

# The Annual Audit Letter for Warwick District Council

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**Year ended 31 March 2014**

October 2014

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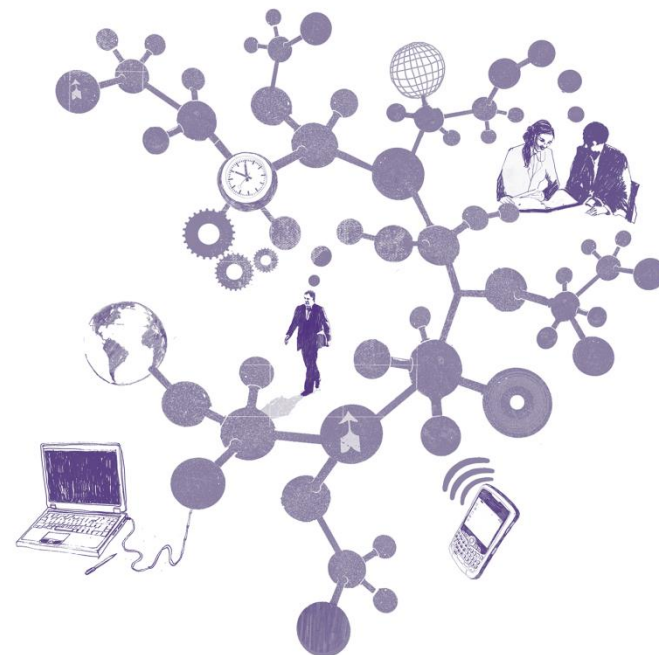
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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Warwick District Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued 7 May 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Financial statements audit (including audit opinion)**

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 23 September 2014 to the Finance and Audit Scrutiny Committee. The key messages reported were:

- The draft accounts presented for audit were of a good quality, as in previous years.
- Working papers provided were fit for purpose, with officers responding promptly to audit queries. This could be further enhanced by ensuring all key staff are available during the audit visit.
- We have discussed with officers the overall length of the accounts and numbers of disclosures made within them. The disclosure checklist produced by CIPFA now clearly gives councils the opportunity to not disclose certain items if they are immaterial to the accounts. We are happy to work with officers to achieve a more streamlined set of accounts in future years.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

# Key messages

## Value for Money (VfM) conclusion

We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.

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 2014.

The following key issues were highlighted as part of the reporting.

- The Council, like many others nationally, continues to face challenges in how to balance its budget. While overall the Council made a small surplus in year, there were significant areas of underspending. In addition to this there was also an underachievement against the initial savings targets agreed by the Fit for the Future programme. Officers and members recognise that further work is needed to ensure that accurate budgets and savings targets are set, but that also in the longer term, the financial settlement is likely to mean more difficult decisions are required to balance the budget and ensure the sustainability of the district.
- Our review of financial governance considered pending legal cases and on-going regulatory proceedings. Our attention was drawn to two legal issues which are yet to be resolved. One is in relation to the granting of leases on the Warwick Race Course site, the other is in relation to the pursuit of outstanding housing benefit debt. As both of these cases are in progress, the full costs relating to these cases is not known, however through our discussion with officers we do not consider these costs material to our overall conclusion.
- Our review of the financial governance of the authority highlighted the high level of standards activity during 2013/14. A review of the log of complaints shows that there were 19 complaints recorded and resolved during the period. From our experience of other similar authorities this is unusual.

# Key messages

<b>Formal Objections to the Accounts</b>	<p>We have received four formal objections to the accounts, which is a very unusual position for any council, let alone a district. We are working with both officers and the local electors who have raised these objections to reach a conclusion in line with our statutory duties. As a result of these objections we have not been able to formally conclude the audit.</p> <p>The objections relate to:</p> <ul style="list-style-type: none"><li>• resolution of the difficulties in relation to leases at Racing Club Warwick</li><li>• the management of St Mary's Lands, including the Racecourse</li><li>• allegedly excessive legal services costs</li><li>• recovery of overpaid benefits.</li></ul> <p>We have been made aware by a number of local electors of difficulties they have encountered in seeking to exercise their statutory rights to inspect the accounts and supporting records. The level of such requests increased significantly this year and the Council will need to ensure that it has appropriate arrangements in place to prevent a reoccurrence in future years.</p>
<b>Whole of Government Accounts</b>	<p>We completed the required work on the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. No issues were identified.</p>

