

Annual Audit Letter

Devon 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.
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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 I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion

- 1 The 2008/09 financial statements present fairly the financial position of the Council and the Pension Fund. I issued an unqualified audit opinion on the accounts.
 - 2 I have received two objections to the accounts about the Council's spending. I rejected one of these. The remaining objection is not material to the accounts, or to my opinion, but I am unable to issue a certificate of closure until the objection is determined.
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Financial Statements

- 3 The overall arrangements for production of your financial statements are sound. The draft financial statements submitted for audit were complete, timely and supported by good electronic working papers.
 - 4 I did not identify any material errors and I issued an unqualified audit opinion on 29 September 2009.
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Value for money

- 5 I issued an unqualified value for money conclusion on 29 September 2009 stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources in 2008/09.
 - 6 My work on the conclusion is supported by the Use of Resources assessment and the Council achieved an overall score of three - 'performing well'. The Use of Resources framework has been completely revised for 2008/09, so this score is not directly comparable with that for the previous year and the council has done well to maintain this level.
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Audit fees

- 7 I reported my fee proposals as part of the initial Audit Plan for 2008/09 and also in my supplementary opinion letter for the year. There were no matters of such significance that impacted on the audit fee for the year. Table 1 reports the outturn fee against that plan.
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Table 1 Audit fees

	Actual	Planned
Financial statements and annual governance statement	136,047	136,047
Value for money	87,081	87,081
Total audit fees	223,128	223,128
Pension fund	49,534	49,534

Issues raised by members of the public

- 8** During 2008/09 I have received correspondence from members of the public as follows:
- 9** Under Section 15 of the Audit Commission Act, local government electors are given the opportunity to raise questions about the accounts and make objections. During 2008/09 I received two objections to the accounts. I rejected one of these objections as it did not disclose any reasonable cause for action. However, I am still considering the issues raised by the other objection. This is being considered jointly with Teignbridge District Council.
- 10** I received two disclosures under the Public Interest Disclosure Act. The Public Interest Disclosure Act 1998 (PIDA) created a framework for whistle-blowing across the private, public and voluntary sectors. PIDA neither requires nor empowers the Commission or its appointed auditors to carry out an investigation into the subject matter of any disclosure made or to report the results of any investigation undertaken. However, the Commission and its appointed auditors will consider any information received as a result of a disclosure and determine what action, if any, to take in the context of their existing statutory and professional powers and duties. My work in this area is still ongoing.
- 11** Any work undertaken on objections and issues raised under the Public Disclosure Act is not covered by our core audit fee.

Independence

- 12** 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 Council's financial statements and annual governance statement are an important means by which it accounts for its stewardship of public funds.

Significant issues arising from the audit

- 13** My review of key financial systems concluded that the risk of failures occurring that would lead to material mis-statement in the financial statements was low.
 - 14** Eight non material errors were identified at audit. Two related to disclosures and were amended during the audit. The remaining six were not adjusted. A revised statement of accounts was presented to the Audit Committee on 28 September 2009. The sum of all unadjusted misstatements was not material to the accounts. None of the errors impacted on the usable reserves available to the Council.
 - 15** The detailed findings and conclusions from my audit were reported in our Annual Governance Report to the Audit Committee.
 - 16** Working papers continue to show significant improvement in the quantity available electronically (most are now available electronically) and in quality particularly in timeliness of availability. Timeliness of response to audit queries also improved. Some delays were experienced in locating documentation supporting some capital additions and some provisions. We will continue to discuss potential solutions to delays with officers.
 - 17** An unqualified audit opinion was given on the accounts on 29 September 2009.
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Material weaknesses in internal control

- 18** I did not identify any significant weaknesses in your internal control arrangements.
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Accounting Practice and financial reporting

