2014/15

Government and  
Public Sector

26 October 2015

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## **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 management 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. Our audit does not ordinarily identify all such matters.

# Introduction

## The purpose of this letter

This letter summarises the results of our 2014/15 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 2014/15 financial statements, incorporating conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- Report to those charged with Governance (ISA (UK&I) 260);

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.

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued on 23 February 2015 and is 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.

We met our responsibilities as follows:

Hinckley and Bosworth Borough Council

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 2015.</p> <p>We issued an unqualified audit opinion on the statutory accounts on 22 September 2015.</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 nor liabilities did not exceed £350m. We issued an assurance statement to the NAO on 2 October 2015 confirming this.</p> <p>In line with the NAO's guidance, we were not required to perform any further audit procedures.</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 included 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 on 22 September 2015.</p>

<p><i>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.</i></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><i>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.</i></p>	<p>▶ We issued a completion certificate in line with the unqualified audit opinion on 22 September 2015.</p>
<p><i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i></p>	<p>▶ No matters arose during our audit that would require us to produce a public interest report.</p>		
<p><i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i></p>	<p>▶ No other actions were required to be taken in relation to our responsibilities under the Audit Commission Act.</p>		

# Audit Findings

## Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 22 September 2015.

We noted the significant findings arising from our audit within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented to the Finance, Audit and Performance Committee on 7 September 2015. 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 validated the inputs and reviewed the reasonableness of assumptions used in the valuation of property, plant and equipment. We identified three immaterial input errors which were corrected by management. We concluded that the assumptions used by the Authority's valuer were reasonable.
- We reviewed the assumptions underlying the pension liability and concluded that we were comfortable with the assumptions adopted.
- We reviewed the assumptions underlying the business rates appeals provision and concluded that the provision was reasonable.

- In total, there were seven audit adjustments above our de minimis reporting threshold (£25,000) 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 whether you had in place, for 2014/15, proper 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:

- that the organisation has proper arrangements in place for securing financial resilience; and
- that 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 reported to the Finance, Audit and Performance Committee the following matters:

- The Authority was able to demonstrate that arrangements had been in place to secure economy, efficiency and effectiveness in its use of resources during the 2014/15 financial year.

- Whilst the Authority has a balanced budget for 2015/16, at the time of our audit of the financial statements, members were considering options to meet savings gaps in future years. We reported the need to avoid further delay in determining plans to meet these savings gaps for future years. Delay in determining firm savings plans poses significant risks including the:
  - inability of the Authority to generate new income/achieve savings in a shorter time period;
  - depletion of the Authority's reserves which may impact capital plans and wider financial resilience; and
  - failure to meet the Authority's legal responsibility to set a balanced budget each year.

### *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 National Audit Office. The Authority's income, expenditure, assets nor liabilities did not exceed £350m. We issued an Assurance Statement to the NAO on 2 October 2015 confirming this.

In line with the NAO's guidance, we were not required to perform any further audit procedures.

### *Certification of Claims and Returns*

We presented our most recent Annual Certification Report for 2013/14 to those charged with governance in February 2015. We certified two claims worth £20 million. In one case a qualification letter was required to set out the issues arising from the certification of the Housing Benefit Subsidy claim. These details were set out in our Annual Certification Report for 2013/14. We will issue the Annual Certification Report for 2014/15 in February 2016.

## Final Fees

### Final Fees for 2014/15

We reported our fee proposals in our plan which were based on the scale fee communicated to us by PSAA. The scale fee is based on the overall requirements in relation to the audit of the financial statements not varying significantly from that of the prior year.

As part of our audit of the financial statements we were required to perform additional work on the material transactions relating to the Hinckley Squash and Rackets Club which included a technical consultation. As a result, our outturn costs exceeded those budgeted to achieve the scale fee and we agreed a fee variation with management to recover these additional costs.

	2014/15 outturn	2014/15 fee proposal
<b>Statement of Accounts including whole of government accounts and Value for Money conclusion</b>	<b>69,080*</b>	<b>65,880</b>

\* Our outturn fee has been discussed and a fee variation of £3,200 has been agreed with management. We have now written to the PSAA for formal approval for the fee variation.

### Non-audit work

We also performed non-audit work which fell outside of the Code of Audit Practice requirements. It related a review of the Authority's partial exemption position. Our proposed and actual fee for that work was £3,250. Our assessment of independence threats and relevant safeguards was detailed in our external audit update report presented at the April 2015 Finance, Audit and Performance Committee. We concluded

that we were independent and no changes have been made to that assessment.

Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to the Finance, Audit and Performance Committee later in the year within the Certification Report to Management in relation to 2014/15 grants. The indicative fee is £19,330.



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