

---

## **EXCERPT FROM THE MINUTES OF THE AUDIT COMMITTEE HELD ON 30 NOVEMBER 2010**

---

### **AUC.76/10      ANNUAL AUDIT LETTER 2009/10**

The District Auditor presented the Annual Audit Letter for the City Council, the purpose of which was to summarise the findings from the 2009/10 audit. The report included messages arising from the audit of the Council's financial statements; and the results of the work she had undertaken in assessing arrangements to achieve value for money in the Council's use of resources.

She informed Members that this was a positive letter and represented a good year for the City Council.

The District Auditor drew Members' attention to paragraphs 7 – 15 of her report, adding that an unqualified opinion on the Council's Accounts had been issued on 30 September 2010. No material errors were found in the financial statements which had been prepared to a good standard. She had identified a number of presentational errors and omissions from disclosure notes, but those did not impact on the overall financial position of the Council. The financial statements had been amended for all identified errors and omissions.

She highlighted the fact that the Council had a temporary loan for £2 m at 31 March 2010, repaid on 1 April 2010, which was needed to cover temporary shortfalls in cashflow management to meet month end commitments. Short term and temporary borrowing was still an issue. She added that she had quoted the work undertaken by the Committee on monitoring progress on the areas of significant weakness in ICT internal control to the Chief Executive as a good example of the working of this Committee.

Referring to paragraphs 16 – 24, the District Auditor reported that she had issued an unqualified value for money conclusion by the due date, stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources. This was the first year that she had considered the Council's use of natural resources and her work identified that the Council had performed strongly in that regard. It was a pity therefore that a score could not be attached to that performance.

Referring to the approach to local value for money work from 2010/11, the District Auditor said that in future her work would concentrate on ensuring that the Council had proper arrangements in place to secure financial resilience; and challenge how it secured economy, efficiency and effectiveness.

She added that the National Fraud Initiative was a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants, and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in February 2009. The Council had made effective use of the NFI reports to identify and appropriately review data matches and, from the current exercise, identified savings in benefits of approximately £52,000 and just over £40,000 from single person Council Tax discounts.

In common with all public sector organisations and particularly local government, the Council faced significant financial challenges in 2010/11 and over the following four years. The economic downturn and the recent Comprehensive Spending Review (CSR) announcement would place the Council under increased financial pressure.

The Council had, however, started to reduce its costs as part of its Transformation Programme. It had been successful in securing efficiency savings and had introduced shared services for ICT and Revenues and Benefits. However, the scale of additional savings now required as a result of the CSR was significant and Members would need to make informed decisions about where revenue and capital savings were to be made. The Council's risk management arrangements provided a useful framework to help assess the impact of those decisions.

The District Auditor further reminded Members that she was required to issue a certificate upon completion of the audit in line with statutory requirements. However, she had been unable to issue a certificate in respect of 2009/10 because she had received an objection to the Council's accounts. The matter had attracted media interest locally. She had received a request for information but had not supplied any information to the Press.

The District Auditor emphasised to Members that she required to follow due process and was not therefore in a position to update them further on the matter at this time.

In conclusion, the District Auditor thanked the Assistant Director (Resources) and his team for the support provided over the year in question.

RESOLVED – (1) That the Committee welcomed submission of the Annual Audit Letter for 2009/10 and were particularly pleased to note that the District Auditor had on 30 September 2010 issued an unqualified opinion on the financial statements and also an unqualified value for money conclusion, stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

(2) That the Committee noted the Council's strong performance in its use of natural resources.

(3) That the new approach to local value for money work from 2010/11, which would concentrate on ensuring that the Council had proper arrangements in place to secure financial resilience and challenge how it secured economy, efficiency and effectiveness, be drawn to the attention of the Executive. The Audit Committee would keep a watching brief on the matter.

(4) That the Committee received the update from the District Auditor concerning the objection to the Council's accounts; noting that the matter was progressing.

(5) That the Committee's thanks and appreciation of the considerable amount of hard work undertaken by the Assistant Director (Resources) and his staff, which contributed towards the 2009/10 audit findings be placed on record.

(6) That the Committee wished to congratulate those members of staff who had contributed towards the Council's effective use of National Fraud Initiative reports to identify and appropriately review data matches. As a result of that work the Council had identified savings in benefits of approximately £52,000 and £40,000 from single person Council Tax discounts.