

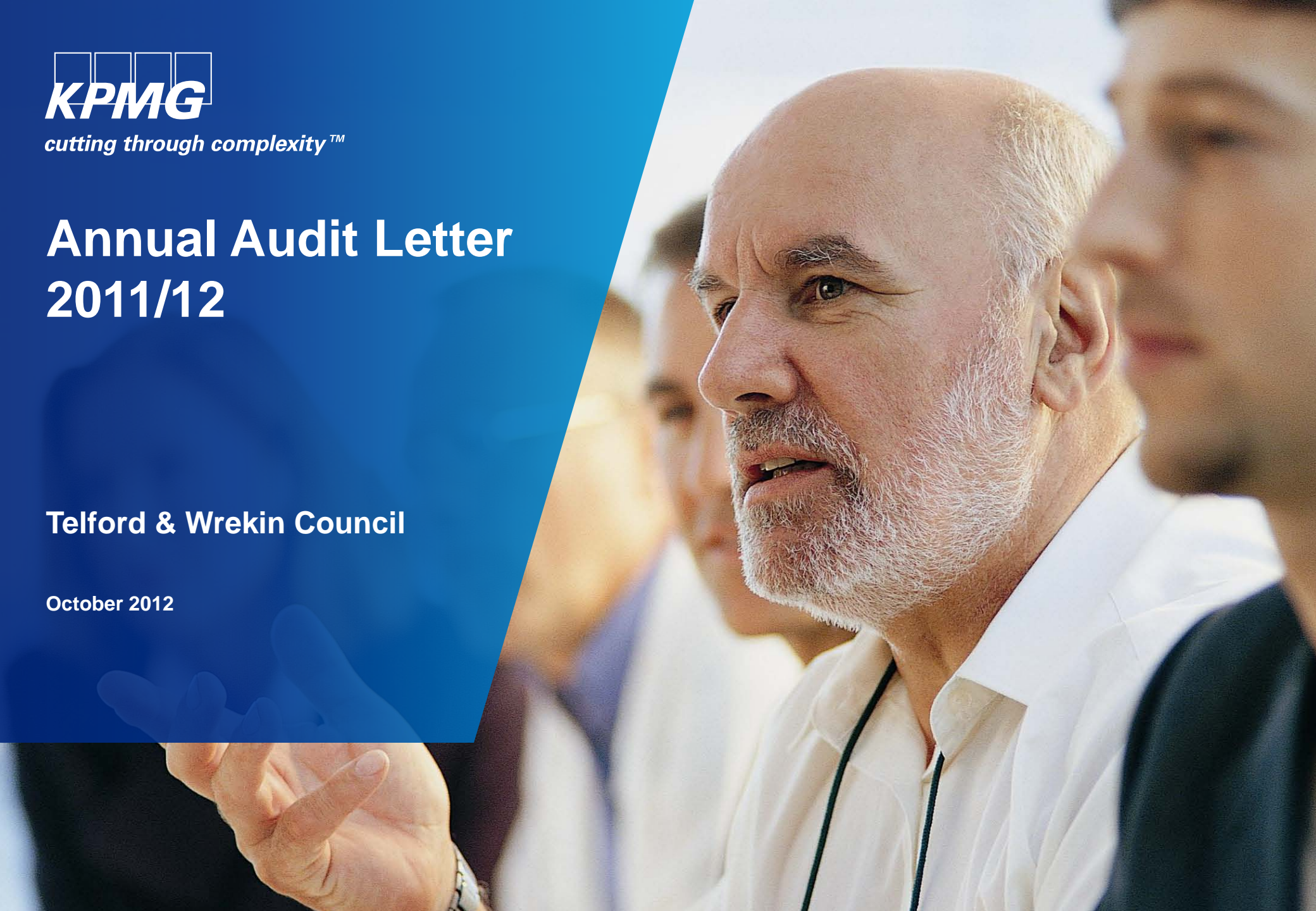


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# Annual Audit Letter 2011/12

**Telford & Wrekin Council**

October 2012



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Michael McDonagh, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to [complaints@audit-commission.gov.uk](mailto:complaints@audit-commission.gov.uk). Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This report summarises the key findings from our 2011/12 audit of Telford & Wrekin Council (the “Authority”).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority’s 2011/12 financial statements and the 2011/12 VFM conclusion.

