



Richmondshire District Council

Annual Audit Letter

On the 2008/09 Audit

December 2009

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1. Key messages

- The Statement of Accounts were closed and prepared in accordance with the agreed timetable. Whilst the Council has made some improvements to its financial reporting performance, we did identify two material misstatements, which management subsequently adjusted, as part of our audit work.
- We signed the audit opinion on the Statement of Accounts on the 30 September 2009.
- We did not identify any material weaknesses in the financial reporting systems. Control observations have been reported to the Audit & Governance Committee on 22 September 2009 as part of our report on significant matter arising from our audit.
- The Whole of Government Accounts return was presented for audit in line with the timetable agreed. We signed the audit opinion on the Whole of Government accounts return on 1 October 2009.
- The Council scored 2 for Use of Resources which means it is “performing adequately”. However, weaknesses were identified around the reliability of some performance information.

Action needed by the Council

The Council needs to:

- continue to focus on improving its financial reporting performance, maintain quality standards of all deliverables and ensuring compliance with the applicable guidance;
- consider appropriate action in respect of the control observations raised in our report to the Audit & Governance Committee;
- monitor progress against the Use of Resources action plan; and
- increase its focus on International Financial Reporting Standards implementation to ensure that the required deadlines are met.

2. Purpose, responsibilities and scope

The purpose of this letter

The purpose of this Annual Audit Letter is to summarise the key matters arising from the work that we have carried out in respect of the year ended 31 March 2009.

Although this letter is addressed to the members of Richmondshire District Council (“the Council”), it is also intended to communicate the significant issues we have identified, in an accessible style, to key external stakeholders, including members of the public. The letter will be published on the Audit Commission website at www.audit-commission.gov.uk and also on the Council’s website.

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

Responsibilities of the auditor and the Council

We are appointed as the Council’s independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including Councils.

As the Council’s appointed external auditor we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (“the Code”). Under the Code, we have responsibilities in two main areas:

- the Council’s accounts; and
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).

The scope of our work

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISA plus”) as adopted by the UK Auditing Practices Board (“APB”). The audit opinion on the accounts reflects the financial reporting framework adopted by the Council, being the Statement of Recommended Practice for Local Authorities 2008 (“SORP 2008”).

3. The audit of the accounts

Key issues arising from the audit of the accounts

We issued an unqualified opinion on the Councils 2008/09 accounts on 30 September 2009, in accordance with the deadline set for local authorities. Our opinion confirms that the accounts present fairly the financial position of the Council and its income and expenditure for the year.

The audit opinion on the accounts also includes a conclusion regarding the Council having made proper arrangements to secure economy, efficiency and effectiveness in its use of resources during the year. Section 4 of this letter covers our work in this area.

Before we give our opinion on the accounts, we are required to report to the Council's Audit & Governance Committee significant matters arising from the audit. A detailed report was presented to this Committee on 22 September 2009 and there were no key issues to report.

We received a near complete set of draft accounts in advance of the agreed deadline, which were supported by good quality working papers. The finance staff were helpful throughout the process and responded swiftly to all queries. This performance reflects well on the professionalism of the finance staff and their commitment to maintaining controls over financial systems. Two material misstatements were identified as part of our audit work. Management have now updated procedures to ensure that these errors do not reoccur.

Audit certificate

When our audit is complete we are required to certify the closure of the audit. The audit certificate was issued on 30 September 2009.

4. Value for money

Background

Under the Code of Audit Practice, we are required to give a ‘yes/no’ opinion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. This is known as the value for money conclusion and is given within our audit report on the Council’s Statement of Accounts.

We are also required to assess how well Councils manage and use their financial resources by providing scored judgements on the Council’s arrangements in three themes as specified by the Audit Commission. This is known as the Use of Resources (“UoR”) assessment.

The UoR assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The assessment comprises three themes that focus on:

- sound and strategic financial management;
- strategic commissioning and good governance; and
- the management of natural resources, assets and people.



Value for money conclusion

In line with guidance received from the Audit Commission we issued an “except for” value for money conclusion for the 2008/09 financial year. This means that we are satisfied that the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources during the year in all areas other than for key line of enquiry (“KLOE”) 2.2, which considers whether the Council produces relevant and reliable data and information to support decision making and manage performance. We would note, however, that the Council has already made significant improvements in this area and that the assessment focused on the arrangements in place in 2008/09.

Use of Resources

This year the UoR assessment has been made more demanding than previous assessments. The KLOE are more broadly based than previously and focus more on value for money achievements, outputs and outcomes rather than on processes.

4. Value for money (continued)

Use of Resources (continued)

We assessed the Council's arrangements across three themes. The scores for each theme are based on the scores on the underlying KLOEs. Each KLOE was scored on a scale of one to four, with four being the highest.

