

Annual Audit Letter

South Norfolk District Council

Audit 2008-2009

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 my 2008/09 audit. It includes messages arising from the audit of your accounts and the results of the work I have undertaken to assess the way in which you use your resources. I have then linked this through to our assessment of the way the Council manages its performance and our overall assessment of the Council.

Accounts

- 1** The Council is required to prepare and approve its accounts by 30 June 2009. The Council met that deadline. The accounts were complete and were supported by a good set of working papers, which enabled me to complete my audit by the deadline of 30 September.
 - 2** We found no material errors in the accounts although we have agreed some amendments to the accounts with officers for smaller amounts and to improve the disclosure of various notes.
 - 3** As a result of my work, I concluded that the accounts 'presented fairly' the Council's financial position at 31 March 2009 (an unqualified audit opinion) and its income and expenditure for that financial year.
 - 4** An enhanced reporting framework (International Financial Reporting Standards) is to apply to all Councils' accounts in 2010/11. The Council has developed a project plan to implement these standards and is progressing with the implementation of this plan.
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Use of resources

- 5** We assess how the Council makes use of the resources at its disposal to provide local services. A national framework is applied to our assessment, with a score given between 1 (inadequate and below minimum standards) and 4 (performing strongly) in each of three key areas.
- 6** The Council is performing adequately overall (Level 2). It attained the following scores in our assessment:
 - Level 2 (performing well) in how it manages its finances
 - Level 3 (performing well) in how it manages and governs the business as a whole
 - Level 2 (performing adequately) in how it manages its people.
- 7** As a result of my assessment, I concluded that the Council had proper arrangements in place for the way it manages its use of resources.

Managing Performance

- 8 The Audit Commission also assesses how well the Council manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The priorities have been drawn from what matters most to local people.
- 9 The Council scores 3 out of 4 for managing its performance (using the same scoring mechanism as for the Use of Resources assessment).
- 10 Most Council services are effective and are improving the quality of life for people in South Norfolk. The Council is delivering good services and making cost savings. It works well with local partners to improve health and create jobs and with the police to reduce crime and anti-social behaviour.
- 11 The Council continues to be efficient. It performs strongly in collecting council tax and business rates and deals quickly with benefit claims and planning applications. It has changed the way it organises itself to reduce costs and make services more efficient and achieved nearly £750,000 in savings last year.

Overall Organisational Assessment

- 12 We combined the Use of Resources and Managing Performance assessments to give an overall organisational assessment judgement for the Council. The Audit Commission has determined that the organisational assessment judgement for South Norfolk District Council is that it performs well. The scores for use of resources and for managing performance are different. We decided the overall score should be that South Norfolk Council performs well because it delivers services efficiently and is improving the quality of life for local people. It understands what local people want and makes sure that its services meet these needs.
- 13 The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Norfolk, Sue Jewkes.

Audit fees

- 14 I delivered and concluded my audit programme within the fee that I planned.

Independence

- 15 As the External Auditor appointed to audit the Council, I have to maintain my independence. I carried out this audit following 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 the Council accounts for its stewardship of public funds.

- 16** I issued an unqualified opinion on the Council's accounts on 24 September 2009, meeting the 30 September deadline set within the Accounts and Audit Regulations 2003. In my opinion the accounts presented fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
- 17** Before giving my opinion, I reported to those charged with governance, in this case the Accounts and Audit Committee, on the issues arising from the 2008/09 audit. I presented my report on 24 September 2009.

Accounting issues

- 18** The draft accounts were approved on 26 June 2009, before the 30 June deadline specified in the Accounts and Audit Regulations 2003.
- 19** The financial statements submitted for audit were complete and supported by a good quality of working papers.
- 20** We found no material errors in the accounts although we agreed some amendments to the accounts with officers for smaller amounts and to improve the disclosure of various notes.
- 21** I presented my Annual Governance Report to the Council on 24 September 2009 which included the full details of the issues arising from our audit of the accounts.

Weaknesses in internal control

- 22** We identified two amounts in the accounts as reconciliation differences which were over the trivial level. The first related to the payments account bank reconciliation and the second related to a difference between the amount shown in the general ledger and business rates systems for business rates received in advance. In both cases, officers are actively looking into the reasons for these differences.

