



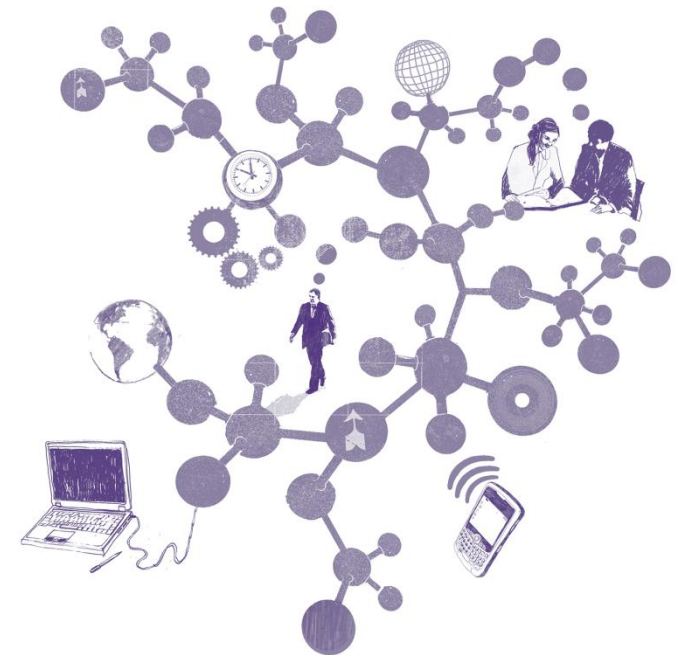
The Annual Audit Letter for Warwick District Council

Year ended 31 March 2013

October 2013

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Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

This is the first year we have been the appointed auditor for Warwick District Council. Despite the challenges this presents, with the support of officers we have been able to meet all of the external deadlines for our work.

The Council has met the financial challenges of reduced funding well, but these now look set to continue for several years. A robust Medium Term Financial Strategy and healthy reserves provide a solid base, but the future challenges cannot be underestimated.

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Warwick District Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 25 September.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 27 March and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission
- we have certified two grant claims and returns, both of which were certified without amendment. Our work on the Housing and Council Tax Benefit claim is continuing in advance of the 30 November deadline.

Executive summary

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

In our Audit Findings Report we commented "The Council continues to benefit from a prudent approach to spending, and is maintaining reserves in anticipation of challenging times ahead". However, the challenge of delivering balanced budgets, without using unplanned reserves, while maintaining quality of service delivery becomes ever more challenging. Indications are that public sector spending will continue to be subdued for several years, with the government setting a target of achieving a budget surplus in the next parliament. The latest Medium Term Financial Plan (MTFP) forecasts that recurrent savings of £1.975 million need to be achieved by 2018/19.

It appears as though interest rates are likely to remain at historically low levels for several more years. This means that, for councils like Warwick with levels of investments, returns will continue to be subdued. Other income streams are holding up well, given the economic climate.

For 2013/14 onwards the Council needed to implement a local scheme for Council Tax Support. The Council decided not to reduce benefit levels in the first year, and to revisit the scheme for 2014/15. Over the last year, the Council Tax Benefit caseload has decreased following the decrease in jobless claimants in the district. This decrease in caseload means that it is not now necessary to reduce the awards by 20% as originally envisaged. Accordingly, a 15% reduction is proposed, this being phased in over two years. All claimants will pay a minimum of 7.5% of council tax from 2014/15, increasing to 15% from 2015/16. Introduction of the new scheme will lead to increased arrears and increased work for officers in

chasing non payment.

From 1 April the Business Rates system changed. Of the £62.5m estimated to be collected in 2013/14, the Council will retain £3m with £6.2m being paid to Warwickshire County Council. The balance is paid to central government. In future, 50% of business rates growth is retained by local authorities with 50% to central government. Of the 50% retained locally, 80% is for District Councils, and 20% for the County Council. These changes to the business rates pooling system offer both opportunities and challenges. Local authorities stand to benefit from any new developments. However, any successful claims and losses from business closing or re-locating will have to be borne mainly by District Councils. Economic development activity therefore takes on even more importance.

A local elector has made an objection to the accounts in relation to the Council's expenditure on opposition to HS2, which the objector is suggesting is unlawful. We are currently considering the issues raised. While this did not prevent us from issuing our opinion on the accounts, it does prevent us from certifying the audit as closed.

Acknowledgements

This Letter has been agreed with the Head of Finance and will be presented to Finance and Audit Scrutiny Committee on 12 November.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Our audit of your accounts went well and we were able to issue an unqualified opinion and Value for Money Conclusion before the 30 September deadline.

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 27 June, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 29 July.

Issues arising from the audit of the accounts

We did not identify any adjustments affecting the Council's reported financial position. We made a number of adjustments to improve the presentation of the financial statements.

Annual governance statement

The Council has in place a thorough and robust process to produce the annual governance statement. Our work did not identify any changes, errors or omissions.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Finance and Audit Scrutiny Committee at the Council). We presented our report to the Finance and Audit Scrutiny Committee on 25 September and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

We were able to provide an unqualified Value for Money Conclusion. We reported "The Council has a high levels of reserves and was debt free until HRA Self financing. It has an excellent track record of forecasting in the Medium Term Financial Plan and of delivering savings and small budget surpluses. Thorough & comprehensive governance structures and internal financial reporting processes are in place, and underpin robust financial management."

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council 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.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our work highlighted that the Council has robust arrangements in place and is financially sound with good levels of reserves. We commented that the leadership team continue to demonstrate a good awareness of the current financial position, with regular reporting to Members on the in-year position and regular refreshes of the Medium Term Financial Plan.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our work highlighted the Fit For the Future programme and the 'lean systems' approach as key elements of the Council's success to date.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

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04. Certification of grant claims and returns

We have completed our work on the Business Rates and Pooling of Housing Capital Receipts grant claims. Both were certified by the relevant deadline, and without amendment. Our work on the Housing and Council Tax Benefit claim continues.

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified two claims and returns for the financial year 2012/13 with a total value of £63.7 million. Our work on one further claim continues.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

The key messages from our certification work are summarised in the table below. Further details will be provided in our certification report issued in January 2014.

Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All claims submitted by the relevant deadline. Both claims certified to date without amendment.	● Green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	No amendments required in either of the claim forms certified to date.	● Green
Supporting working papers	Working papers have been of a high standard.	● Green

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	70,597	70,597
Objection	n/a	TBC
Grant certification fee	10,850	TBC
Total fees	81,447	TBC

Fees for other services

Service	Fees £
None	Nil

We have not yet completed our grant certification work. We will report the final fee in our Grant Certification Report. We will be charging an additional fee for work relating to the objection to the accounts. This work is charged on a per diem basis within guidelines set by the Audit Commission. We will continue to liaise with the Deputy Chief Executive and the Head of Finance on this.

Reports issued

Report	Date issued
Audit Plan	27 March
Audit Findings Report	16 September
Certification report	January 2014
Annual Audit Letter	October



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