

# **Annual Audit** **Letter**

**Warwick District Council**

**Audit 2009/10**

**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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# Key messages

**This report summarises my findings from the 2009/10 audit. My audit comprises two elements: the audit of your financial statements (page 4) and my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 7).**

**1** I issued an unqualified opinion on the statement of accounts on 29 September 2010 and concluded that the Council had satisfactory arrangements in place to provide value for money.

## Current and future challenges

**2** The Coalition government plans to reduce the national deficit will include reductions in public sector spending which will impact on all councils.

**3** Council revenue streams from central government will reduce. Warwick District Council is expecting the main formula grant to reduce by 25 per cent over four years. Income raised locally, for example, car parking, is also under threat because of the economic downturn.

**4** Interest rates remain historically low, and this decreases investment income.

**5** The Council also faces considerable uncertainty over expenditure. The Coalition government Emergency Budget announced a public sector pay freeze for those earning over £21,000 a year. However, local government pay is subject to separate negotiations, and may therefore vary.

**6** From April 2011 responsibility for Concessionary Travel will move to Warwickshire County Council. There are still a few Concessionary Travel claims made against the Warwickshire scheme by bus operators which are still to be resolved and for which the Council will still have a liability after April 2011.

**7** The Medium Term Financial Plan estimates that savings of £2.8 million need to be found by 2014/15. This is on top of assumed savings from procurement of £600,000 and £200,000 additional recycling income. This includes various assumptions, and will need updating after the Comprehensive Spending Review and associated detailed announcements.

8 However, the Council has unallocated general fund reserves of £4 million which provide some security. Officers are very reluctant to use this to balance the budget, and are endeavouring to reduce expenditure to match income.

9 A substantial project is underway across the Council to reduce cost and raise income, and some success has already been achieved.

# 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.**

**I gave an unqualified opinion on the Council's 2009/10 financial statements on 29 September, within the statutory target date.**

## Overall conclusion from the audit

**10** My audit of your financial statements went well. 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.

**11** My audit resulted in a number of amendments to the statements. The main changes to the accounts presented for audit related to movements in the value of fixed assets as a result of ongoing valuations.

**12** The updated valuations resulted in adjustments totalling £11.2 million. The vast majority of the adjustments were within the Balance Sheet. The adjustments to the Income and Expenditure Account were reversed out so there was no impact on the demand on Council Tax.

## Significant weaknesses in internal control

**13** I did not identify any significant weaknesses in your internal control arrangements.

## Progress towards International Financial Reporting Standards

**14** In 2010/11 councils will prepare their financial statements under International Financial Reporting Standards (IFRS) for the first time. The Council has made good progress, identifying and addressing key issues.

# Value for money

**I considered whether the Council is managing and using its money, time and people to deliver value for money.**

**I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

## **2009/10 use of resources assessments**

**15** At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

**16** However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

**17** I report the significant findings from the work I have carried out to support the vfm conclusion.

## **VFM conclusion**

**18** I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

**19** This is a summary of my findings.

Criteria	Adequate arrangements?
<b>Managing finances</b>	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
<b>Governing the business</b>	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
<b>Managing resources</b>	
Natural Resources	Yes
Strategic asset management	Not assessed
Workforce	Not assessed

**20** I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

**21** I reported my detailed findings to the Finance and Audit Scrutiny Committee on 27 July 2010.

## Approach to local value for money work from 2010/11

**22** Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

**23** My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.



**24** I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

## Closing remarks

**25** I have discussed and agreed this letter with the Deputy Chief Executive and the Head of Finance. I will present this letter at the Finance & Audit Scrutiny Committee on 21 December 2010 and will provide copies to all members.

**26** Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued
Opinion Audit Plan	May 2010
Value for Money Conclusion Report	July 2010
Annual Governance Report	September 2010
Opinion on Financial Statements	September 2010
Annual Audit Letter	November 2010

**27** The Council has taken a positive and helpful approach to our audit. I wish to thank the Council staff for their support and cooperation during the audit.

Dave Rigg  
District Auditor  
November 2010

## Appendix 1 – Audit fees

	Actual (£)	Proposed (£)	Variance (£)
Financial statements and annual governance statement	88,990	88,990	0
Value for money	27,853	27,853	0
Total audit fees	116,843	116,843	0
Non-audit work	0	0	0
Total	116,843	116,843	0

## Appendix 2 – Glossary

### **Annual governance statement**

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

### **Audit opinion**

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

### **Financial statements**

The annual accounts and accompanying notes.

### **Qualified**

The auditor has some reservations or concerns.

### **Unqualified**

The auditor does not have any reservations.

### **Value for money conclusion**

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

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