

Annual Audit Letter

Warwick District Council

Audit 2008/09

December 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit opinion and financial statements

- 1 The audit of your financial statements went well and we issued an unqualified opinion on your financial statements on 29 September. Before giving the opinion we reported our findings to the Finance and Audit Scrutiny Committee, and adjustments were made to the financial statements to take account of the issues we identified during the course of the audit.
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Use of Resources and Value for money

- 2 This is the first year of the Audit Commission's new process for assessing Use of Resources. The new methodology sets higher standards and assesses a number of new areas. We assessed the Council as meeting the minimum standard (a score of 2 out of 4). We were therefore able to give an Unqualified Value for Money Conclusion.
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Comprehensive Area Assessment - Organisational Assessment

- 3 This new assessment process brings together the judgements of a number of inspectorates and has concluded that Warwick District Council performs adequately overall. As a result the Council has scored 2 out of 4 in this new assessment process.
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Independence

- 4 We can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.
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Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

Issues arising from the audit

- 5 The audit of your financial statements went smoothly. The statements were presented for audit before the deadline of 30 June, and were accompanied by comprehensive and well set out working papers. Officers were responsive to questions raised during the audit.
- 6 The audit resulted in a number of amendments to the statements. The highest value changes to the accounts presented for audit related to movements in the value of fixed assets as a result of ongoing valuations. This approach had been agreed before the audit, and was designed to ensure that asset values were as accurate as possible.
- 7 Where the changes in value were as a result of the economic downturn, these were charged to the Income and Expenditure account in accordance with accounting standards. This caused the Gross Expenditure to increase by £4,446k. However, this did not affect the general fund reserves, nor council tax demand.
- 8 The net effect of other changes which affected the Income and Expenditure account was to increase income by £66k. This led to an increase in the surplus for the year of the same amount.
- 9 The revaluation process also led to an increase in fixed assets totalling £5,296k. This is because assets are revalued on a rolling five year programme and some increased in value over that period, despite the recent downward trend in asset values. In accordance with accounting practice, these increases cannot be taken to the Income and Expenditure account, but they are reflected in the Balance Sheet.
- 10 The overall effect of these changes was to increase the Net Worth of the Council by £916k.

Material weaknesses in internal control

- 11 We did not identify any significant weaknesses in your internal control arrangements.

Accounting Practice and financial reporting

- 12 We considered the qualitative aspects of your financial reporting, and made four recommendations in our Annual Governance Report to aid further improvement.

Impact of the economic downturn

- 13 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are changing.
- 14 This impacts on the audit and as part of our responsibility, we have reflected on the wider environment, specific issues and risks and the Council's response.
- 15 Officers review treasury management arrangements on a regular basis as new information emerges concerning institutions with whom the Council may place deposits. Lower interest rates, have had limited impact on investment income as the Council was able to secure higher rates before they fell significantly.
- 16 Officers also review the Medium Term Financial Strategy (MTFS) in order to ensure it is up to date and robust. The forecast deficits in future years are being addressed in a variety of ways. The MTFS reported to Members in July identified estimated savings of approximately £1.3m required by 2013/14.

Audit fees

- 17 We were able to deliver the audit within the fee agreed at the start of the year as summarised below.

Table 1 **Audit fees**

| | Actual | Proposed | Variance |
|--|---------------|-----------------|-----------------|
| Financial statements and annual governance statement | 72,986 | 72,986 | 0 |
| Value for money | 30,234 | 30,234 | 0 |
| Total audit fees | 103,220 | 103,220 | 0 |
| Non-audit work | 0 | 0 | 0 |
| Total | 103,220 | 103,220 | 0 |

Certification of grant claims

- 18 We are required to report on your performance in relation to the certification work that we undertake. Appendix 1 contains the details of the returns we have certified on your behalf and the cost of certifying those claims. We have not identified any areas requiring specific improvements.

Value for money and use of resources

We considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

We also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 19 In forming our scored use of resources judgements, we have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 20 We have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 21 The Council's final use of resources theme scores are shown in Table 2 below.

Table 2 Use of resources theme scores

| Use of resources theme | Scored judgement |
|------------------------|------------------|
| Managing finances | 2 |
| Governing the business | 2 |
| Managing resources | 2 |

- 22 We presented our detailed findings to the Finance and Audit Scrutiny Committee in December.

VFM conclusion

- 23 We assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 24 We issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Comprehensive area assessment - Oneplace

The Comprehensive Area Assessment Lead has used our use of resources assessment along with an assessment of how well the Council manages its performance to come to an overall assessment for the Council. This is known as the organisational assessment.

