

Audit and Governance Committee

5 December 2011

Report of the Assistant Director of Customer & Business Support Services (Financial Services)

Annual Audit Letter 2010/11 - Audit Commission

Summary

1. This paper introduces the Annual Audit Letter 2010/11 (see annex A) prepared by the Audit Commission together with the council's response.

Background

2. The District Auditor reports annually his independent opinion of the Council's arrangements based on an annual programme of work agreed by officers and members. This programme of work must meet the standards set out in the Code of Audit Practice and gives an opinion on the corporate governance arrangements at the council focused across 3 main areas:
 - the opinion given on the council's annual Statement of Accounts (including the Annual Governance Statement);
 - assessment of arrangements to achieve value for money in the use of resources
 - to consider any matters brought to my attention by the public, and whether there is a need for the District Auditor to exercise his formal audit powers.
3. The Letter also provides details of the 2010/11 audit fee and a commentary from the Audit Commission on the current and future challenges facing the Council.

The council's response

4. The key messages contained in the Annual Audit Letter (AAL) which relate to the Financial Statements, were presented in detail to the Audit and Governance Committee on 29th September 2011 as part of the Annual Governance Report. The AAL notes the challenges for all authorities in implementing the requirements of the new International Financial Reporting Standards (IFRS), which was compounded at CYC by staffing changes resulting from organisational change. Although a number of amendments were made to the draft financial statements, none of the adjustments had any significant impact on the Council's underlying financial position and the District Auditor issued an unqualified opinion on the 2010/11 financial statements through the Annual Governance Report.

5. The AAL confirms that The Council has proper corporate arrangements in place to secure financial resilience, and to challenge how it delivered economy, efficiency and effectiveness (VFM) in the use of resources for 2010/11.. The Council's performance was assessed against criteria specified by the Audit Commission and arrangements were assessed adequate against each of the criteria. The AAL outlines the strengths and improvements identified by the Audit Commission. Specifically the Audit Commission has identified sustained strength in:
 - Medium Term Financial Planning;
 - Budget consultation with staff, stakeholders, local people and businesses;
 - An effective risk based approach to financial planning which has enabled the Council to plan to deliver a robust, balance budget without the need to reduce reserves or working balances;
 - Treasury management which continues to ensure investments deliver above average returns;
 - Effective financial reporting to Members;
 - Generally low service costs per head of population, low management and back office costs and low council Tax levels when compared to others;
 - Delivering efficiencies from already low cost base;
 - Staff suggestion scheme to foster a VFM culture and identify more opportunist operational savings;

- Good examples of shared service provision and outsourcing;
- Office relocation plans progressing well to secure significant financial savings;

The Letter does draw attention to some areas of activity which require close review;

- Most services are still delivered in-house and the Council may need to consider alternative models of service delivery in the future;
- Minimal investment in Council property over recent years, and asset records requiring improvement;
- An increased risk as a result of significant reductions in management and back office staff over recent years;
- A need to ensure that the Council is receiving value for money from its partnership activities.

6. In assessing the current and future challenges facing the Council, the AAL notes the steps that the Council has taken to maximise future funding streams including proactively marketing the services it can provide to partners and third parties. The report notes the need to keep under review the potential local impact of future changes to Housing Revenue Account financing, Council Tax Benefits subsidies and the localisation of NNDR arrangements. The Council has also requested the Audit Commission to undertake some Advice and Assistance work on asset management arrangements in the authority.

Consultation

7. Not relevant for the purpose of the report.

Options

8. Not relevant for the purpose of the report.

Analysis

9. Not relevant for the purpose of the report.

Corporate Priorities

9. This report contributes to the overall effectiveness of the council's governance and assurance arrangements.

Implications

10. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

Risk Management

11. By not responding effectively to the matters contained in this report, the council will fail to properly comply with legislative and best practice requirements.

Recommendations

12. Members are asked to:
 - a) note the contents of this report and the Annual Letter itself, attached as the annex to this report;

Reason

To comply with the statutory requirements for the external audit of the council .

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**Report
Approved**



Date

Specialist Implications Officers

Not applicable

Wards Affected:

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For further information please contact the author of the report

Background Papers:

Annual Governance Report – Audit and Governance Committee 29th
September 2011

Annex

Annual Audit & Inspection Letter 2009/10