

Agenda Item No:	5	
Committee:	Corporate Governance Committee	
Date:	1 December 2015	
Report Title:	Annual Audit Letter 2014/15	

## Cover sheet:

### 1 Purpose / Summary

To receive the independent external auditors (PricewaterhouseCoopers) Annual Audit Letter.

### 2 Key issues

- The external audit findings for 2014/15 have been reported to the Corporate Governance Committee throughout the year. The Annual Audit Letter summarises the results of the audit work for members of the Council.
- PwC are extremely grateful to the finance team for the co-operation received during the audit, the quality of the working papers and the timeliness of provision of information.
- PwC have reported an unqualified opinion on the 2014/15 accounts. This is a significant achievement for the Council.
- In all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified value for money conclusion has been given.

### 3 Recommendations

- It is recommended that Members receive and consider the report.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Cllr Kit Owen, Chairman of Corporate Governance Committee Cllr Chris Seaton, Portfolio Holder, Finance
<b>Report Originator(s)</b>	Rob Bridge, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
<b>Contact Officer(s)</b>	Rob Bridge, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
<b>Background Paper(s)</b>	Annual Governance Report

# *Fenland District Council*

*Annual Audit Letter*

2014/15

Government and  
Public Sector

October 2015

---

# Contents

<b>Introduction</b>	<b>1</b>
<b>Audit Findings</b>	<b>3</b>
<b>Final Fees</b>	<b>6</b>

## **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 Council.

We have already reported the detailed findings from our audit work to the Audit 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); and
- Annual Certification Report 2013/14 (to those charged with governance).

The matters reported here are the most significant for the Council.

We would like to take this opportunity to thank the Council management and staff for the co-operation and assistance we have received throughout the audit process. The Council produced good quality working papers and provided the required information on a timely basis helping us to complete our audit efficiently. We have very much enjoyed working with the Council and wish it and its management and staff the very best for the future.

## *Scope of Work*

The Council 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 in March 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:

<b>Audit Responsibility</b>	<b>Results</b>
<i>Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&amp;I)).</i>	<i>We reported our findings to the Corporate Governance Committee on 25 September 2015 in our 2014/15 Report to those charged with governance (ISA (UK&amp;I) 260). On 28 September 2015 we issued an unqualified audit opinion.</i>
<i>Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.</i>	<i>We reported on the accuracy of the consolidation pack prepared by the Council to the National Audit Office on 28 September 2015.</i>

<b>Audit Responsibility</b>	<b>Results</b>	<b>Audit Responsibility</b>	<b>Results</b>
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 28 September 2015 we issued an unqualified value for money conclusion.	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.	There were no issues to report in this regard.
Consider the completeness of disclosures in the Council'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.	There were no issues to report in this regard.		
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	There were no issues to report in this regard.		
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	There were no issues to report in this regard.		

---

# Audit Findings

## *Accounts*

We audited the Council's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 28 September 2015.

We noted significant issues arising from our audit within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented to the Audit Committee on 25 September 2015. We wish to draw the following points, included in that report, to your attention in this letter.

## *Pensions liability*

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Cambridgeshire County Council pension fund. Your net pension surplus/liability at 31 March 2015 was £59 million (2014 - £45 million).

We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range. The report from the Pension Fund actuary was reviewed by the PwC specialist team and the assumptions used were compared to the industry averages with no exceptions or major variances noted.

We validated the data (such as employee and employer contributions) supplied to the actuary on which to base their calculations.

## *Pilot's pension scheme*

In June 2010 the High Court determined that as the Council paid pension contributions to the Pilots National Pension

Fund ("PNPF") on behalf of former and current pilots that it could be held liable to meet the costs of reducing the deficit on the pension fund which had arisen over the period from 1987.

In 2013 the Council had reached agreement with the Pension Fund Trustee to pay £1.5m in deficit reduction payments to the fund over a period of 16 years, of this £68k was paid in 2014/15 (£58k in 2013/14). The Council had recognised the liability in its financial statements and has accounted for the payment as relating to an IAS19 multi-employer defined contribution pension scheme and so have accounted for the liability remaining as at 31 March 2013 as a Pilot's pension fund reserve. This treatment was reviewed as part of our audit work in 2012/13 at which point we were satisfied with the treatment and disclosures.

Previously the Pilots were self-employed however from April 2014 all Pilots are employed by the Council, only one is a member of the PNPF. Given this change, we have challenged management again to justify this treatment in accordance with the code of practice for local Council accounting including specific judgements relating to the treatment of the self-employed pilots as employees for pension fund accounting purposes, and the treatment of the PNPF as a multi-employer defined contribution scheme as it is not possible to identify the assets and liabilities related to the Council's proportion of the scheme assets and liabilities.

We are satisfied that the treatment does not materially misstate the financial position of the Council and are content with the disclosure in the Council's accounts which clearly reflects this position.

### *Property, plant and equipment*

The Council has a large and complex property, plant and equipment portfolio and a number of significant judgements are required in order to generate the figures in the financial statements.

Your draft accounts include total fixed assets with a net book value of £33 million, largely made up of land and buildings (net book value of £22 million). You are required to ensure that the valuations are kept up to date.

We reviewed the work of the Council's external valuers (Norfolk Property Services) and found no significant matters to report.

### *Judgments and accounting estimates*

The following significant judgments or accounting estimates were used in the preparation of the financial statements:

- Property, plant and equipment – Depreciation and Valuation;
- Bad Debt Provision;
- NNDR Provision for Appeals;
- Accruals Provisions; and
- Pensions.

No issues have been identified in our audit of these areas.

### *Whole of Government Accounts*

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the National Audit Office. The audited pack was submitted on 30 September 2015. We found no areas of concern to report in this context.

### *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 Council'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.

### *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.



### *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 one claim worth £31 million. A qualification letter was required to set out the issues arising from the certification of the claim. We will issue the Annual Certification Report for 2014/15 in January 2016.



# Final Fees

## Final Fees for 2014/15

We reported our fee proposals in our audit plan.

Our fees charged were therefore:

	2014/15 forecast outturn	2013/14 actual	2012/13 fee actual
<b>Audit work performed under the Code of Audit Practice</b>			
Statement of accounts	49,363*	48,570	45,420
Local value for money conclusion	17,716	17,716	17,716
Whole of Government accounts	1,545	1,545	1,545
<b>Total</b>	<b>68,624</b>	<b>67,831</b>	<b>64,681</b>
<b>Grant Certification fee:</b>			
BEN01 Housing and Council Tax Benefit Scheme	**	19,021	22,360
LA01 National Non Domestic Return		-	1,890
Fee variation (extended testing following error identification)		-	2,467
<b>TOTAL</b>		<b>86,852</b>	<b>91,398</b>

\*Note our Statement of accounts fee includes an additional element for the impact of the changes in the certification requirements in 2013/14 and the need for additional work over the material benefit balances, this is currently subject to approval by the PSAA.

\*\*Our fee for certification of claims and returns is yet to be finalised for 2014/15 and will be reported to those charged with governance in January 2016 within the 2014/15 Annual Certification Report.



In the event that, pursuant to a request which Fenland District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Fenland District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Fenland District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Fenland District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Fenland District Council and solely for the purpose and on the terms agreed through our contract with Public Sector Audit Appointments Limited. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

130610-142627-JA-UK