

Annual Audit Letter

North Devon District Council

Audit 2010/11



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Traffic light explanation

Red ■ Amber ◆ Green ●

Key messages

- This report summarises the findings from my 2010/11 audit. My audit comprises two elements:**
- **the audit of your financial statements; and**
 - **my assessment of your arrangements to achieve value for money in your use of resources.**

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

I issued an unqualified opinion on 21 September 2011, in advance of the national deadline. The Council's officers prepared and submitted the draft accounts for audit by the agreed start of the audit. Several financial statements disclosures were identified and adjusted during the audit. This was impressive because of the significant additional requirement this year for Local Government bodies to implement International Financial Reporting Standards.

Value for money

I issued an unqualified value for money conclusion on 21 September 2011.

My VFM conclusion is based on nationally set criteria:

- financial resilience – confirming the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – confirming the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

I was satisfied the Council had appropriate arrangements in place against each of the criteria.

Current and future challenges

The Council is working in an increasingly demanding environment and it continues to address the significant challenges it faces.

The Council has performed well in recent years but, like other councils in England, it is starting to face significant challenges because of the economic downturn.

Below I focus on some of the key challenges facing the Council going forward.

Delivery of savings and current financial position.

The Council faces a £2 million decrease in the Central government grant it receives over the next two years. The economic down-turn will also impact income from areas, such as car-parking and planning and place increased demand on services like benefits and housing. The Council's updated Corporate Business Plan and Financial Strategy sets out how the Council aims to deliver a programme of savings to meet these challenges.

The Council achieved its savings target in 2010/11 with £180,000 being used from the Council's general fund reserve to fund one off costs of removing car leasing scheme and early retirement / redundancy costs, which will generate significant ongoing savings. However, it is unlikely that it will be able to continue to rely on meeting shortfalls through reserves in future years.

Delivery of the planned savings will require close monitoring to minimise the risk of overspending the budget and impacting the quality of service provision.

Service development is progressing. In 2010/11 the Waste and Recycling service moved from Seven Brethren Bank to a new multifunctional site at Brynsworthy. This aims to improve waste recycling and deliver efficiency savings. It also has the capacity for the transfer of other services leading to a fall in the need for other office accommodation. This should lead to reduce costs and save money but the Council will need to monitor capacity utilisation closely.

At the end of June the Council forecasts an overall net budget underspend of £78,000 for 2011/12.

Joint arrangements and shared services

The Council works closely with neighbouring local authorities such as Mid Devon District Council (Mid Devon) and Torridge District Council (Torridge). There is a joint Sustainable Community Strategy with Torridge; the Council is also a member of the Devon Procurement Partnership.

The Council has continued to work with Mid Devon on sharing services; including Waste and Recycling, Planning and Economic Development.

The Council is also a part of the 'Devon Districts Working Together Procurement Strategy 2010-2013'. This aims to promote joint and sustainable procurement for all the Devon district councils.

Governance arrangements will need to develop to ensure there is effective management of shared services.

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.

Overall conclusion from the audit

I issued an unqualified opinion on the Council's financial statements on 28 September 2011, ahead of the national deadline. Before giving my opinion I reported to those charged with governance (in this case the Audit Committee) on the issues arising from the 2010/11 audit.

The Council prepared its financial statements before the deadline of 30 June 2011. The draft statements presented for audit were robust and officers prepared detailed working papers by the agreed date. My audit did not identify any significant errors in the financial statements. I did identify several financial statements disclosures that needed amendment, which were all amended before I gave my opinion. None of the adjustments affected the reported financial position of the Council.

This outcome is impressive considering the Council had to implement International Financial Reporting Standards this year. This was a major project that has caused many Local Authorities difficulties because of its scope and complexity.

My work on the Council's financial statements was supported by a review of the key financial and IT controls in place to ensure that financial information is fully and accurately presented in the financial statements. I found that the Council has suitable and effective financial controls in place and operating.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion

1. Financial resilience
The organisation has proper arrangements in place to secure financial resilience.

Focus for 2010/11:

The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

Key messages

My focus was on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future. I considered the Council's financial planning, financial governance and financial control arrangements. I concluded that the Council's arrangements were effective. That is, I concluded the Council has effective arrangements to establish its strategic financial position and to develop its budgets. It also has appropriate systems of monitoring its finances and the governance arrangements to manage the in-year position.

In relation to the delivery of the budget I was satisfied that the Council achieved this for 2010/11. The Council delivered £1,120,000 of its £1,300,000 savings plans for the year with the £180,000 shortfall met through reserves. The Council realises that it will need to fully achieve its savings targets in future years to ensure it remains financially resilient. It has set out plans to achieve this in its financial strategy. These will require close monitoring.

Criterion

Key messages

2. Securing economy efficiency and effectiveness
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

I concluded that the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. This involved an assessment of how the Council manages its funds including how resources are prioritised and arrangements to ensure resources are used to their maximum benefit.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Head of Financial Services. I will present this letter at the Audit Committee on 22 November 2011 and will provide copies to all members.

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.

Report	Date issued
Audit fee letter	April 2010
Audit opinion plan	December 2010
Certification of claims and returns – Annual report 2009/10	February 2011
Interim report	June 2011
Annual governance report	September 2011

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.

Wayne Rickard
District Auditor
November 2011

Appendix 1 – Fees

	Actual	Proposed	Variance
Scale fee	109,300	109,300	
Assessment and Inspection		-12,718	Nil, 718
Non-audit work	0		
Audit Commission refund	Nil,537	Nil	Nil,537
Total	102,763	122,018	-19,255

The fee reflected extra work for International financial reporting standards and new auditing standards. In recognition of the financial pressures facing local authorities the Audit Commission absorbed these costs.

In December 2010 the Council received a refund from the Audit Commission of £6,537.

Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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