Overall, the Council scored a 2 for Use of Resources which classifies the Council as "performing adequately". The scores by theme are outlined below. The detailed KLOE scores are included in Appendix 1.

Theme	Score (out of 4)
Managing finances	2
Governing the business	2
Managing resources	2

Key issues arising from the review of the Council's use of resources

A separate report on UoR was presented to the Strategic Management Team on 11 November 2009. This summarised the detailed KLOE assessments and suggested areas for development. This confirms that the Council is in a strong position to demonstrate improved arrangements during 2009/10, including the projected outcomes arising from revised arrangements implemented in 2008/09. Whilst we have allocated KLOE 2.2 a score of 1, we would like to highlight that the Council has made significant progress in this area. The UoR assessment focuses on the arrangements in place during 2008/09, so we were unable to take into account the arrangements that the Council is embedding during the current financial year.

Looking forward

The Council is already well advanced in thinking about 2009/10 and has in place an action plan which outlines key objectives, timescales and responsible officers. The 2009/10 UoR assessment will introduce a new KLOE, (KLOE 3.1), which assesses whether the organisation is making effective use of natural resources.

5. Other matters

Reports issued

A list of the reports issued during the course of the 2008/09 audit is included in Appendix 2.

Analysis of audit fees

An analysis of audit fees is shown in Appendix 3 to this letter.

Independence and objectivity

In our professional judgement, our policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit partner and audit staff is not impaired.

Grants

We have undertaken work during the year on various grant claims made by the Council. Work on the final two grant claims for 2008/09 is currently being undertaken. A separate report will be prepared in respect of the findings from our work on grant claims.

International Financial Reporting Standards (“IFRS”)

The Council will be required to prepare IFRS compliant accounts for the year-ending 31 March 2011 and therefore comparative IFRS balances for the year from 1 April 2009 to 31 March 2010. The Whole of Government Accounts return for 2009/10 will also be required to be submitted under IFRS.

Finance staff will be leading on the transition to IFRS. Whilst no formal project plan is in place, responsibility for the transition has been allocated, and the initial data capture and analysis has begun. Staff have attended various technical/professional training sessions to date. We have recently completed an Audit Commission return on the Council’s state of readiness for IFRS and concluded that the Council is not on track and there remain some significant challenges ahead. We will continue to work closely with the Council to assess progress against the required timescales, but the Council need to be aware that this is a significant change in the required financial reporting for local authorities, that will require appropriate resources to meet the required level of compliance.

Use of Resources Action Plan

The Council has an action plan in place, working closely with officers from Hambleton District Council. We will continue our work with the Council in this area, for example through challenge meetings on particular KLOEs.

6. Closing remarks

This letter has been discussed and agreed with the Chief Executive and the Strategic Management Team of the Council. A copy of the letter will be presented at the Audit and Governance Committee on 16 March 2010.

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

Deloitte LLP

Chartered Accountants

Leeds, England

December 2009

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 and this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

The matters raised in this report are only those that came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or of all improvements that might be made. You should assess recommendations for improvements for their full implications before they are implemented. In particular, we would emphasise that we are not responsible for the adequacy and appropriateness of the national use of resources study data and methodology as they are derived solely from the Audit Commission.

This report sets out those audit matters of interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the Members and this report is not necessarily a comprehensive statement of all weaknesses which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Members, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the Annual Audit Letter since first published. These matters are the responsibility of the Authority but no control procedures can provide absolute assurance in this area.

Appendix 1: Use of resources scores (by KLOE)

Overall area	KLOE	KLOE score (out of 4)
Managing finances	1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	2
	1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	2
	1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	2
Theme total - Managing finances		2
Governing the business	2.1 Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	2
	2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	1
	2.3 Does the organisation promote and demonstrate the principles and values of good governance?	2
	2.4 Does the organisation manage its risks and maintain a sound system of internal control?	2
Theme total - Governing the business		2
Managing resources	3.3 Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	2
Theme total - Managing resources		2

Appendix 2: Reports issued re 2008/09 audit

Report	Date issued
Audit Plan	July 2008
Report to the Audit Committee on the 2008/09 audit	22 September 2009
Report to the Strategic Management Team on Use of Resources	11 November 2009
Annual Audit Letter	December 2009

Appendix 3: Analysis of professional fees

	2009 £'000	2008 £'000
Statement of Accounts	52	52
Use of resources and Data Quality	26	26
Whole of Government Accounts (WGA)	4	4
Total fees for work carried out under the Code of Audit Practice	82	82
Fees payable in respect of the certification of grant claims and returns of the Council	41	18
Total	123	100

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