

# Annual Audit Letter

Gedling Borough 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.

I have included only significant recommendations in this report. Your Officers have accepted these recommendations.

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 your financial statements.
- I concluded that the Authority had appropriate financial controls and procedures.
- The accounts submitted for audit contained some non-trivial errors all of which were amended for.

- You responded well to the challenge of preparing accounts under IFRS for the first time.

## Value for money

I am required to reach a conclusion on whether I am satisfied that you have proper arrangements in place for securing economy, efficiency and effectiveness in your use of resources. The work that I undertook did not identify any significant gaps in those arrangements and I issued an unqualified conclusion on 28 September 2011.

# Current and future challenges

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Economic downturn and pressure on the public sector

The main current and future challenge you need to consider is the economic downturn and the associated reduction in funding from central government. The overall level of grant from central government has reduced by £1.87 million (13.8 per cent) in 2011/12 when compared to 2010/11.

You have responded to this reduction in income via a refresh of the medium term financial strategy and a review of charges and services provided across the Council which has led to the net revenue budget for 2011/12 being reduced by £1.5 million from 2010/11.

You need to review the performance against budget and performance targets to ensure that these reductions in expenditure are achieved and that any reductions in service performance are consistent with those expected from the budgeting process.

Management restructure

You are part way through a re-structure of senior management moving from a departmental model of delivery to a 'one-council' model with four new posts of Corporate Director replacing the six old posts of Head of Service which are being removed.

These new posts are to work across service areas focussing on wider strategy rather than operational matters. This is a change in the way of working and it is important that the move towards this model is managed well with a view of minimising any impact on services. You will need to assess the effectiveness of these arrangements as they become more established to ensure that:

- there is continued focus on service delivery and the historical level of good quality services is maintained;
- the new management structure successfully integrates with your corporate governance structure to ensure effective oversight of service delivery and operational effectiveness; and
- performance management arrangements are sufficiently flexible to adapt to the new way of working to provide meaningful and effective feedback and development.

Given the good performance and strong culture in place at Gedling in recent years you are well placed for this change in structure but the change needs managing carefully.

# Financial statements and annual governance statement

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**Your financial statements and annual governance statement are an important means by which you account for your stewardship of public funds.**

## **Overall conclusion from the audit**

The accounts presented for audit were of a good standard, and were largely free from error. The finance team provided the audit team with help throughout the audit and presented appropriate working papers to support the balances in the accounts. They took a proactive approach to the first year adoption of IFRS and carried out the restatement of balances.

I issued an unqualified opinion on the financial statements on 28 September 2011. The audit certificate to conclude the audit has not yet been issued as an objection has been received at another Nottinghamshire District in respect of off-street parking fines. This issue concerns the Nottinghamshire Parking Partnership of which you are a member. The objector has requested that I make an application to Court under Section 17 of the Audit Commission Act to have this item of account declared unlawful.

I have however undertaken sufficient work to conclude that this item of account is not material to your accounts, and have therefore been able to issue my opinion on the 2010/11 accounts.

## **Significant weaknesses in internal control**

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

## **Errors in the financial statements**

I identified errors in the financial statements and reported these (other than those of a trivial nature) to management. My detailed findings were reported to the Audit Committee on 27 September 2011. The only significant issue reported was:

- the past service cost credit relating to the change of the method used to calculate pension liabilities from RPI to CPI was separated out to be reported as an exceptional item on the face of the Comprehensive Income and Expenditure Account.

# Value for money

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**I considered whether you are managing and using your 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 you have strong arrangements to secure, economy, efficiency and effectiveness in your 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>You have a good track record of managing your spending within budget. You achieved relatively small underspends during 2008/09 and 2009/10. The 2010/11 outturn position was again within its budget and you maintained General Fund balances above the minimum levels you approved.</p> <p>Financial reports taken to members (via the Personnel &amp; Resources Committee, the Cabinet and the Performance Review Scrutiny Committee) are comprehensive and understandable. The reports and minutes of meetings provide evidence that performance is monitored and challenged.</p> <p>You have revisited the medium term financial plan in the light of the Comprehensive Spending review. This plan shows that there is a net reduction of net total revenue budget of £1.5 million in 2011/12 compared to 2010/11. This is from a combination of efficiencies and budget reductions and is less than the associated reduction in government grant of £1.87 million. The general fund balances you have built up enable you to reduce the impact of the reduction in grant.</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

Senior management and members provide leadership on prioritising resources and spending reductions. The Council is a low cost authority, and has been so for a number of years. The percentage of residents who think the council provides good value for money is above the median. Decision making is supported by appropriate information.

You benchmark services and performance against other similar organisations. Information on performance and trends are reported on a quarterly basis to the personnel and resources committee. Scrutiny committees have a strong programme of reviews in place.

During the 2010/11 the senior management team was restructured. The Chief Executive and Head of Democratic and Community Services both retired during the year and as part of this restructure the responsibilities carried out by these roles were taken on by officers already employed at the Council. This was a result of good succession planning and led to a reduction in staff costs.

# Closing remarks

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I have discussed and agreed this letter with the Chief Executive and the Deputy Chief Executive. I will present this letter to Cabinet on 1 December 2011 and to the Audit Committee on 13 December 2011. I will also provide copies to all Council 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
Opinion Audit Plan	March 2011
Annual Governance Report	September 2011
Audit opinion on the financial statements and value for money conclusion*	September 2011
Annual Audit letter	November 2011
Report on the audit of Grant Claims and returns	January 2012

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

John Cornett  
District Auditor

November 2011



# Appendix 1 - Fees

	Actual	Proposed	Variance
Scale fee	£98,000	£98,000	£0
Inspection work	£0	£8,320	- £8,320 *
Non-audit work	£0	£0	£0
<b>Total</b>	<b>£98,000</b>	<b>£106,320</b>	<b>- £8,320</b>

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

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 £6,306 against the above audit fee was issued in April 2010. The Audit Commission issued a further rebate of 1.5 per cent of the scale fee (£1,653) in December 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 £29,500 (£22,791) in 2009/10). The main reason for the expected increase is an increased amount of work being carried out on the review of Housing Benefits.

# 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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