

# The Annual Audit Letter for Dudley Metropolitan Borough Council

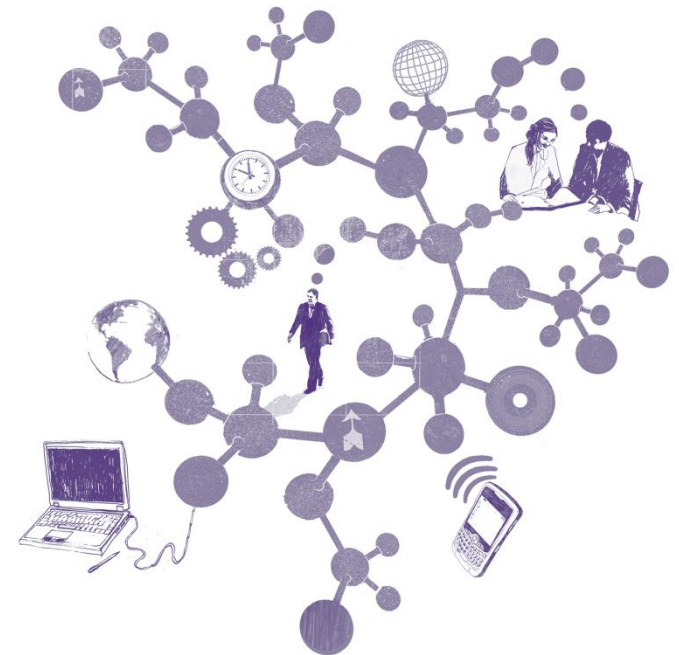
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**Year ended 31 March 2014**

October 2014

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# Contents

| <b>Section</b>                      | <b>Page</b> |
|-------------------------------------|-------------|
| 1. Key messages                     | 3           |
| <b>Appendices</b>                   |             |
| A Key issues and recommendations    | 5           |
| B Summary of reports and audit fees | 6           |

# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Dudley Metropolitan Borough Council ('the Council') for the year ended 31 March 2014.

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 2014 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.

|   |  |
|---|--|
| <b>Financial statements audit (including audit opinion)</b> | <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirmed 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> <p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 18 September 2014 to the Audit and Standards Committee. The key messages reported were:</p> <ul style="list-style-type: none"><li>• The standard of the draft accounts and supporting working papers provided by the Council were good</li><li>• We did not identify any adjustments affecting the Council's reported financial position. However we made a number of adjustments to improve the presentation of the financial statements</li><li>• We were satisfied that the overall approach taken by the Council to assessing provisions in respect of National Domestic Rates (NDR) is reasonable. We received confirmation in the Letter of Representation (LoR) to support the Council's view that it is not possible to arrive at a reliable estimate to the value of potential appeals not yet lodged.</li></ul> <p>The key recommendations arising from our financial statements audit are detailed in Appendix A.</p> |
| <b>Value for Money (VfM) conclusion</b>                     | <p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>We reported our findings arising from the work in our Audit Findings Report, his included a red, amber and green (RAG) rating against a number of themes. We are pleased to report that the majority of these have been rated as green. One area, Strategic financial planning, was rated Amber, signifying that a residual risk exists. This reflects the magnitude of the financial challenge that the Council is facing as it strives to continue making cost savings in an environment of significant reductions in local government funding.</p>  |

# Key messages

|  |   |
|--|---|
| <b>Whole of Government Accounts</b>              | We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.  |
| <b>Certification of grant claims and returns</b> | We have certified the Pooling of Housing Capital Receipts grant claim, which were certified without amendment.<br>Our certification work on the Council's Housing Benefit Subsidy claim is currently underway. We expect to certify this claim by the Department of Work and Pension's deadline of 30 November. |
| <b>Audit fee</b>                                 | Our fee for 2013/14 was £179,657, excluding VAT but including an additional £1,470 in relation to extra work required on business rate balances which was not included in our original fee letter and audit plan. Further detail is included within appendix B.   |

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

| Rec No. | Recommendation   | Priority   | Management response   | Implementation date and responsibility             |
|---------|--|------------|---|--|
| 1       | The Council should ensure that all journals contain an appropriate description.  | Deficiency | Agreed. All Accountancy staff will be reminded about the importance of appropriate descriptions.  | With immediate effect.<br>Head of Accountancy.     |
| 2       | The Council should review all land and building assets contained within its asset register to ensure it has the rights (e.g. title deeds) to those assets. | Deficiency | Agreed. All assets in the register will be reviewed to check that the Council has rights to the assets.   | March 2015.<br>Head of Property Services           |
| 3       | The Council should take account of recent claim and settlements patterns when considering the estimate process for the 2014/15 provision.                  | Deficiency | Agreed. The review will take into account recent claim and settlement patterns when considering the estimate for the 2014/15 unequal pay provision. | March 2015<br>Head of Accountancy                  |
| 4       | The Council should consider a de minimus policy for smaller transactions at year end.  | Deficiency | Agreed. This will be considered as part of our Closedown plan for the 2014/15 accounts.   | Autumn 2014<br>Group Accountant Corporate Finance. |
| 5       | The Council should ensure that all capitalised staff costs are supported by timesheets.  | Deficiency | Agreed. Supporting documents will be provided for the 2014/15 accounts.   | March 2015<br>Housing Finance Manager              |
| 6       | The Council should ensure it periodically reviews its accumulated absence accounts to ensure the assumptions remain up-to-date and valid.                  | Deficiency | Agreed. This will be considered as part of our Closedown plan for the 2014/15 accounts.   | Autumn 2014<br>Group Accountant Corporate Finance. |
| 7       | The Council should review its approach to the revaluation of land and buildings in 2014/15.  | Deficiency | Agreed. We will review our approach to valuation for 2014-15 accounts against the Accounting Code of Practice.                                      | March 2015.<br>Head of Property Services           |

# Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

|                           | Per Audit plan<br>£ | Actual fees<br>£ |
|---------------------------|---------------------|------------------|
| Audit Fee*1               | 178,177             | 179,657          |
| Grant certification fee*2 | 32,500              | 21,227           |
| <b>Total fees</b>         | <b>210,677</b>      | <b>200,884</b>   |

1) There is an additional fee of £1,470 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for Metropolitan District Councils and is subject to agreement by the Audit Commission

2) New scale fee set by the Audit Commission. Revised to reflect there is no longer a requirement to certify Teachers Pensions, NDR 3 and the council tax element of the HB and Council Tax Grant.

## Fees for other services

| Service | Fees £ |
|---------|--------|
| None    | Nil    |

## Reports issued

| Report                | Date issued    |
|-----------------------|----------------|
| Audit Plan            | April 2014     |
| Audit Findings Report | September 2014 |
| Annual Audit Letter   | October 2014   |



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