# Key messages

<b>Certification of grant claims and returns</b>	We have certified the Housing Pooled Capital Receipts return in line with the deadline of the 30 September 2014. The claim was unqualified, however one amendment was made to ensure compliance with the requirements. Work is in progress on the housing benefit claim which has a certification deadline of the end of November 2014. We will report the findings from these claims as part of our Grant Certification Report in February 2015.
<b>Audit fee</b>	Our fee for the core audit in 2013/14 was £71,497, excluding VAT which was an increase of £900 compared to our planned fee for the year. This reflected additional work required on business rates following the change in the accounting regulations. In addition to the core audit fee, additional costs outside of the scale fee will be incurred as we discharge our statutory duty and respond to the objections to the accounts raised by members of the public. Work is still on-going in this area and we will continue to keep officers updated on the likely costs. Further detail is included within appendix B.

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	<p><b>Public requests for information</b></p> <p>The volume of requests from members of the public to inspect the accounts and supporting records increased significantly this year. The Council needs to ensure that it has sufficient arrangements in place to respond appropriately to these requests in a timely manner.</p>	High	<p><b>Management Response:</b> Officers are already discussing how to manage these in the future, specifically considering, ensuring all officers understand responsibilities in respect of year end, wording within the advert of the public's rights, process for monitoring and co-ordinating in house, and reducing dependence on Legal Services.</p> <p><b>Responsible officer:</b> Strategic Finance Manager</p> <p><b>Due date:</b> 31 March 2015</p>
2.	<p><b>Annual Governance Statement</b></p> <p>The Annual Governance Statement is required to include a specific statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officers in Local Governments (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. This was omitted from the Statement. A compliance review against these requirements should be undertaken to enable the statement to be included in future years.</p>	Medium	<p><b>Management Response:</b> Previous reviews have not suggested that the Authority does not comply with the Statement, however, there was no reference to this within the Annual Governance Statement. The opportunity is being taken to review compliance ahead of a suitable statement being included in the 2014/15 Annual Governance Statement. A review is being undertaken by the Head of Finance with the Audit and Risk Manager.</p> <p><b>Responsible officer:</b> Head of Finance</p> <p><b>Due date:</b> 31 March 2015</p>

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
3.	<p><b>De- cluttering of the accounts</b></p> <p>We have discussed with officers the overall length of the accounts and numbers of disclosures made within them. The disclosure checklist produced by CIPFA now clearly gives councils the opportunity to not disclose certain items if they are immaterial to the accounts. Officers and members should review the statement of accounts with a view to achieving a more streamlined set of accounts in future years.</p>	Medium	<p><b>Management Response:</b> Initial consideration has not suggested there is much that can be removed whilst still complying with Statute and requirements of the auditors. Further consideration is still being given, plus need to discuss with auditors, seeking specific examples.</p> <p><b>Responsible officer:</b> Strategic Finance Manager</p> <p><b>Due date:</b> 31 March 2015</p>



# Appendix B: Reports issued and fees

We confirm below the fee charged for the audit.

## Fees

	Per Audit plan £	Actual fees £
Audit Fee *	70,597	71,497
Grant certification fee **	10,880	TBC
Fee for dealing with Local Government Objection***	0	TBC
<b>Total fees</b>	<b>81,477</b>	<b>TBC</b>

\* Actual fees have increased by £900 compared to the audit plan. This is following approval by the Audit Commission for all Local Government bodies that a fee variation was appropriate as a result of the extra work required on business rates following the change in the accounting requirements.

\*\* The final certification fee will be reported as part of the grant certification report.

\*\*\* As previously mentioned we have also received objections to the accounts from local residents. The work required for us to discharge our statutory duties is not included within the scale fee and therefore the costs associated with this work will be charged to the Council. We will keep officers informed of progress and the likely costs associated with this work.

## Fees for other services

Service	Fees £
Appraisal of options for Kenilworth Public Service Centre (Tax advisory)	6,000

## Reports issued

Report	Date issued
Audit Plan	May 2014
Audit Findings Report	September 2014
Certification report	February 2015
Annual Audit Letter	October 2014



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