

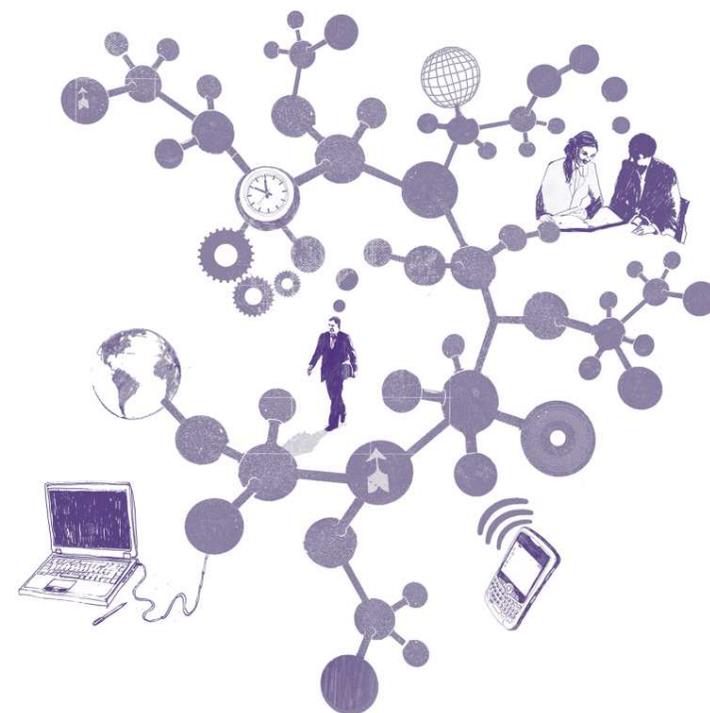
The Annual Audit Letter for The Council of the Isles of Scilly

Year ended 31 March 2015

October 2015

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Contents

Section

Page

1. Key messages

3

Appendices

A Key issues and recommendations

B Summary of reports and audit fees

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at The Council of the Isles of Scilly ('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.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 22 September 2015 to the Full Council. The key messages reported were:

- There is a lack of capacity within the Council's finance department and, because of this, the Council again outsourced the production of its financial statements. This lack of capacity meant that there were sometimes delays in responding to requests for information, causing inefficiencies in the audit process.
- Although a number of adjustments have been made to the Council's financial statements, we did not identify any material errors affecting the Council's reported financial position. The net assets moved from £42,319k to £42,038k and the Council's General Fund balance has only changed by £16,000.
- There are no unadjusted errors within the Council's financial statements.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 28 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

Value for Money (VfM) conclusion	<p>We issued our VfM conclusion for 2014/15 on 28 September 2015.</p> <p>The Audit Commission's Value for Money guidance for 2014/15, issued in October 2014, requires us to report any matters that come to our attention which prevent us from being satisfied that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p> <p>We have concluded that there were the following matters to report:</p> <ol style="list-style-type: none">1. The Head of Internal Audit's opinion for 2014/15 was that, overall, the Council's systems of governance, risk management and control in operation in 2014/15 were generally weak, with considerable room for improvement in many areas. In particular, risk management was assessed as being poor with the written procedures not being complied with.2. The Council does not have a robust and sustainable Medium Term Financial Strategy that goes beyond 2015/16 as the assumptions underpinning it regarding central government support are, in our view, unrealistic. <p>The key recommendations arising from our work are included in Appendix A to this Letter.</p>
Certification of housing benefit grant claim	<p>Our work on the certification of the Housing Benefits claim is on-going. The key messages from our certification work will be reported in our certification report, once all work has been completed.</p>
Audit fee	<p>Our fee for 2014/15 was £36,170, excluding VAT, which was in line with our planned fee for the year. Further detail is included within appendix B.</p>

Appendix A: Key issues and recommendations

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

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>Overall Control Environment</p> <p>Recommendation: The Council should review the recommendations made by Internal Audit and ensure that there is an adequate action plan in place to address those recommendations it considers to be key.</p>	Medium	<p>Agreed. Internal Audit are due to commence 2015/16 audits with the Authority in early October 2015 and progress on outstanding recommendations will be reviewed and action plans developed as part of this work. Additionally the staff restructure of November 2014 included the Policy and Scrutiny Officer role. Part of this role includes the review of progress on Internal and External Audit recommendations and will cascade these on an exception basis to meetings of the Finance, Audit and Scrutiny Committee.</p> <p>Responsible officer: Senior Manager: Finance and Resources</p> <p>Due date: On-going and completion by March 2016</p>
2.	<p>General Fund Balance</p> <p>Recommendation: The Council should re-assess the minimum level of its General Fund balance.</p>	Medium	<p>As part of preparations for the 2016/17 Budget and development of a medium term financial strategy for the coming 4 year period a full review will be undertaken as regards the adequacy of the General Fund and all other earmarked reserves.</p> <p>Responsible officer: Senior Manager: Finance and Resources</p> <p>Due date: January 2016</p>
3.	<p>Budget Monitoring</p> <p>Recommendation: The budgetary control procedures should be reviewed to improve the efficiency and timeliness of financial reporting to budget holders and Members.</p>	High	<p>A budget working group has been initiated to review the complete budgeting system and to implement a simpler and more robust set of processes. This will include a review of reserves and identification of the most efficient formatting and content of budget reports. Member and Budget Holder collaboration will be key to the success of this project.</p> <p>Responsible officer: Senior Manager: Finance and Resources</p> <p>Due date: January 2016</p>

Appendix A: Key issues and recommendations (cont'd)

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
4.	<p>Medium Term Financial Planning</p> <p>Recommendation: The Council should review the assumptions underpinning its medium term financial strategy and should satisfy itself that these are reasonable and reflect current thinking. This may involve engagement with the relevant Government departments.</p>	High	<p>Agreed. This is an essential part of the budget planning process for the 2016/17 year and medium term financial strategy. Engagement with Government Departments is planned.</p> <p>Responsible officer: Senior Manager: Finance and Resources</p> <p>Due date: January 2016</p>
5.	<p>Medium Term Financial Planning</p> <p>Recommendation: The Council should ensure that its medium term financial plan provides the resources to support the delivery of its recently adopted corporate plan.</p>	High	<p>Agreed, the alignment of the golden thread of corporate planning to incoming resources is an essential part of the medium term financial strategy process as described above.</p> <p>Responsible officer: Senior Manager: Finance and Resources</p> <p>Due date: January 2016</p>
6.	<p>Risk Management</p> <p>Recommendation: The Council needs to ensure that its updated risk management policy is implemented properly.</p>	High	<p>Agreed, A revised Risk Management Policy will be presented to Members imminently alongside revision to the strategic risk registers and risk owners.</p> <p>Responsible officer: Senior Manager: Democratic and Corporate</p> <p>Due date: November 2015</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 £
Council audit	36,170	36,170
Housing benefit grant certification fee	5,970	5,970
Total audit fees	42,140	42,140

Fees for other services

Service	Fees £
Audit related services	
2014/15 Teachers Pensions End of Year Certificate	3,200
Non-audit related services	2,724
Objection from a member of public received in 2013/14.	

Reports issued

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



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