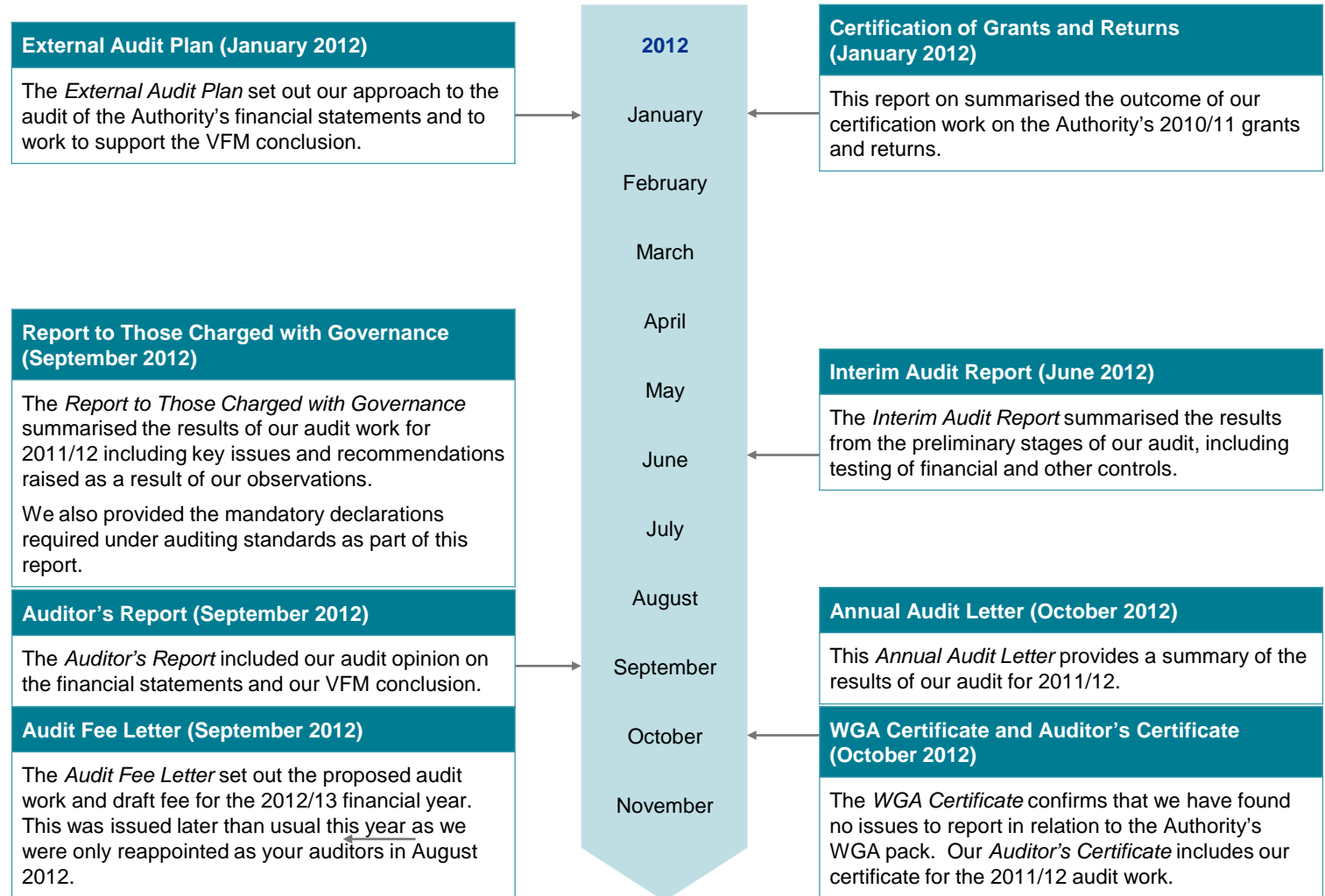
<b>VFM conclusion</b>	<p>We issued an unqualified value for money (‘VFM’) conclusion for 2011/12 on 27 September 2012.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p>
<b>VFM risk areas</b>	<p>We identified a number of significant risks to our VFM conclusion and considered the arrangements you have put in place to mitigate these.</p> <p>Our work identified the following significant matters:</p> <ul style="list-style-type: none"> <li>■ The Authority has continued to make progress in relation to its savings plans and managed to achieve an underspend against budget for 2011/12. This has enabled the Authority to contribute to useable reserves for use in 2012/13 to support the budget strategy.</li> <li>■ As at July 2012, the Authority was forecasting that the 2012/13 outturn would be in line with budget. This included as predicted £2.6m use of budgeted contingency.</li> <li>■ The Authority’s restructuring programme has continued and is on schedule. There continues to be a robust process in relation to challenging the assumptions made in relation to savings plans.</li> </ul>
<b>Audit opinion</b>	<p>We issued an unqualified opinion on your financial statements on 27 September 2012. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
<b>Financial statements audit</b>	<p><i>Our work in relation to the financial statements resulted in the following significant findings:</i></p> <ul style="list-style-type: none"> <li>■ A total of five audit adjustments with an overall gross value of £17.9m. These adjustments impacted upon the surplus on provision of services and also upon the Authority’s net worth. There was no impact upon the General Fund balance.</li> <li>■ The Authority had incorrectly accounted for the disposal of property resulting from a school achieving academy status during the year. A similar accounting error had been identified and corrected during the audit of the 2010/11 financial statements. As a result of this we raised a recommendation in our <i>ISA 260 Report 2011/12</i>.</li> <li>■ There were also a number of errors identified in relation to the draft cash flow statement. In addition, the Authority identified a number of corrections required to the financial statements during our audit visit. Both of these errors resulted in additional audit work having to be undertaken in order to resolve and correct them.</li> <li>■ There were a number of presentational errors in the draft financial statements.</li> </ul>

