

# The Annual Audit Letter for South Somerset District Council

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**Year ended 31 March 2015**

23 October 2015

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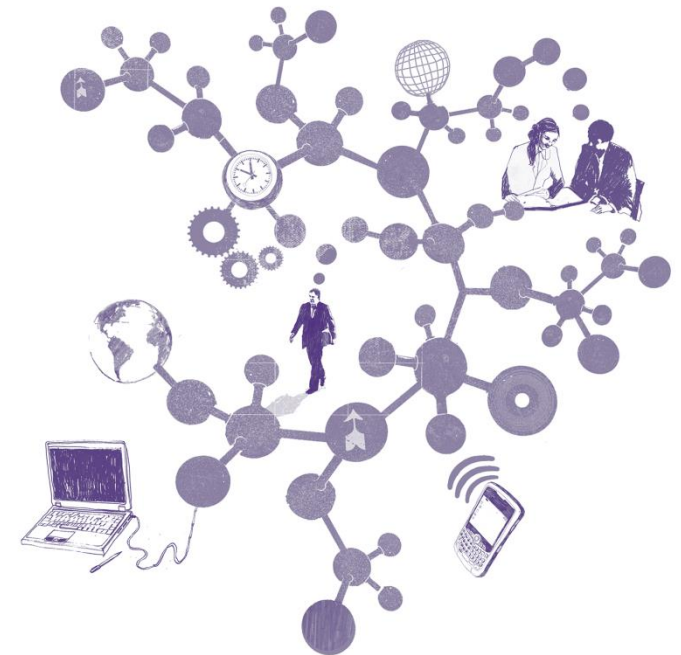
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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at South Somerset District 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 on 4 February 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.

## **Financial statements audit (including audit opinion)**

On 30 September 2015 we reported our findings arising from the audit of the financial statements to the Audit Committee in our Audit Findings Report. The key messages reported were:

- We did not identify any adjustment affecting the Council's reported financial position but we identified a number of adjustments to improve the presentation of the financial statements
- the Council included the additional disclosures that we suggested during the audit and made some presentation and disclosure adjustments to their accounts
- the financial statements were supported by a high standard of working papers in accordance with the agreed timetable supported by excellent assistance from the finance team
- the evidence obtained to support the carrying value of land and buildings on the balance sheet needs to be strengthened
- an action plan has been agreed with the Council based on our findings from our audit work and is attached at appendix A

We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 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.

## Key messages continued

<b>Value for Money (VfM) conclusion</b>	<p>We issued an unqualified VfM conclusion for 2014/15 on 30 September 2015.</p> <p>Overall our work highlighted that the Council has managed its finances effectively. It has relatively high levels of reserves (as a percentage of gross expenditure) and it has managed its expenditure to achieve an underspend against its original budget, while delivering its savings targets.</p> <p>There has been a deterioration in Council Tax collection rates and the Council has undertaken appropriate action to address this through increased staff capacity. Further the Council's Medium Term Financial Plan has gaps in future years for identified savings and there is a potential over reliance on a single source of income. The Council's plans for 2016/17 are well advanced. There is currently a more significant gap for 2017/18 and plans for that year will be based on the new corporate plan.</p> <p>We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints within which it is required to operate. The Council monitors performance especially where there has been service redesign to ensure that the Council is still achieving its targets.</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 2015.</p>
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## Key messages continued

<b>Other matters</b>	<p>For the financial year 2013/14 we received two objections to the Accounts.</p> <p>One objection from Councillors at South Somerset related to members concerns regarding a decision taken to vary a major s106 'planning gain' agreement and the Council's underlying processes. The objection was not upheld after our investigation into the matter.</p> <p>The second objection was from a member of the public which concerned two main issues. The first issue regarding the arrangements for renegotiation of s106 'planning gain' agreements has been investigated and the objection was not upheld. The second issue relates to the legal costs incurred by the Council in defending Judicial Review actions in relation to the granting of planning permission. This investigation will be completed when the outstanding legal process is concluded.</p> <p>We could not formally conclude the audit for 2014/15 due to the above outstanding objections from 2013/14 accounts. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion for 2014/15.</p>
<b>Certification of housing benefit grant claim</b>	<p>Our work on the certification of the Housing Benefits claim is ongoing and the key messages from our certification work will be reported in our certification report due to be issues on completion of work on this claim.</p>
<b>Audit fee</b>	<p>Our fee for 2014/15 was £65,701, excluding VAT which was in line with our planned fee for the year and the fee charged in the previous year. Further detail is included within appendix B.</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	<p>The latest valuation date for land and building is 1 April 2014 i.e. a year before the balance sheet date it relates to. Other valuations are between a year and four years older than that. The Council's valuer has advised that there are no significant changes in values of assets values in prior years. The Council has relied on his professional opinion which we consider is reasonable.</p> <p><b>Recommendation:</b> Valuations of property, plant and equipment (PPE) should be at the balance sheet date eg 31 March 2015 not 1 April 2014. The Council should provide sufficient evidence to demonstrate that the carrying value of PPE based on valuations in prior years is not materially misstated.</p>	High	<p>Agree to finding a mutually acceptable way forward through working with the District Valuer and SSDC's in-house Valuer on the timing of valuations.</p> <p>Responsible office: Finance Manager Due date: 2015/16 statement of accounts</p>
2.	<p>The Council tax collection rate for 2014/15 was 97.04% which is a reduction from the prior year and still below other districts both regionally and nationally. The target of 97% is low.</p> <p><b>Recommendation:</b> The Council should increase its target council tax collection rate and ensure it's arrangements result in improved collection during 2015/16.</p>	High	<p>The collection rate for 2015/16 is expected to improve in the second half of this year as the additional staffing has been added. The target collection rate will increase for 2016/17.</p> <p>Responsible office: Revenues and Benefits Manager Due date: immediate and 1 April 2016</p>
3.	<p>Review of the medium term financial plan shows there are a number of gaps in future years which have yet to be addressed and no concrete plans have been made to identify how the shortfalls will be addressed.</p> <p><b>Recommendation:</b> Plans to bridge the budget gap in 2016/17 should be complete and plans for 2017/18 should be drawn up as soon as possible.</p>	High	<p>Plans for 2016/17 are well underway and should be completed by December 2015. Plans for 2017/18 will be drawn up in conjunction with the production of a number of documents eg headline business cases for staying alone or sharing with SDC, plus the refresh of the Council Plan.</p> <p>Responsible office: Assistant Director – Finance and Corporate Services Due date: ongoing</p>

# Appendix B: Reports issued and fees

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

## Fees for audit services

	Per Audit plan £	Actual fees £
Audit fee	65,701	65,701
Housing benefit grant certification fee	13,990	*13,990
<b>Total audit fees</b>	<b>79,691</b>	<b>79,691</b>

\* The indicative fee published by the Public Sector Audit Appointments for grant certification work required in 2014/15 for the Council is £13,990. As the work has not yet been completed on the grant certification, we therefore cannot confirm the final fee.

## Fees for other services

Service	Fees £
<b>Audit related services</b>	
Fees for member 2013/14 objection to accounts	6,738
<b>Non-audit related services</b>	
Investors in people accreditation	9,990

## Reports issued

Report	Date issued
Audit Plan	4 February 2015
Audit Findings Report	21 September 2015
Certification Report (expected)	December 2015
Annual Audit Letter	23 October 2015



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