

# Annual Audit Letter

Wokingham Borough Council

Audit 2008/09

November 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 financial statements, the results of the work undertaken to assess your arrangements to secure value for money and also your use of resources assessment.**

**I have issued an unqualified audit report on the financial statements and have also concluded that adequate arrangements are in place to secure value for money. The Council has also continued to develop its arrangements for govern its business and managing finances and resources.**

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## Audit Opinion

- 1 I issued an audit report on the 30 September which included:
  - an unqualified opinion on the financial statements for the year ending 31 March 2009; and
  - an unqualified value for money conclusion stating that the Council had adequate arrangements to secure economy, efficiency, and effectiveness in the use of resources.

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## Use of Resources

- 2 The Council's arrangements to manage its finances, govern its business and manage its resources are consistent with established professional practice and guidance, meet statutory requirements and operate effectively. The Council has met or exceeded baseline standards across all the specified criteria in the 2008/09 year.

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## Other audit matters

- 3 The economic downturn and banking crisis has been having a significant impact on public finances and the bodies that manage them. Robust budgeting and medium term financial planning are ensuring the Council is well positioned to respond to challenges. The Council has reviewed and updated treasury management approaches following the exposure to the Icelandic Banks collapse in 2008

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## Audit fee

- 4 In our original audit plan, the estimated fee for the 2008/09 audit was £252,800. This excludes the CAA inspection fee and charges for certifying grant claims. This fee remains appropriate and I have not required a supplementary fee to complete the audit work.

### Actions

- 5 I have identified areas for improvement in this audit letter and, where appropriate, recommendations are included in the reports provided during the course of my audit. The Authority should ensure through its follow-up procedures that recommendations made in these audit reports are implemented in accordance with agreed timetable.
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### Independence

- 6 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 the council accounts for its stewardship of public funds.**

**I have issued an unqualified opinion on the financial statements.**

**The Council's finance team continue to achieve high standards in producing the Council's financial statements and are responding to future developments including the implementation of International Financial Reporting Standards**

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## Significant issues arising from the audit

- 7** I did not identify any material errors during the course of the audit. Accordingly an unqualified audit opinion was issued on 30 September 2009.
  - 8** A number of minor adjustments were made and agreed between the receipt of the draft financial statements in June and the final statements being presented to Audit Committee in September. There were also a small number of non-trivial matters which it was agreed not to adjust. This included not adjusting for a non material change following updated CIPFA guidance on the impairment of the Icelandic Bank investments for which the impact would have been a £0.155m provision increase.
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## Material weaknesses in internal control

- 9** I did not identify any significant weaknesses in your internal control arrangements.
  - 10** Earlier in the year, we raised a concern about ensuring that an audit trail existed to support the approval and delivery of care packages with social services providers. I am assured this matter is being addressed.
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## Accounting Practice and financial reporting

- 11** I considered the qualitative aspects of your financial reporting and did not identify any significant issues. The finance team are well aware of reporting requirements, and are planning for future developments changes including readiness for the implementation of International Financial Reporting Standards (IFRS), with progress being reported to the Audit Committee.

# Value for money and use of resources

I have assessed whether the Council has 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 and was reported as unqualified.

I have also 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 given scored use of resources judgements. I have concluded that the Council's arrangements to manage its finances, govern its business and manage its resources are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.

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## VFM Conclusion

- 12** 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 are specifying each year which of the use of resources KLOE (see below) are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 13** I have 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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## Use of resources judgements

- 14** 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 minimum requirements, level 2 represents adequate performance and a score 3 is awarded for performing well.
- 15** The assessment this year is new and different, and while some aspects are similar to the previous process, overall comparison of scores would not be appropriate.
- 16** The Council's use of resources theme scores are shown in Table 1 with the underlying KLOE summarised in Appendix 1.

## Closing remarks

**Table 1 Use of resources theme scores**

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

**17** Wokingham Borough Council's overall arrangements to manage its finances, govern its business and manage its resources are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.

**18** The Council performed strongly in the 2008/09 year in managing its finances in that:

- the Council planned its finances particularly effectively to deliver on its strategic priorities and secure sound financial health;
- the introduction of zero based budgeting (ZBB) further strengthened the Council's approaches to managing its finances;
- there continued to be a good understanding of and challenge to financial performance from both officers and leading councillors;
- the transformation programme was introduced to ensure that the Council works more effectively in the future;
- the Council continued a track record of producing good quality accounts and supporting documentation; and
- an Annual Report has been produced for the first time.