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 1.

<b>Annual Governance Statement</b>	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of the Authority.
<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts (“WGA”) by HM Treasury. We reported that the Authority’s WGA pack was consistent with the audited financial statements.
<b>High priority recommendations</b>	We raised no high priority recommendations as a result of our 2011/12 work. One recommendation relating to the accounting treatment of asset disposals was included in our <i>ISA 160 Report 2011/12</i> which was issued in September 2012 and included agreed management responses.
<b>Certificate</b>	We issued our certificate on 1 October 2012.  The certificate confirms that we have concluded the audit for 2011/12 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission’s <i>Code of Audit Practice</i> .
<b>Audit fee</b>	Our fee for 2011/12 was £269,780 excluding VAT. This includes an additional charge of £11,300 in relation to the finalisation of elector objections from prior years. In addition we have negotiated an additional fee of £4,000 with the Authority in respect to additional audit work required in relation to the 2011/12 financial statements. Further detail is contained in Appendix 2.

## Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.



This appendix provides information on our final fees for 2011/12.

To make sure that there is openness between us and your Audit Committee about the extent of our fee relationship with you, we have summarised below the outturn against the 2011/12 planned external audit fee.

### External audit

Our final fee for the 2011/12 audit of the Authority was £269,780 This is an overall reduction of 19 percent on the comparative total fee for 2010/11 of £328,340.

The final fee compares to a planned fee of £258,480. The variance is the result of additional work, which was not allowed for in our initial plan, with a value of £11,300. This related to the finalisation of an elector objection raised during the 2009/10 audit.

In addition to the above stated fee, we have negotiated an additional fee of £4,000 with the Authority in relation to additional audit work required as a result of errors identified in the 2011/12 financial statements. These related to issues identified by the Authority during our audit and corrections to the cash flow statement.

### Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2011/12* which we are due to issue in January 2013.

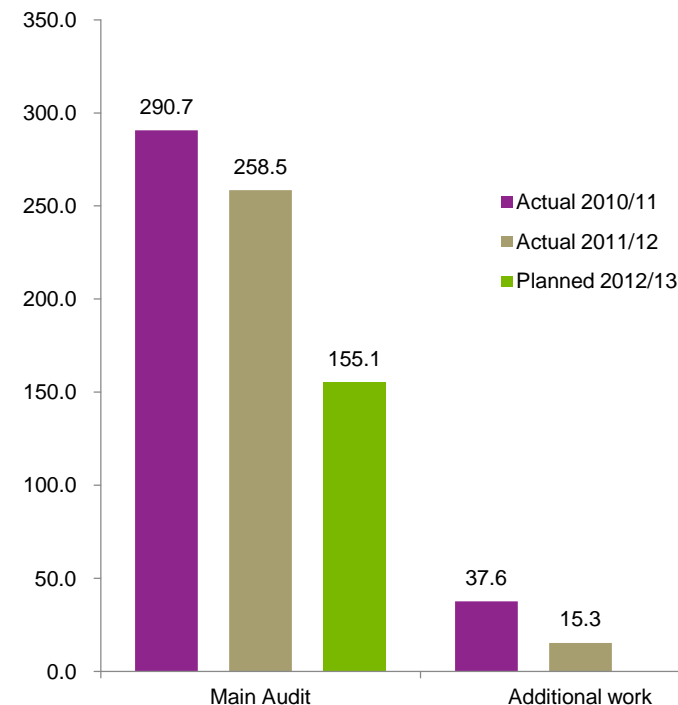
### Other services

We have not undertaken any other services not related to our responsibilities under Audit Commission's *Code of Audit Practice*.

### 2012/13 Fee

In September 2012 we issued our fee letter for the 2012/13 audit of the Authority. This set out a fee of £155,088 which represents a 40 percent decrease compared to the planned 2011/12 fee set out above.

External audit fees 2011/12 (£'000)





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