



Accountants &
business advisers

Braintree District Council

Annual Audit Letter 2008/09

Report to Members

December 2009



Local Public Services

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<http://www.pkf.co.uk/>

Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

[Local Government Code of Audit Practice](#)

[Statement of Responsibilities of Auditors and Audited Bodies](#)

1 Executive summary

- 1.1 This Annual Audit Letter (Letter) summarises the key issues arising from the work we have carried out during the year and highlights the key findings that we consider should be addressed by the Council.
- 1.2 We have already reported the detailed findings from our audit work to those charged with governance in the reports documented in the Appendix to this report. We have no additional recommendations for the Council at this time.

Key findings

- 1.3 A summary of key conclusions is included in the table below:

Area	Conclusion
Accounts	We issued an unqualified opinion on the financial statements.
Value for money conclusion	We issued an unqualified value for money conclusion .
Use of resources assessment	Our scored judgements for the use of resources assessment were: <ul style="list-style-type: none"> • 3 for managing finances: performing well • 2 for governing the business: performing adequately • 3 for managing resources: performing well
Health inequalities	We are satisfied that the Council and Local Strategic Partnerships are making useful progress in arrangements in place and are progressing with constitutional changes to secure improvements from 2009/10.

Acknowledgement

- 1.4 Our aim is to deliver a high standard of audit which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

2 Introduction

About the Council

- 2.1 The Council provides a number of services for residents such as recycling and refuse collection, car parks, street cleaning, running swimming pools/community halls/parks/playgrounds, supporting and encouraging the building of new homes. Income for the Council is generated from Government grants, Council Tax, interest on investments and from fees and charges for Council services.
- 2.2 Proceeds from the sale of assets and grant funding are invested in the District's facilities such as the Braintree swimming pool, cycle-ways, housing grants and Community halls.
- 2.3 Spending has led to key achievements in priority areas such as 46% recycling rate, free swimming in conjunction with NHS Mid Essex, reduction in anti-social behaviour, new housing and improved customer call centre response times.
- 2.4 Further information on the activities of the Council is detailed in the Annual report which is publicly available on the Council's website at www.braintree.gov.uk.

The purpose of this Letter

- 2.5 The purpose of this Letter is to summarise the key issues arising from the work that we have carried out during the year. Although this Letter is addressed to Members, it is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders, including members of the public. The Letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Responsibilities of the auditors and the Council

- 2.6 We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.
- 2.7 As the Council's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

The scope of our work

- 2.8 Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:
- the Council's financial statements
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

3 Key findings

Accounts

- 3.1 We issued an unqualified opinion on the Council's financial statements on 24 September 2009. Our opinion confirmed that the financial statements presented fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
- 3.2 The Council's arrangements for preparing a set of financial statements free from material error were again effective, and preparation for, and support during, the audit were again both notably high quality. We identified only one misstatement of fact, relating to an understatement in a calculation of impairment charge linked to the current economic climate in respect of one sub-class of fixed assets, investment properties, of £377,468, which is not considered to be material to the financial statements. All other classes of assets had been appropriately impaired.

Use of resources

- 3.3 The Code requires us to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. This is known as the "value for money conclusion" and draws on the results of specific risk based audit work as well as the results of our use of resources assessment.

Specific risk-based work

- 3.4 We carried out a specific piece of work based on our assessment of the key risks facing the Council which focussed on partnership working around the health inequalities agenda.

Health inequalities

- 3.5 Our objective for 2008/09 was to monitor Local Strategic Partnership (LSP)-level action planning in response to our Essex-wide primary review in 2007/08, reported in March 2008. We have met with officers to discuss progress and to obtain an understanding of high-level actions already being undertaken. We are satisfied that the Council and LSP are making useful progress in this area, with the work within 2008/09 primarily focusing on review and analysis of arrangements that had been in place and progressing with constitutional changes to secure improvements from 2009/10. We will be undertaking a full scale follow-up in early 2010 when process changes and impact and outcomes will be assessed in more detail.

