

# Annual Audit Letter

Torridge 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 20 September 2011, in advance of the national deadline. The draft accounts submitted to audit were timely and complete and queries were resolved promptly. A small number of errors and other amendments to the statements were identified and adjusted during the audit. This was particularly impressive in light of the significant additional requirement this year for Local Government bodies to implement International Financial Reporting Standards, as this was a major project.

## **Value for money**

I issued an unqualified value for money conclusion in 2010/11.

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

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**The Council is working in an increasingly demanding environment but it has high expectations of what it can achieve.**

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.



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<p>Delivery of savings and current financial position.</p>	<p>The Council's financial plans include significant savings targets (20 per cent of service budgets over the next four years) in order to deliver its planned services within the reduced financial settlement from the Government. Delivery of the planned savings will require close monitoring to minimise the risk of overspending the budget and impacting the quality of service provision. The Council's revenue outturn to July 2011 projected an under spend of £362,000 for the year. The Council has already identified £171,000 (32 per cent) of the £533,000 savings required in the budget for 2012/13.</p>
<p>Joint arrangements and shared services.</p>	<p>Working with Teignbridge District Council, the Council is undertaking a review of back office services and front facing service delivery known as Fit4Future. Front facing services are to be locally branded and locally delivered which could include joint service delivery with neighbouring councils. The Council anticipates that savings from these projects will start to be realised from 2012/13. Delivery of the projects will require sound project management to maintain</p>

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effective control and to realise the planned benefits. Services affected, will need to understand the case for change and to buy-in to the process.

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

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# Financial statements and annual governance statement

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**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 20 September 2011, ahead of the national deadline. Before giving my opinion I reported to those charged with governance (in this case the Audit and Governance 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. Detailed working papers were provided in accordance with an agreed timescale and officers dealt with queries on a timely basis. My audit did not identify any significant errors in the financial statements. Two numerical adjustments were made to the statements along with some disclosure changes. None of the adjustments impacted on 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 which 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

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**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 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.

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## Value for money criteria and key messages

Criterion	Key messages
<p><b>1. Financial resilience</b></p> <p><b>The organisation has proper arrangements in place to secure financial resilience.</b></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>Financial governance is robust and continues to improve. The Council has good awareness of the financial position and continues to be proactive in dealing with expected financial pressures. The medium term financial strategy is in place and the Council has avoided short term solutions. The Council's consultation arrangements with both internal and external stakeholders are good.</p> <p>The Council's usable reserves are at acceptable levels and there are plans to increase these to enable the Council to meet future challenges.</p>
<p><b>2. Securing economy efficiency and effectiveness</b></p>	<p>The Council has clear decision making processes that link to the medium term financial strategy.</p>

## Criterion

**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

Reporting reflects both financial and performance data this is used to improve the Council's understanding of its costs and to identify efficiencies.

The Council's spend is in line with its budgets, and identified efficiency savings are being realised. Some bench marking is undertaken and this is used to assess Value for money for the Council's services.

# Closing remarks

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I have discussed and agreed this letter with the Chief Executive and the Strategic Director (Resources). I will present this letter at the Audit and Governance Committee on 18 October 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	July 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

October 2011

# Appendix 1 - Fees

	Actual	Proposed	Variance
Scale fee	95,000	95,000	Nil
Assessment and Inspection	0	12,718	-12,718
Non-audit work	Nil	Nil	Nil
Audit Commission refund	6,043	Nil	-6,043
<b>Total</b>	<b>88,957</b>	<b>107,718</b>	<b>-18,761</b>

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 £6,043.

# Appendix 2 - Glossary

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## **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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October 2011