

# Annual Audit Letter

Nuneaton and Bedworth Borough 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 we have undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit opinion and financial statements

- 1 The audit of your financial statements went well and we issued an unqualified opinion on your financial statements on 23 September. Before giving the opinion we reported our findings to the Audit Committee, and adjustments were made to the financial statements to take account of the issues we identified during the course of the audit.
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## 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. We have assessed the Council as meeting the minimum standards (a score of 2 out of 4). We were therefore able to give an Unqualified Value for Money Conclusion.
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## Comprehensive Area Assessment - organisational assessment

- 3 This new assessment process brings together the judgements of a number of inspectorates and has concluded that Nuneaton and Bedworth Borough Council performs adequately overall and services have improved in areas that are important for local communities. As a result the Council has scored 2 out of 4 in this new assessment process.
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## Independence

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

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## Significant issues arising from the audit

- 5 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.
  - 6 During the course of the audit we identified certain issues which required amendment to the accounts. The majority of the amendments were changes in disclosure or presentation with the two exceptions. The first exception is a change in the value of the Tesco car park. This was included in the accounts at £113k, but was valued at nil by the District Valuer. The change in value was not reflected in the accounts. The second exception is the valuation of surplus assets. These were originally included in the accounts at £2.9m, but following queries raised during our audit process were subsequently revalued to £5m, which is now reflected in the accounts.
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## Material weaknesses in internal control

- 7 We did not identify any significant weaknesses in your internal control arrangements.
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## Accounting Practice and financial reporting

- 8 We considered the qualitative aspects of your financial reporting, and made two recommendations in our Annual Governance Report to aid further improvement.
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## Impact of the economic downturn

- 9 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are changing.
  - 10 This impacts on the audit and as part of our responsibility, we have reflected on the wider environment, specific issues and risks and the Council's response.
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## Financial statements and annual governance statement

- 11 Officers review treasury management arrangements on a regular basis as new information emerges concerning institutions with whom the Council may place deposits. Lower interest rates continue to affect investment income. The Council has £3m deposited with Landsbanki, and continues to actively pursue repayment of the funds, in conjunction with other Councils and the Local Government Association.
- 12 Officers review the Medium Term Financial Plan (MTFP) in order to ensure it is up to date and robust. The MTFP covers the period 2009 to 2012. In 2010/11, a potential deficit of £0.8m is forecast, but with targeted savings of £0.75m, the deficit should be reduced to £69k. In 2011/12 a potential deficit of £1.4m is forecast, with targeted savings of £1.5m, giving a net surplus of £92k. The Council has a history of achieving financial balance, and the savings plans in place are sufficiently robust and realistic to expect them to be delivered.

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### Audit fees

- 13 We were able to deliver the audit within the fee agreed at the start of the year as summarised below.

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**Table 1      Audit fees**

	<b>Actual (£)</b>	<b>Proposed (£)</b>	<b>Variance (£)</b>
Financial statements and annual governance statement	81,582	81,582	0
Value for money	33,243	33,243	0
Total audit fees	114,825	114,825	0

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- 14 Our 2008/09 grants certification fees amount to £31,639 compared with the estimate of £32,930.

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### Certification of grant claims

- 15 We are required to report on your performance in relation to the certification work that we undertake. Appendix 2 contains the details of the returns we have certified on your behalf and the fee for each claim. Processing of Council Tax and Housing Benefit claims is the main area where further improvements are required. We have discussed our findings with the Assistant Director – Finance & Procurement.

# Value for money and use of resources

We 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.

We 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

- 16 In forming our scored use of resources judgements, we 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.
- 17 We 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.
- 18 The Council's final use of resources theme scores are shown in Table 2 below.

**Table 2 Use of resources theme scores**

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

- 19 We reported our detailed findings to the Audit Committee in October.

## VFM conclusion

- 20 We 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.