Use of resources assessment

- 3.6 We are required to assess how well local authorities manage and use their financial resources by providing scored judgements on the Council's arrangements in three specific areas. Our assessment forms part of the Audit Commission's new Comprehensive Area Assessment (CAA) for 2008/09 and is not comparable with 2007/08 or earlier years' scores.

3.7 Our scores for each key line of enquiry are shown below:

Theme	2008/09
Managing Finances	
• Planning for financial health	3
• Understanding costs and achieving efficiencies	2
• Financial reporting	3
Theme score	3
Governing the business	
• Commissioning and procurement	2
• Use of information	2
• Good governance	2
• Risk management and internal control	2
Theme score	2
Managing resources	
• Natural resources	Not scored in 2008/09
• Strategic asset management	Not scored in 2008/09
• Workforce	3
Theme score	3

3.8 We concluded that the Council has good arrangements in place in respect of managing finances, governing the business and managing resources.

3.9 The Council performed well in scoring a Level 3 in managing finances and managing resources. This reflects the sound processes the Council has put in place in these areas that have delivered demonstrable outcomes.

3.10 Governing the business scored an overall Level 2. These key lines of enquiry are more difficult to demonstrate outcomes from and a detailed report has been provided to Officers with recommendations to identify where improvements could be made.

3.11 To strengthen arrangements further, the Council needs to focus on:

- Expanding and embedding the data quality culture across all services
- Demonstrating outcomes from the Programme Boards
- Reviewing partnership governance arrangements and enhancing reporting of partnership work
- Considering the scope of the Audit Committee's role to ensure focus on governance issues

3.12 The results of our use of resources assessment have been shared with the Audit Commission as part of the integrated approach to developing CAA. The results of CAA will be reported separately by the Audit Commission.

Value for money conclusion

3.13 Taking into account our work on use of resources, we have concluded that adequate arrangements are in place to secure value for money and have provided an unqualified value for money conclusion for the year ended 31 March 2009.

Grants

- 3.14 A separate grants report will be provided later in the year which will discuss the performance of the Council's grant claims. However, no significant weaknesses have been identified during our audit of the 2008/09 grant claims to date.

Emerging issues

Current economic climate

- 3.15 In response to the continued economic downturn, the Council carried out a review of its position and the impact of the recession on all aspects of its operation. This identified a number of risk areas, such as the impact on the financial position of the reduction in fees and charges earned and the decline in interest rates. Action has been taken to mitigate these and the Council has also developed a savings plan to address the medium term financial impact. There are a number of uncertainties in the medium term and some difficult decisions will need to be made.

Treasury management

- 3.16 Following the collapse of the Icelandic banks in October 2008 the Audit Commission conducted a study to examine treasury management arrangements in local authorities. The resulting report *Risk and Return* was published in March 2009 and in this report the Audit Commission committed to asking auditors to follow up the lessons from the report as part of their use of resources work.
- 3.17 We concluded from this work that the Council's treasury management arrangements are satisfactory and the Council has taken action to strengthen its arrangements in light of the collapse of the Icelandic banks.
- 3.18 Appropriate accounting entries had been made in the 2008/09 financial statements to impair the value of the investments the Council had, based on the latest information available. The Council has £5m of investments with Icelandic banks which are currently in administration or receivership and updates are being provided regularly to the Audit Committee regarding the recoverability of these balances.
- 3.19 At the year end, the Council were expecting to recover £4.35m of the principal amount plus interest of approximately £150,000. An impairment charge of £1.273m was made in the financial statements to reflect the estimated recoverability of these monies. However, the impact on the Council's balances has been deferred until 2010/11 under Government Regulations, at which time there will be an additional pressure on the Council's balances and reserves to fund this impairment.

Appendix: Reports issued in relation to the 2008/09 audit

Report	Date Issued
Annual audit plan	May 2008
Use of resources assessment	November 2009
Annual governance report	September 2009