

Audit Committee – 25th November 2010

6. Annual Audit Letter

Strategic Director: Mark Williams, Chief Executive
Lead Officer: As above
Contact Details: mwilliams@southsomerset.gov.uk or 01935 462101

Purpose of the Report

This report introduces the annual audit letter for the 2009/10 financial year.

Recommendations

The Audit Committee is asked to note the contents of the Audit Letter as set out in the report attached at pages 19-37.

Introduction

The review of the Annual Audit Letter is included within the remit of the Audit Committee under its terms of reference as follows:

“To consider the effectiveness of SSDC’s risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action has been taken”

“To consider the reports of external audit and inspection agencies and seek assurance from management that action has been taken”

“To review and approve the annual Statement of Accounts, external auditor’s opinion and reports to members and monitor management action in response to issues raised”

Each year the Audit Commission is required to make arrangements for the production of an audit letter for each local authority. This letter has changed in format for 2009/10. The letter outlines the following:

- A conclusion on the Statement of Accounts and annual governance statement;
- A conclusion on Value for Money;
- The fees charged by the Audit Commission compared to those budgeted.
- Current and Future Challenges
- Action Plan

The letter no longer carries a Use of Resources judgement or score as at the end of May 2010 the government announced that all work on the Comprehensive Area Assessment (CAA) would cease with immediate effect. However, the Audit Commission has used the results of the work carried out before the announcement to conclude its opinion on Value for Money. The letter outlines in paragraph 19 that “In 2009/10 the council strengthened its arrangements to build upon its already good scores from 2008/09. The Council has made progress against each of the agreed recommendations from the previous year”.

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The letter will be considered by both District Executive and Scrutiny Committee. A copy of the letter will also be sent to all members of the Council.

Statement of Accounts

An unqualified opinion was given on the Statement of Accounts and during the audit some amendments made by agreement. Although a weakness in internal controls was raised there are further controls in place for casual staff to ensure that there are no automatic payments made without a signed timesheet. The Audit Commission is also satisfied that the authority is well prepared for the introduction of IFRS (International Financial Reporting Standards) for next year's accounts. Local authorities will need to prepare full IFRS compliant financial statements under the new Code of Practice on Local Authority Accounting for 2010/11.

The Value for Money Conclusion

Various criteria were used to assess whether SSDC had adequate arrangements for Value for Money. These were assessed using the Use of Resources work that had already been carried out. The results were as follows:

Criteria	Adequate Arrangements?
Managing Finances: <ul style="list-style-type: none">• Planning for Financial Health• Understanding Costs and Achieving efficiencies• Financial Reporting	Yes Yes Yes
Governing the Business: Commissioning and Procurement <ul style="list-style-type: none">• Use of Information• Good Governance• Risk Management and Internal Control	Yes Yes Yes Yes
Managing Resources: <ul style="list-style-type: none">• Natural Resources	Yes

An unqualified conclusion was given on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Fees

The fees charged by the Audit Commission were in line with the budgeted fee structure given at £107,250. The authority continues to receive a discount on fees because of the low risk assessment received from the Audit Commission.

Current and Future Challenges

The letter outlines the challenges ahead given the reduction in government grant of 30% over the next few years. The letter next year will focus on financial resilience and our prioritisation of our resources.

It also outlines within the letter that SSDC's partnership with East Devon will need to review the compatibility of ICT systems as the partnership develops.

Action Plan

The Council has an Improvement and Development Plan that sets out specific areas that have been identified as needing further improvement. This can be as a result of customer feedback, service inspections, and the audit letter itself. As with last year's letter, it is senior management's intention to use the information contained within the annual letter to update the plan ensuring improvements are planned for, resourced and achieved.

Financial Implications

There are no financial implications in accepting this report and the associated recommendations.

Background Papers: *Annual Governance Report*