- 19** I considered the qualitative aspects of your financial reporting. I raised the following issues.
 - 20** The Annual Governance Statement was adopted for publication by the Executive in March 2009 in advance of assurances provided by the Chief Internal Auditor's annual report to the Audit Committee in June 2009. The Director of Finance's report on the effectiveness of Internal Audit was presented to the Audit Committee in September 2009.
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- 21** The Annual Governance Statement should be adopted after the Chief Internal Auditor's annual report and the Director of Finance's review of effectiveness of Internal Audit is available. It is accepted that a fuller report on the effectiveness of Internal Audit will be required to be issued at a later date after comparative performance data is available.
- 22** In the previous period written confirmation was obtained from each Directorate of the satisfactory operation of controls. This exercise was not repeated for 2008/09. You should obtain written confirmation from each Directorate of the satisfactory operation of controls to support the statements made in the Annual Governance Statement.
- 23** A number of prior period adjustments (PPAs) are made, not all of which are required under FRS3. It is recommended that PPAs should only be made when required under FRS3 and in future are agreed with audit in advance.

Value for money and use of resources

I 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.

I 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

- 24** 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.
- 25** The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. This impacts on the audit and as part of my responsibility, I have reflected on the wider environment, specific issues and risks and the Council's response.
- 26** I have also taken account, where appropriate, of findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 27** The new use of resources assessment is more demanding than previous assessments. The KLOEs are more broadly based than previously and embrace wider resource issues such as workforce planning and the use of natural resources. The KLOEs focus more on value for money achievements, outputs and outcomes rather than on processes
- 28** The Council scored three - 'performing well' for its overall Use of resources. The individual theme scores are set out in Table 2. A summary of the key findings arising for each theme is set out below. A more detailed report on Use of Resources has been issued to officers.

Table 2 Use of resources theme scores

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

Managing finances

- 29** The focus in this theme is sound and strategic financial management. It looks at how effectively the organisation manages its finances to deliver value for money.
- 30** The Council has taken action to secure improvements in many areas of its operations. It has a clear understanding of the needs of the local population and is delivering value for money and savings.
- 31** The Council has sound arrangements for managing its finances. It sets a comprehensive, balanced and realistic budget and medium term financial plan supported by achievable savings plans. It has a track record of operating within its budget whilst maintaining and improving service performance.
- 32** It engages with stakeholders and has a joint financial planning process with partners.
- 33** The Council produces and uses relevant financial monitoring and forecasting information. Arrangements are in place to develop the reporting of information presented in the financial statements.

Governing the business

- 34** The focus in this theme is the governance of the business. It looks at how well the organisation governs itself and commissions services that provide value for money and delivers better outcomes for local people.
- 35** The Council works closely with partner councils on procurement activities to maximise efficiency savings and to influence the market. The Council evaluates its procurement options and has incorporated sustainability into its procurement decisions.
- 36** There is a clear data quality framework and training. There is a good track record of producing and using accurate, relevant and reliable data including partnership data. There are robust data security arrangements.
- 37** There is a good governance framework with strong arrangements for member development. There are effective arrangements for partnerships. Internal control is sound.
- 38** The Council works with partners to review risks in line with government practice. Steps have now been taken to fully embed risk management arrangements within the organisation.

Value for money and use of resources

Managing resources

- 39** The focus in this theme is the management of natural resources, assets and people. It looks at how well the organisation manages its natural resources, physical assets, and people to meet current and future needs and deliver value for money. Our review this year only looked at natural resources and strategic asset management.
- 40** The Council is making effective use of natural resources and there are numerous examples of outcomes to demonstrate this. There is high level commitment to make Devon the greenest County in England. It has measured its own carbon footprint and has set ambitious targets to reduce it. There is good staff commitment to this area and good performance monitoring.
- 41** The Council is taking a more corporate strategic approach to asset management and has financial plans to achieve its strategies. It is developing a strategic approach based on analysis of need to cover strategic priorities.

VFM Conclusion

- 42** 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.
- 43** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Closing remarks

- 44** I have discussed and agreed this letter with the Chief Executive and the Director of Finance and a copy will be provided to all Members. I will present this letter at the next Audit Committee on 30 March 2010.
- 45** 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 Plan	May 2008
Annual governance report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Review of financial statements and key financial systems report	October 2009
Use of resources report	December 2009
Opinion on pension fund annual report	December 2009

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

Alun Williams
 District Auditor
 December 2009

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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