

Annual Audit Letter

Warwick District Council

Audit 2010/11



Contents

- Key messages.....3**
 - Audit opinion and financial statements.....3
 - Value for money3
- Current and future challenges4**
- Financial statements and annual governance statement.....5**
 - Overall conclusion from the audit.....5
 - Significant weaknesses in internal control.....5
- Value for money.....6**
- Closing remarks8**
- Appendix 1 - Fees.....9**
- Appendix 2 - Glossary.....10**

Traffic light explanation
Red  Amber  Green 

Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:



- **the audit of your financial statements; and**
- **my assessment of your arrangements to achieve value for money in your use of resources.**

Audit opinion and financial statements

1 My audit of your financial statements went well, despite the challenge of implementing International Financial Reporting Standards (IFRS) and on 26 September I issued an unqualified opinion.

Value for money

2 On 26 September I also issued an unqualified value for money conclusion stating the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Key audit risk	Our findings
Unqualified audit opinion	
Proper arrangements to secure value for money	

Current and future challenges

The global economy is struggling to recover from the banking crisis of 2008 and the subsequent recession. Governments are struggling to repay their debts, causing uncertainty in the financial markets. In the United Kingdom the deficit reduction plan means significantly reduced grants to councils and other public sector organisations.

3 In common with other councils, Warwick District Council faces numerous financial challenges: for example, diminishing support from central government, low interest rates on investments, falling income from car parks, and comparatively high inflation.

4 In July officers presented the latest MTFP, which forecast to 2016/17. The total saving requirement to 2016/17 is now £2.7 million on net expenditure of £18 million. The Council has identified a wide range of projects and initiatives to achieve the savings required. The Fit for the Future programme is the overarching change programme that pulls all the initiatives together. The vision is for a Council that is able to deliver the breadth and quality of services currently provided, but at lower cost. Some of the initiatives are particularly challenging: for example, trying to match staff to other jobs so they can be used in other service areas. The Council is also undertaking lean systems reviews to try to remove unnecessary processes and therefore to reduce workload and save money while improving the service to customers.

5 While savings are being achieved across the Council, it is important not to be too optimistic on what can be achieved given the economic climate. In October officers presented a thorough analysis of proposed fees and charges for 2012/13. This involved extensive benchmarking with other councils and private sector suppliers. Members also contributed to the process. The overall conclusion was that, given the economic climate, further price increases in many areas would be counter-productive. However, where additional income could be achieved, for example, bowls, the recommendation is to increase prices. Overall, officers are forecasting that income for 2012/13 will be £217,000 below the previous forecast.

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.

Overall conclusion from the audit

- 6 My audit of your financial statements went well, despite the challenge of IFRS implementation. Officers prepared the financial statements before the 30 June deadline, and most of the working papers were available at the start of the audit on 1 August.
- 7 I identified some incorrect prior year figures in the Balance Sheet and Cash Flow Statement which officers corrected prior to my opinion.
- 8 Officers agreed to provide greater clarity to the Comprehensive Income and Expenditure Statement (CIES) by showing the exceptional item arising from the council house revaluation individually, rather than including it within the Housing Revenue Account line.

Significant weaknesses in internal control

- 9 I did not identify any significant weaknesses in your internal control arrangements.

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.

10 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

11 My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>I concluded that the strong financial position and wide-ranging savings plans mean the Council has proper arrangements in place for securing financial resilience. The Council has robust arrangements to manage effectively financial risks and opportunities, and to secure a stable financial position for the future.</p>

Criterion

Key messages

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Council has identified a wide range of projects and initiatives to achieve the savings required. The Fit for the Future programme is the overarching change programme that pulls all the initiatives together. The vision is for a Council that is able to deliver the breadth and quality of services currently provided, but at lower cost. The Council is also undertaking lean systems reviews to try to remove unnecessary processes and therefore to reduce workload and save money while improving the service to customers.

Closing remarks

12 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 and Audit Scrutiny Committee on 15 November 2011 and will provide copies to all members.

13 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.

Report	Date issued
Certification of Claims and Returns Report (2009/10)	February 2011
Opinion Audit Plan	March 2011
Annual Governance Report	September 2011
Opinion on the Financial Statements	September 2011
Annual Audit Letter	November 2011

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.

John Gregory
District Auditor

November 2011

Appendix 1 - Fees

	Actual	Proposed in fee letter	Variance
Audit fee	114,592	123,854	(9,262)
Non-audit work	0	0	0
Total	114,592	123,854	(9,262)

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 financial statements, I must give my 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; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

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 resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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