

AGENDA MANAGEMENT SHEET

Name of Committee **Audit & Standards Committee**

Date of Committee **3rd February 2010**

Report Title **Annual Audit Letter 2008/09**

Summary To consider the Annual Audit Letter 2008/09

**For further information
please contact:** Oliver Winters
Head of Finance
Tel: 01926 412441
oliverwinters@warwickshire.gov.uk

**Would the recommended
decision be contrary to the
Budget and Policy
Framework?** No.

Background papers None

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

- Other Committees
- Local Member(s) N/A
- Other Elected Members
- Cabinet Member
- Chief Executive
- Legal
- Finance
- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Audit & Standards Committee - 3rd February 2010.

Annual Audit Letter 2008/09

Report of the Strategic Director, Resources

Recommendation

That the Committee considers the Audit Commission's Annual Audit Letter 2008/09.

1. Introduction

- 1.1 Following the completion of their annual audit, the Audit Commission produce a report summarising their findings. Attached is the Audit Commission's report highlighting their findings from the 2008/09 audit and the findings from the Comprehensive Area Assessment.
- 1.2 The key messages from the report are that an unqualified audit opinion on the Council's Statement of Accounts was given and we achieved Level 3 for the Use of Resources.
- 1.3 Representatives from the Audit Commission will be at the meeting to answer any questions that members of the Committee may have on the details of the report.

DAVID CLARKE
Strategic Director, Resources

Shire Hall
Warwick

07 January 2010

Annual Audit Letter

Warwickshire County 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.

Key messages

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

Audit Opinion and Financial Statements

- 1 I gave an unqualified audit opinion on the Council's statement of accounts on 30th September 2009. The draft financial statements were changed to correct a few errors, and we have agreed with officers actions for further improving the process in future.

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. Warwickshire County Council has done well in achieving a score of 3 out of 4 under the new assessment and demonstrates it has adequate processes in place to manage its use of resources and deliver value for money. Consequently I have given an unqualified value for money conclusion.

Comprehensive Area Assessment - Organisational Assessment

- 3 This new assessment process brings together the judgements of a number of inspectorates and has concluded that Warwickshire County Council is performing well overall and services have improved in all areas that are important for local communities. As a result the Council has scored 3 out of 4 in this new assessment process.

Independence

- 4 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Financial statements and annual governance statement

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

Significant issues arising from the audit

- 5 I gave an unqualified audit opinion on the 30th September 2009. The draft financial statements were changed to correct a few errors which were reported through to the Audit Committee in our Annual Governance Report.

Material weaknesses in internal control

- 6 As reported last year we have reviewed the payroll system in two parts, central processing and those elements relating to the HR service centre. Walkthrough testing for central processing has confirmed that the system and controls are operating as expected. Walkthrough of the HR service centre transactions confirms that controls in relation to starters, leavers and variations are still not operating as expected or designed. An action plan is in place to address these issues, however we are unable to rely on controls testing in this area and have gained assurance using substantive testing.

Accounting Practice and financial reporting

- 7 I considered the qualitative aspects of your financial reporting. I reported on two issues in my Annual Governance Report. Officers have agreed to review the following for 2009/10.
- The working papers for fixed assets and specifically the audit trail for the note supporting the fixed asset numbers; and
 - Supporting working papers that are provided for all notes to the accounts.

Audit fees

- 8 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	£126,629	£126,629	0
Value for money	£92,027	£92,027	0
Total audit fees	£218,656	£218,656	0
Non-audit work - (Certification of claims and returns)	£10,469	£24,700	(£14,231)
Total	£229,125	£243,356	(£14,231)

- 9 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 audited on your behalf. We have not identified any actions that the authority needs to undertake to improve its performance in this area.

Value for money and use of resources

I considered how well Warwickshire County 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.

I also assessed whether the Council has 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

- 10** In forming my scored use of resources judgements, I 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.
- 11** I 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.
- 12** The Council's use of resources theme scores are shown in Table 2 below. Use of resources theme scores

Table 2

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2

- 13** 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. These include how the Authority manages environmental sustainability and how effectively it uses natural resources such as water and energy.

- 14 Warwickshire County Council has done well in achieving a score of 3 out of 4. It has good financial plans and manages its spending well. It is able to make difficult decisions that will enable it to improve. It is making sure that money is moved in areas that are top priorities. Although its finances are being hit hard by the recession, it has shown that it is good at improving efficiency and saving money. The Council has a good handle on costs and knows how its services compare so that it can improve where needed.
- 15 The Council has sound arrangements in place to manage its assets and is making good progress in managing the environment, but there is still room for improvement. A climate change strategy was developed in 2006 which includes information about its total energy use and resultant CO2 emissions and the amount of CO2 from staff travel. However, the strategy does not include data about the Council's use of water or other natural resources. It is working with partners and staff to gain their commitment to more sustainable ways of working but is not yet able to produce baseline data for a number of targets.

