

# Annual Audit Letter

Torrige DC

Audit 2008/2009

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 our 2008/09 audit. It includes messages arising from the audit of the Council's financial statements and the results of the work I have undertaken to assess the Council's arrangements to secure value for money in its use of resources.

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## Audit Opinion

- 1 I issued an unqualified opinion on the Council's accounts on 21 September 2009.

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## Financial Statements

- 2 I reported the findings from my audit to the Policy, Performance and Resources committee on 14 September 2009. There were no significant issues or adjustments arising from the audit, the financial statements and supporting working papers were both of a good quality.

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## Value for money

- 3 I issued an unqualified value for money conclusion on 21 September 2009 stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources in 2008/09. My work on the conclusion is supported by the Use of Resources assessment and the Council achieved an overall score of three - "performing well".

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## Table 1 Audit fees

	Actual	Planned
Financial statements and annual governance statement	£74,431	£74,431
Value for money	£33,846	£33,846
<b>Total audit fees</b>	<b>£108,277</b>	<b>£108,277</b>

- 4 The actual audit fee was in line with the planned fee.

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## Independence

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.**

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## Significant issues arising from the audit

- 5** I reported the findings from my audit to the Policy, Performance and Resources committee on 14 September 2009. There were no significant issues or adjustments to the Council's accounts arising from the audit. The financial statements and supporting working papers were both of a good quality and there was good co-operation from the Council's finance team which ensured that the audit deadline was achieved.

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## Material weaknesses in internal control

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

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## Accounting Practice and financial reporting

- 7** I considered the qualitative aspects of your financial reporting and did not identify any issues.

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# 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.

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## Use of resources judgements

- 8 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 the minimum requirements at level 2.
- 9 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.
- 10 The Council's use of resources theme scores are shown in Table 2 below. The Council scored three - "performing well" for its overall Use of Resources. The individual theme scores are set out in Table 2 below.

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**Table 2 Use of resources theme scores**

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

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## Managing finances

- 11 I have assessed the Council as performing well in this area. The Council fully integrates financial and business planning. Consultation takes place on many levels and is used alongside rigorous challenge of service managers to ensure that all expenditure is justified and supports strategic objectives.

- 12 Feedback on services are received via 10/10 surveys that are collated and used to flex service delivery.
- 13 The Council has a very thorough and detailed understanding of its costs and performance in key business areas and for front-line services and uses an extremely effective quarterly business review to report performance and financial information against priorities. It can demonstrate real efficiencies and savings and is continuously looking for opportunities to improve still further.
- 14 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams. There are further challenges for policy priorities where patterns of demand for services are changing. The Council has started to consider the impact of recession on its plans although, this will present a major challenge and sustained efforts in the identification and delivery of recurring efficiency savings to achieve financial and service plans over the medium term.
- 15 The Council revised its treasury management policy and investment strategy, early in 2009 in line with guidance, following the collapse of the Icelandic Banks.

### Governing the business

- 16 The Council performs well in this area. Ethics and behaviour are taken seriously by the Council and there has been extensive training on these issues for members.
- 17 The Council has a thorough understanding of local needs and places residents at the heart of everything it does. There is a sustained drive for excellence and an ethos of delivering value for money across the Council. Although there are some areas that still require improvement, the LEAN service reviews are already securing improvements that the public can recognise.
- 18 The Vision and the goals of the Council are fully integrated with the Devon sustainable communities' strategy (SCS) and cascaded down through service plans from the Local Strategic Partnership (LSP) and corporate plan.
- 19 There are sound internal control arrangements and risk management is an integral part of the decision making and policy development processes.

### Managing resources

- 20 Arrangements in this area meet the minimum requirements. The Council is starting to make good progress and develop its workforce, but it is starting from a very low base. The Council lacked a workforce strategy until 2007 and a workforce plan until 2008. It is now making good progress implementing its plan and has produced an updated plan to address priorities for 2009/10. Diversity and equality issues within the workforce are beginning to be addressed.
- 21 Training needs have been identified and a programme is underway to deliver this.
- 22 There has been a reduction in sickness absence as a result of specific training for managers and the Council can demonstrate that absence levels have decreased and that performance is now in the top quartile.

## Value for money and use of resources

- 23** Over the last year the prospect of Local Government re-organisation (LGR) has caused some anxieties and uncertainty amongst staff, but the Council has worked hard to reassure staff and keep them fully informed of developments.
- 24** Although the Council understands the diversity profile of its workforce, there is no clear commitment to making any changes to address the low level of female managers. The only action is to provide equality training for staff which is not sufficient to address this issue.
- 25** The Council has achieved Equality Standard level 2 but cannot yet meet level 3. It will, in future, assess itself against the new equality framework.

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### VFM Conclusion

- 26** I assessed the Council's arrangements to secure economy, efficiency and effectiveness in the Council's 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.

I 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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# Closing remarks

- 27** I have discussed and agreed this letter with the Chief Executive and the Director of Finance Strategic Director (Resources). I will present this letter at the Policy, Performance and Resources Committee on 7 December 2009 and will provide copies to all members.
- 28** 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.

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**Table 3**

<b>Report</b>	<b>Date issued</b>
Audit and Inspection Plan	April 2008
Interim Report - Financial Controls	April 2009
Opinion plan	July 2009
Annual Governance Report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Report on the Financial Statements	October 2009
Use of Resources	October 2009

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- 29** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

Wayne Rickard  
Engagement Lead

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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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## Copies of this report

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