Certification of claims and returns

- 23** We certify the Council's claims and returns on the following basis:
- claims below £100,000 are not subject to certification;
 - claims between £100,000 and £500,000 are subjected to a reduced, light-touch certification; and

- claims over £500,000 are subjected to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment leads to a reduced certification approach for these claims.

24 We certified a total of six of the Council's claims and returns. All the claims were certified by the required deadline and were supported by appropriate working papers. Small amendments were required to the housing benefits return. The reasons for the amendments are not significant and there were therefore no matters to report to those charged with governance.

International Financial Reporting Standards

25 The national timetable for the implementation of International Financial Reporting Standards (IFRS) means that these will be first applied in the 2010/11 financial year. However, comparative figures for the 2009/10 financial year will be required.

26 Applying IFRS will have significant implications for the way in which local authorities prepare their annual financial statements. The Council are at an early stage in their IFRS preparations. There is an IFRS project plan in place but there is still a significant amount of work to be undertaken. We will continue to monitor the Council's progress towards the implementation of IFRS.

Recommendation	
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R1	Ensure the Council is implementing its plans in place to deliver the introduction of International Financial Reporting Standards within the required timescales.
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Financial Standing

27 The last year has seen the country enter a significant economic recession. The consequence locally, is an increasing demand for public services, reduced income from fees and investment income, 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 position.

28 The Council has already taken action to mitigate the effect of impact of the recession and has built the effect of the recession into its Medium Term Financial Strategy. 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.

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

- 29** 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 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.
- 30** 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.
- 31** The Council's use of resources theme scores are shown in Table 1 below;

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

- 32** The key findings and conclusions for the three themes, and the underlying KLOE, are set out in my Annual Governance Report. The key theme findings are summarised below.

Managing finances

- 33** The Council manages its finances effectively and integrates its financial planning with strategic and service planning process on a medium to long term basis. Budget monitoring information is reliable, relevant and understandable and produced on a timely basis to enable prompt action to be taken to address unfavourable variances.

Governing the business

34 The Council has effective procurement arrangements in place. The Council produces relevant and reliable data and effective governance arrangements have been established. The Council has sound risk management and internal control systems in place but its counter fraud and corruption arrangements need to be further developed.

Managing Resources

35 The Council is developing a productive and skilled workforce. It identifies and addresses gaps in skills through service planning, appraisal and skills audit. It addresses gaps with some targeted recruitment & a corporate training plan. It promotes & develops learning & development for all staff. It is currently improving internal communications following feedback from the last staff survey.

Recommendation

R2 Consider the Use of Resources recommendations included in our Annual Governance Report.

VFM Conclusion

36 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.

37 Based on the Use of Resources assessment, which was linked to the criteria set out above, I issued an unqualified conclusion, stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Managing Performance and Organisation Assessment

38 The Council's Managing Performance and Organisational Assessment are being reported separately by the Comprehensive Area Assessment Lead for Norfolk, Sue Jewkes.

Audit fees

39 The actual audit fee is in line with the budget as outlined in Table 1 below.

Table 1 Audit fees

	Actual	Planned	Variance
Financial statements and annual governance statement	£77,992	£77,992	£0
Use of resources 2007/08	£18,424	£18,424	£0
Data quality 2007/08	£12,556	£12,556	£0
Whole of government accounts	£2,620	£2,620	£0
Total audit fees	£111,592	£111,592	£0
Certification of claims and returns	£26,000*	£26,000	£0
Total	£137,592	£137,592	£0

* estimate

Closing remarks

- 40** I have discussed and agreed this letter with the Chief Executive and the Director of Corporate Resources. I will present this letter to the Cabinet on 25 January 2010 and will provide copies to all members.
- 41** 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 2

Report	Date issued
Audit and inspection plan	June 2008
Annual governance report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Annual audit letter	November 2009
Managing Performance and Organisational Assessment	December 2009

- 42** 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.

Rob Murray
 District Auditor
 November 2009

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
5	R1 Ensure the Council is implementing its plans in place to deliver the introduction of International Financial Reporting Standards within the required timescales.	3	Head of Accountancy and Procurement Services	Agreed		31 March 2010
10	R2 Consider the Use of Resources recommendations included in our Annual Governance Report.	3	Director of Corporate Resources	Agreed		31 March 2010

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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