**19** The Council performed adequately in the year in governing its business and managing its resources, with a number of improvements being introduced in the 2008/09 year which will impact for the 2009/10 year and beyond. The position in the 2008/09 year was that:

- effective procurement processes existed;
- the Council had effective systems to ensure the production of sound data;
- governance arrangements were adequate with the Business Assurance Team strengthening arrangements further and an effective Audit Committee in place;
- the Council was building on a sound base to strengthen its approach to risk management;
- the Council was making reasonable progress in ensuring that it is managing its natural resources well; and
- the Council had made and was continuing to make good progress in ensuring that it managed its assets effectively.

20 My detailed findings are reported in my separate Use of Resources report.

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### Economic downturn and pressures on the public sector

- 21 The economic downturn and banking crisis have been having a significant impact on public finances and the bodies that manage them. The impact in some areas has been immediate but there are wider and longer term impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressure on income streams.
- 22 This Council has a good track record in delivering value for money and efficiency and in the past three years has achieved its priority of keeping increases in the council tax low by holding them below the Retail Price Index.
- 23 During the year, the Council undertook a far-reaching 'zero based' review of its budgets to make sure money was going where it was needed most. The Council's 'transformation project' was also looking at services to find out how they could be more effective as well as saving money. This now includes further considering approaches to managing the housing stock as it has not had the funding for this to be brought up to required standards.
- 24 At the end of the 2008/09 year, the Council's finances remained sound with reserves of over £8 million.
- 25 The Council reviewed and revised its investment strategy and investment criteria in response to the wider economic climate and following its £5m original exposure to the Icelandic Banks collapse in late 2008.
- 26 The Council also considered the economic position locally. It is supporting local businesses and helping to provide advice. It is also preparing proposals for the redevelopment of Wokingham town centre and consulting on these so that work can start on it as the economy improves.
- 27 Whilst recognising that the current economic climate remains challenging for the public sector, my assessment for the 2008/09 year is that Wokingham has taken appropriate preparatory steps including that:
- the Council's 'zero based budgeting' approach and its sound approach to medium term financial planning were ensuring the Council remained well positioned to enable it to respond to challenges faced;
  - the Council appropriately reviewed and updated its treasury management approaches; and
  - the Council considered the impact of the economic downturn in the area

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# Closing remarks

- 28** I have discussed and agreed this letter with the Chief Executive and the General Manager - Business Services (the Section 151 officer). I am presenting this letter at the Audit Committee during November and the Council meeting in January and will provide copies to all councillors.
- 29** 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).

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**Table 2**      **Reports issued in year**

<b>Report</b>	<b>Date issued</b>
Audit Plan	March 2008
Annual governance report	September 2009
Auditor's report giving the opinion on the financial statements and VFM conclusion	September 2009
Use of Resources report	October 2009
Data quality memorandum	October 2009

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## **Recommendation**

**R1** The Authority should ensure through its follow-up procedures that recommendations made in audit reports issued through the year have been implemented in accordance with agreed timetable.

- 30** The Council has taken a positive and constructive approach to our audit. I wish to thank your officers for their continued support and co-operation.

Phil Sharman  
District Auditor  
November 2009

# Appendix 1 - Use of resources criteria and scores

Theme	VFM criterion met?	UoR score
<b>1. Managing finances</b>		<b>3</b>
1.1 Does the Council plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Yes	3
1.2 Does the Council have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes	3
1.3 Is the Council's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes	3
<b>2. Governing the business</b>		<b>2</b>
2.1 Does the Council commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	Yes	2
2.2 Does the Council produce relevant and reliable data and information to support decision making and manage performance?	Yes	2
2.3 Does the Council promote and demonstrate the principles and values of good governance	Yes	2
2.4 Does the Council manage its risks and maintain a sound system of internal control?	Yes	2
<b>3. Managing resources</b>		<b>2</b>
3.1 Is the Council making effective use of natural resources?	Yes	2
3.2 Does the Council manage its assets effectively to help deliver its strategic priorities and service needs?	Yes	2
3.3 Does the Council plan, organise, and develop its workforce effectively to support the achievement of its strategic priorities?	Not applicable in year	Not scored in year

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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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