



# The Annual Audit Letter for Newcastle under Lyme Borough Council

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**Year ended 31 March 2015**

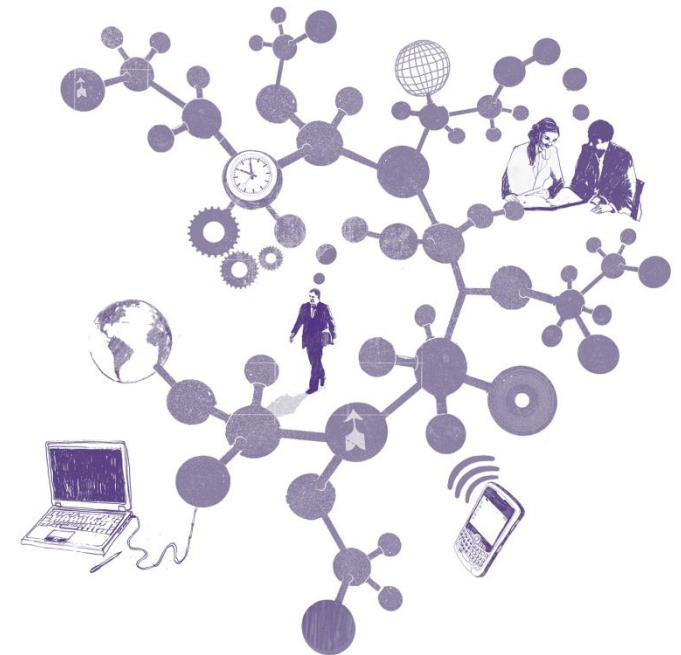
October 2015

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# Key messages

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

<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 28<sup>th</sup> September 2015 to the Audit and Risk Committee. We found that the accounts were prepared to a good standard together with appropriate working papers. We did not identify any adjustments affecting the Council's reported financial position. However we did request a number of adjustments to the disclosures within the financial statements, all of which were made.</p> <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 28<sup>th</sup> 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.</p>
<b>Audit fee</b>	Our fee for 2014/15 was £73,336, excluding VAT, which was in line with our planned fee for the year. Further detail is included within appendix B.

# Key messages

## Value for Money (VfM) conclusion

We issued an unqualified VfM conclusion for 2014/15 on 28<sup>th</sup> September 2015. The focus of our work was on the financial resilience of the Council and we found :

- Expenditure in 2014/15 was £7,000 lower than the budget which indicates strong budgetary control
- Whilst all councils continue to face challenges around their medium term financial resilience, the Council has responded effectively through the development and agreement of its updated Medium Term Financial Strategy. The plan now extends to 2019/20 and has identified savings plans for 2015/16 and the majority of schemes for 2016/17
- The Council is planning to maintain its level of general reserves at the risk assessed level of £1.2m. The council also has £3m of revenue earmarked reserves as at 31/3/15
- Members have shown clear leadership and identification of priorities through the process of preparing and approving the updated Medium Term Financial Strategy
- There was no indication that the effectiveness of key services is being significantly impacted by the level of savings so far. The outturn performance report to Cabinet shows that in the main services are performing well.

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.

# Appendix A: Key issues and recommendations

This appendix summarises the recommendations identified during the 2014/15 audit. These all arose from our audit of the financial statements and represent areas for further improvement of existing sound processes.

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	<p>We identified errors in the testing of manual accruals. Two of the sample of accruals tested (£5,500 and £11,000) had been incorrectly included within the financial statements, as the expenditure did not take place during 2014/15.</p> <p><b>Recommendation:</b> The Council should consider additional quality procedures to ensure there is appropriate support for the expenditure accruals.</p>	Medium	<p>Agreed.</p> <p>Responsible office: Executive Director (Resources and Support Services).</p> <p>Due date: March 2016.</p>
2.	<p>The Code requires that the minimum lease payments be discounted which is not currently the case.</p> <p><b>Recommendation:</b> The Council should ensure it fully complies with the Code requirements for the calculation of the finance lease long term debtors.</p>	Medium	<p>Agreed.</p> <p>Responsible office: Executive Director (Resources and Support Services).</p> <p>Due date: March 2016.</p>
3.	<p>Although the Code does not prescribe a minimum period the last valuation of Heritage Assets was undertaken in 2006.</p> <p><b>Recommendation:</b> The Council should undertake a review of its museum heritage assets to ensure the valuation remains current.</p>	Medium	<p>Agreed.</p> <p>Responsible office: Executive Director (Resources and Support Services).</p> <p>Due date: March 2016.</p>

# Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

## Fees

	Per Audit plan £	Actual fees £
Council audit	73,336	73,336
Grant certification on behalf of Audit Commission	8,280	8,280
<b>Total audit fees</b>	<b>81,616</b>	<b>81,616</b>

The grant certification fee is indicative and may vary dependent upon the final levels of audit required. We are still completing our grant certification work and will report upon the fee once it is completed

## Reports issued

Report	Date issued
Audit Plan	April 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015



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