

The Annual Audit Letter for Surrey County Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2015

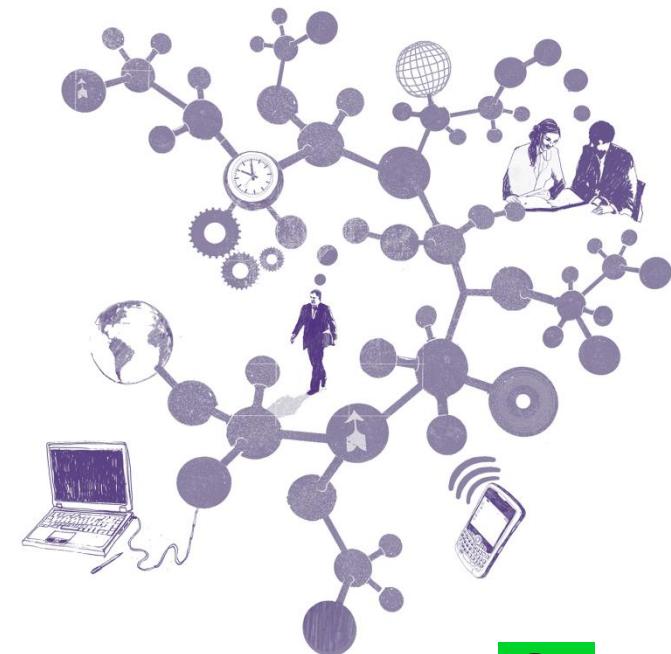
September 2015

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Surrey County 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 9 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.

<p>Page 35</p>	<p>Financial statements audit (including audit opinion)</p> <p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 27 July 2015 to the Audit and Governance Committee. The key messages reported were that:</p> <ul style="list-style-type: none"> • the Council produced draft financial statements and working papers to a good standard , bringing forward the timetable for working paper preparation • the Council successfully prepared group accounts for the first time in respect of S. E. Business Services Limited and Surrey Choices Limited • the timeliness of response to audit queries could be improved. This will be important in enabling the Council to close down its accounts more efficiently ahead of the statutory deadline for audited accounts moving forward in 2017/18 <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 July 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.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued a VfM conclusion for 2014/15 on 30 July 2015. We found that the Council continues to have good arrangements in place in respect of VfM with a strong track record in strategic financial planning, financial governance and prioritisation of resources. The Council has been proactive in responding to external developments such as the Better Care Fund and is showing a strong commitment to innovative ways of working including for example the development of the Orbis partnership with East Sussex.</p> <p>In determining our conclusion on the Council's arrangements for challenging economy, efficiency and effectiveness, we had regard to Ofsted's findings from its new style multi-agency inspection of services for children in need of help and protection, children looked after and care leavers. The inspection took place in October and November 2014 at the Council's request and concluded that children's services were inadequate. Immediately following the inspection the Council established an Improvement Board to action Ofsted's recommendations. We reported on this matter on an 'except for' basis as part of our Value for Money conclusion. We did not identify any weaknesses in other arrangements.</p>

Key messages continued

Whole of Government Accounts	We have reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts and our work in this area is substantially complete. As at the date of our Audit Findings Report, this review was not complete and it is currently being finalised. We will update Audit and Governance Committee members with the outcome of this work.
Audit fee	Our core audit fee for 2014/15 was £189,464, excluding VAT, which was in line with our planned fee for the year and represented a freeze from the previous year. Further detail is included within appendix B.

Appendix A: Key issues and recommendations

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

No.	Recommendation	Priority	Management response/ responsible office/ due date
1.	Obtain legal advice to ensure that the approach taken to the de-recognition of schools and the use of the statutory override is appropriate.	High	<p>This issue represents a significant financial risk to the council in future years. The council will seek legal advice on the appropriateness of the statutory override.</p> <p>Responsible office: Deputy Chief Finance Officer Due date: December 2015</p>
2.	Ensure the accounts fully disclose all key judgements made in applying its accounting policies and the rationale for determining them.	Medium	<p>Managers concur that the accounts fully disclose all judgements, and their rationale.</p> <p>Responsible office: Principal Accountant – Financial Accounting Due date: May 2016</p>
3.	Undertake a review of the 2014/15 closedown and identify areas where the timeliness of response to audit queries can be improved.	Medium	<p>The Closing Working Group will develop plans to more effectively communicate the importance of the timeliness of response to audit queries.</p> <p>Responsible office: Principal Accountant – Financial Accounting Due date: May 2016</p>
4.	Build on the lessons learned from previous successful efficiency programmes to address the increasing financial challenges it faces.	Medium	<p>Officers will develop further service transformational strategies necessary for the council to meet its financial challenges and prepare a draft Medium Term Financial Plan 2016 to 2021 for the Cabinet meeting in November 2015.</p> <p>Responsible office: Director of Finance 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	189,464	189,464
S. E. Business Services Limited*	15,000	15,000
Surrey Choices Limited*	9,000	9,000
Total audit fees	213,464	213,464

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* S. E. Business Services Limited and Surrey Choices Limited: Work still in progress. Completion due in late 2015.

Reports issued

Report	Date issued
Audit Plan	9 April 2015
Audit Findings Report	27 July 2015
Annual Audit Letter	28 September 2015



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