

Annual Audit Letter

Harborough District Council

Audit 2010/11



Contents

| | |
|---|-----------|
| Key messages | 3 |
| Audit opinion and financial statements | 3 |
| Value for money | 3 |
| Current and future challenges | 4 |
| Financial statements and annual governance statement | 6 |
| Overall conclusion from the audit | 6 |
| Significant weaknesses in internal control | 6 |
| Value for money | 7 |
| Closing remarks | 9 |
| Appendix 1 - Fees | 9 |
| Appendix 2 - Glossary | 11 |

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 the Council's financial statements on 30 September 2011.

I identified one material error and a number of other significant errors in your financial statements which were amended by your officers before I gave my opinion.

Value for money

I issued an unqualified value for money conclusion on 30 September 2011. Overall, I found the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources to be adequate.

Current and future challenges

Economic downturn and pressure on the public sector

In common with other public sector bodies, the Council is working in a very difficult economic environment. Its performance in 2010/11 suggests it has a good base from which to respond during this difficult time.

The Council's outturn position for 2010/11 was an underspend of £294k against the revised budget, and its general reserves at year-end were above its agreed minimum level.

During the year the Council undertook an exercise to prioritise and assess the affordability of its services.

The Council will need to maintain a clear focus on, and close monitoring of, its financial position to ensure the Council's priorities can be delivered with the financial resources available to it.

Council transformation

In response to the Spending Review, funding gaps and the Localism Bill and other central government initiatives that will impact on the way the Council delivers its services to its communities and does business in the future, it is undertaking a Future Options Review to:

- make it a customer focused organisation;
- provide high quality services, efficiently delivered;
- explore mutual interest and understanding with partners to support long term high quality service delivery;
- innovate and identify solutions that work locally and fit appropriately into a national and countywide framework; and
- ensure sustainable budgets going forward, including significant savings.

A report to the Council has recommended the establishment of a Transformation Board of eight Councillors, a sub-committee of the Full Council.

The Board will:

- oversee the development of the Business Case and Implementation plan for the recommended approach;
- oversee the delivery of the transformation programme and make recommendations back to Full Council for it to make the final decision at key milestones; and
- oversee the delivery of efficiency.

| | |
|-----------------|--|
| Shared services | <p>To reduce costs the Council entered into a shared revenues and benefits service with Hinckley and Bosworth Borough Council and North West Leicestershire District Council. Initial indications are that the partnership is functioning as predicted. As the governance arrangements are new it would be useful for the Council to review their operation in the first year to confirm they provide assurance that partnership aims are being met.</p> |
| Income streams | <p>The Council has continued to receive lower levels of income on its cash balances.</p> <p>Changes to the national non domestic rate scheme are currently being consulted on by central government and it is not known at this stage what the impact on the Council's income in future years will be.</p> <p>In addition there are plans by the Government to localise support for council tax, replacing a demand-led central government budget for council tax benefit with a cash-limited grant for each local authority. This could reduce the Council's income, although it is not possible to quantify the impact at present.</p> |
| IFRS | <p>In 2010/11 the Council had to prepare its financial statements under International Financial Reporting Standards for the first time. In common with many other local authorities, this posed some challenges for the Council, not least because of the large number of additional disclosures that this introduced.</p> |

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 30 September 2011.

I identified one material error and a number of other significant errors in the financial statements which were adjusted before I gave my opinion. Amendments resulted in an increase in total net assets of £1.04 million.

I identified some further improvements the Council could make in 2011/12, particularly in relation to arrangements for reviewing the draft financial statements prior to audit to ensure compliance with the Code of Practice on Local Authority Accounting. Details of these are contained in my Annual Governance Report issued in September.

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements.

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 | Key messages |
|--|--|
| <p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>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.</p> | <p>Adequate</p> <p>The Council's 2010/11 outturn position was below budget and the Council was able to reduce the anticipated contribution from overall balances. The Council maintained its General Fund working balance above its agreed minimum levels.</p> <p>The Council set a balanced budget for 2011/12.</p> <p>The Council updated its Medium Financial Strategy in response to the Comprehensive Spending Review.</p> |

Criterion

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.

Key messages

Adequate

The Council has undertaken an exercise to prioritise and assess the affordability of services.

A shared revenues and benefits service has been entered into to reduce costs.

Closing remarks

Ongoing independent support

During the year we have continued to support the Council by:

- hosting our annual final accounts workshop for finance staff; and
- ongoing development of joint working arrangements and local training on housing benefit testing.

I have discussed and agreed this letter with the Deputy Chief Executive. I will present this letter at the Governance and Audit Committee meeting on February 16 2012 and will provide copies to all members.

Summary

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 Plan | July 2011 |
| Annual governance report | 15 September 2011 |
| Auditor's report giving opinion on the financial statements | 30 September 2011 |
| Annual audit letter | 28 November 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.

Neil Bellamy
District Auditor

Appendix 1 – Fees

| | Actual | Proposed | Variance |
|---|----------------|-----------------|----------------|
| Audit fee (financial statements/vfm conclusion) | £96,460 | £96,460 | £0 |
| Inspection work | £0 | £8,320 | -£8,320 |
| Non-audit work | £0 | £0 | £0 |
| Total | £96,460 | £104,780 | -£8,320 |

In July 2009, in recognition of the financial pressures that public bodies are facing, the Commission confirmed that it would give a 'one-off' subsidy to cover the additional cost of transition to IFRS for local authorities in 2010/11 only. A refund of £5,681 against the above audit fee was issued in April 2010. In addition a further 1.5 per cent rebate £1,424 was given on 2010/11 fees in December 2010.

The planned inspection fee was not charged as a result of the government's decision to abolish Comprehensive Area Assessment in May 2010.

The fee for certification of claims and returns is charged at published daily rates. The work is ongoing and our latest estimate is that the fee will be in the region of £28,000.

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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