## Value for money and use of resources

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

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# Comprehensive area assessment - Oneplace

**The Comprehensive Area Assessment Lead has used our 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.**

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- 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. Nuneaton and Bedworth Borough Council scores 2 out of 4 for managing its performance (the scoring system is the same as for Use of Resources).
- 24 Nuneaton and Bedworth Borough Council performs adequately. The Council is tackling issues that are important to local people. But there is still a big difference in the quality of life between Nuneaton and Bedworth and the rest of Warwickshire and a lot of long term work is still needed in the area. The Council manages its money adequately but will need to find significant savings.
- 25 The Council is involving local people in setting priorities and developing services. It is well placed to improve on this in the future because it has some robust plans in place and it works quite well with partners on making the borough a better place for local people.
- 26 Housing has improved, with more decent and affordable homes for local people. Levels of recycling and street cleanliness have not been as good as in other councils in the past but the Council is now investing to improve these areas.
- 27 The Council works well with partners to reduce crime, regenerate the area and help people to be healthier, as well as with diverse communities to strengthen community relations. But the gap between people in the borough and the rest of Warwickshire is too wide; too many people are out of work and have low skills, people are less healthy, and some young people do less well at school. The Council has some robust plans and the capacity it needs to deliver improvements. Improvements in the future will also mean working more closely with other organisations including the NHS.
- 28 The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Warwickshire Mary-Ann Bruce.

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# Closing remarks

- 29 We have discussed and agreed this letter with the Chief Executive and the Assistant Director – Finance & Procurement. We will present this letter at the Audit Committee on 28 January 2010 and will provide copies to all committee members.
- 30 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.

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**Table 3**

Report	Date issued
Audit and inspection plan	April 2008
Opinion Audit Plan	March 2009
Annual Governance Report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Use of Resources Report	October 2009
CAA - One Place and Organisational Assessment	December 2009
Annual Audit Letter	December 2009

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

Dave Rigg  
District Auditor  
December 2010

# Appendix 1 – Response to initial risk assessment

- 1 We presented our Audit Plan for 2008/09 to the Audit Committee in April 2008. We identified a number of specific risks and actions we would take to address them. The outcome of this work is reported below.

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities (KLOE under previous UoR assessment)	Outcome
Loss of senior officers could impact on capacity to deliver further improvements.	Interim Director appointed until June 2008, and plans in place to address this issue on a more permanent basis.	Yes	We will monitor progress with any restructuring plans.	KLOE 4.1 - The Council manages its significant business risks.  KLOE 5.2 - The Council manages and improves Value for Money.	A permanent Director was appointed which has meant there has been no loss of capacity.
Budgetary pressures, in particular arising from the expected increase in the cost of concessionary fares.	The Council has set a balanced budget for 2008/09 which includes significant additional budget for concessionary fares.	Yes	We will monitor financial performance throughout the year.	KLOE 2.1 -The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.  KLOE 2.2 - The Council manages performance against budgets.	The MTFP has been updated throughout the year to reflect the changing economic circumstances. The Council has plans in place to address the forecast deficit over the next few years.

## Appendix 1 – Response to initial risk assessment

Significant risks identified	Mitigating action by audited body	Residual audit risk	Action in response to residual audit risk	Link to auditor's responsibilities (KLOE under previous UoR assessment)	Outcome
Camp Hill Project - Phase III - This is the second year the Council will be the accountable body for managing the finances and the delivery of this major development.	The Council is aware of the requirements of being the accountable body and we have held discussions with officers over various accounting issues. The Council continues to make progress in discussions with other partners.	Yes	We will review the procedures the Council have put in place to mitigate the risks involved in managing this development.	KLOE 4.1 - The council manages its significant business risks.  KLOE 5 - VFM conclusion criterion.	We assessed risk management arrangements around Camp Hill in particular, and found them to be adequate. There were no accounting issues.
Health Inequalities continues to be an issue, despite progress made by the Council to date.	The Council has secured additional funding through the Local Area Agreement, and continues to discuss developments with Warwickshire PCT and the County Council.	Yes	Our review of Health Inequalities in Warwickshire continues and we expect to issue our final report in the Summer. We will then monitor progress on implementing agreed recommendations.	KLOE 5.2 - The Council manages and improves Value for Money.	Our final report was issued in August 2008.

## Appendix 2 – 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 Nuneaton & Bedworth Borough Council during 2008/09 we were required to certify seven 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 Nuneaton and Bedworth Borough Council**

Name of return	Value £	Fee charged £	Amendment required	Qualification required
Pooling of Housing Capital Receipts	931,892	776	Yes	No
National Non Domestic Rates	31,546,088	3,076	No	No
Camp Hill	445,800	414	No	No
Disabled Facilities Grant	415,000	445	Yes	No
Housing Revenue Account Subsidy	3,903,161	587	Yes	No
Housing Revenue Account Subsidy Base Data Return	N/A	5,772	Yes	No
Housing and Council Tax Benefit	34,487,725	20,569	Yes	Yes

- 3 The table demonstrates that there were five claims where an amendment was required.

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# 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.

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