VFM Conclusion

- 16 I 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.
- 17 I issued an unqualified conclusion stating that Warwickshire County Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial Performance and Treasury Management

- 18 The last year has seen the country enter a significant economic recession. The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 19 Despite the unprecedented set of circumstances which impacted upon the Council, spending was kept within budget. The Council showed it has a good understanding of its financial position and the challenges that it faces now and in the next three years.
- 20 The impacts of the recession will continue to present a challenge to the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area.
- 21 During the year the Audit Commission asked us to undertake some work on your treasury management practices to support this area within use of resources. We completed the work as required and did not identify any weaknesses with your current arrangements.

Comprehensive area assessment - Oneplace

The Comprehensive Area Assessment Lead has used my 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.

- 22** 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.
- 23** The organisational assessment brings together the use of resources judgement with the Council's managing performance assessment. Warwickshire County Council scores 3 out of 4 for managing its performance (the scoring system is the same as for Use of Resources).
- 24** Warwickshire County Council is performing well overall and services have improved in all areas that are important for local communities. It is continuing to develop its understanding of inequality across the county and is using this knowledge to narrowing the gaps. Most people like living in Warwickshire although the quality of life is generally better for people living in the south of the county than the north. Most of the Council's services perform well, are improving and provide value for money.
- 25** Overall, educational attainment continues to be above the national average. Good progress is being made to lift schools out of special measures and there are better exam results at schools that do not perform as well. Children from some ethnic backgrounds are doing much better because of increased support. Children in the care of the local authority are also showing signs of doing better in their exams. Progress with increasing the number of older people living independently with support from the Council is particularly good. And the county's first extra care housing schemes opening in 2009 signals the first step towards better choices for older people who do not need more intensive residential care.
- 26** This year has seen recycling levels rise faster than anywhere else in the country. Warwickshire's homes are better protected from flooding. The Council is providing more help to Warwickshire's businesses although this is an area where the impact is small so far. Warwickshire is a safe place to live. Crime, anti-social behaviour is low and going down and roads are safer. More work is needed to help reduce the fear of crime, but work is underway to help with this.

- 27** As part of the new process the Council's Fire Service is assessed separately and was judged as performing adequately and achieved an overall score of 2 out of 4. The Authority has been slow to make the changes expected by the government's modernisation agenda for Fire Authorities. These changes are projected to provide a more efficient, modern fire service that balances emergency response with good prevention and protection work. The Authority understands the need for change and has recently proposed a major improvement plan which has the potential to deliver much greater value for money by driving efficiency savings alongside really improving services. To achieve this, the Authority is consulting with its communities to determine the way forward.
- 28** The Council's assessments are being reported separately by the Audit Commission's Comprehensive Area Lead for Warwickshire - Mary -Ann Bruce.

Closing remarks

- 29** I have discussed and agreed this letter with the Strategic Director, Resources. I will present this letter at the Audit and Standards Committee on 3rd February 2009.
- 30** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Warwickshire County Council during the year.

Table 3

Report	Date issued
Audit Plan	April 2008
Opinion Audit Plan	May 2009
Annual Governance Report	September 2009
Use of Resources Report	November 2009
CAA and Organisational Assessment Reporting	December 2009
Annual Audit Letter	December 2009

- 31** 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 Warwickshire County Council during 2008/09 we were required to certify four 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 Warwickshire County Council

Name of Return	Value of Return	Fee Charged £	Amendment Required	Qualification Required
General Sure Start (EYC02)	£11,877,269	2,785	No	No
Teachers' Pension Return (PEN05)	£146,899,244	4,018	Yes	No
S31 - Nuneaton Development Scheme (TRA11)	£615,000	1,450	No	No
S31 - Rugby Western Relief Road (TRA 11)	£11,957,749	2,216	No	No

- 3 The table demonstrates that there was only one claim where an amendment was required. The amendment was for £4,105 and was required to ensure that the figures on the return agreed to the payroll records. The fact that we were only required to make one minor amendment to these claims is a reflection of the high quality working papers produced to support the claims that we certify. We have not identified any actions that the authority needs to undertake to improve its performance in this area.

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.

Copies of this report

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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