- 25 Comprehensive Area Assessment, or Oneplace, is a new way of assessing local public services in England. It examines how well councils are working together with other public bodies to meet the needs of the people they serve. It is a joint assessment made by a group of independent watchdogs and will provide an annual snapshot of quality of life in the area. There is also an organisational assessment for each council with the CAA framework.
- 26 The organisational assessment brings together the use of resources judgement with the Council's managing performance assessment.
- 27 Warwick District Council performs adequately overall. Some things are good like recycling and crime reduction. But it has not been improving consistently; in 2007/8 overall performance was marginally above the national average. Its services overall are generally low cost but service quality is variable and in some areas has not kept up with improvements seen elsewhere. It runs a large number of facilities and services which users like. But it does not fully understand what difference this is making for local residents. It is working on a plan to improve services, reduce costs, and improve efficiency.
- 28 The Council scores 2 out of 4 for managing performance. It has identified where improvements are needed under seven priority themes. The Council has high ambitions; setting a target to 'be world class by 2012', but it is not setting targets that would reflect this. Other councils have been improving at a faster rate than Warwick. The quality of council services is now variable, with some excellent performance like waste recycling and crime reduction and some weaker performance like housing management and planning.
- 29 Public satisfaction with council services has fallen across the board, albeit from very high levels. The Council is working hard to understand its changing communities. It is targeting support but performance management needs to be improved so that it can measure how this is improving things.

Comprehensive area assessment - Oneplace

- 30 Most people are satisfied with Warwick district as a place to live. People from different backgrounds get on well together and most people think they get treated fairly by local public services. The Council has recently agreed its new community plan for the district with other public and voluntary organisations. It is also making sure that future development of the district can meet the demands for housing. There are many examples of the Council working in partnership with other organisations to improve services. For example, working with the voluntary sector to help people with their benefit claims. A large number of services and facilities are under review, but some reviews such as the one considering the future of the Spa Centre are taking a long time.
- 31 The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Warwickshire Mary-Ann Bruce.

Closing remarks

- 32** I have discussed and agreed this letter with the Chief Executive and Head of Finance. I will present this letter at the Finance and Audit Scrutiny Committee on 2 February 2010 and will provide copies to all committee members.
- 33** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 3

| Report | Date issued |
|--|----------------|
| Audit and inspection plan | May 2008 |
| Opinion Audit Plan | June 2009 |
| Annual Governance Report | September 2009 |
| Opinion on financial statements | September 2009 |
| Value for money conclusion | September 2009 |
| Use of Resources Report | December 2009 |
| CAA - Oneplace - Organisational Assessment Reporting | December 2009 |
| Annual Audit Letter | December 2009 |

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- 34** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Dave Rigg
 District Auditor
 December 2009

Appendix 1 – Results of certification of grant claims and returns

- 1 In September 2009 the Audit Commission published its report: Review of Arrangements for Certifying Claims and Returns. The review included a number of recommendations aimed at raising the importance and profile of certification work with authorities and encouraging authorities to improve standards of claims and returns preparation. As a result of the national report, auditors are required to report annually on the results of certification work to those charged with governance.
- 2 For Warwick District Council during 2008/09 we were required to certify ten returns. These are included in the table below, along with the number of claims that were amended or qualified and the certification fees charged.

Table 4 Certification returns for Warwick District Council

| Name of Return | Value £ | Fee Charged £ | Amendment Required | Qualification Required |
|--|------------|------------------|-----------------------|---------------------------|
| Pooling of Housing Capital Receipts | 165,745 | 889 | Yes | No |
| National Non Domestic Rates | 57,561,089 | 2,996 | No | No |
| Disabled Facilities Grant | 202,000 | 609 | Yes | No |
| Housing Revenue Account Subsidy | 6,858,730 | 4,219 | No | No |
| Housing Revenue Account Subsidy Base Data Return | N/A | 4,174 | Yes | No |
| Housing and Council Tax Benefit | 31,920,123 | 13,862 | Yes | Yes |
| Spencer's Yard | 760,000 | 1,303 | No | No |

Appendix 1 – Results of certification of grant claims and returns

| Name of Return | Value £ | Fee Charged £ | Amendment Required | Qualification Required |
|------------------------------|--------------------|--------------------------|-------------------------------|-----------------------------------|
| AIEC | 865,824 | 1,551 | Yes | No |
| Brunswick Enterprise Hub | 130,395 | 1,315 | Yes | No |
| Court Street Creative Arches | 464,660 | 1,631 | Yes | No |

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
