

# Annual Audit Letter

Chichester District Council

Audit 2010/11



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# Key messages

**This report summarises the findings from my 2010/11 audit. My audit comprises two parts:**

- **the audit of your financial statements; and**
- **my assessment of your arrangements to achieve value for money in your use of resources.**

Key audit risk	My findings
Unqualified audit opinion	Yes
Proper arrangements to secure value for money	Yes

## **Financial statements and annual governance statement**

I issued an unqualified opinion on the Council's financial statements.

The Council prepared its accounts well against a challenging background of the transition to IFRS accounting.

Your Annual Governance Statement is consistent with my understanding of your controls and procedures.

## **Value for money**

I issued an unqualified VFM Conclusion.

It has been another challenging year for local authorities, seeking to respond to the continuing financial pressures while preserving essential services.

My work found the Council:

- has a track record of strong financial management, with effective budget setting and budgetary control arrangements;
- holds reserves that should be enough to meet unexpected demands on resources and to help deliver corporate priorities; and
- continues to seek opportunities for improving value for money in its services

## **Audit closure**

I closed my audit of Chichester District Council's 2010/11 financial statements on 26 September 2011.



# Current and future challenges

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The Council has made over £3 million savings in response to reduced funding levels from government. Nevertheless spending remained within budget in 2010/11 and the Council was able to add to its reserves at year-end.

The government is continuing its policy of reducing financial support to local government and the impact of this will continue to affect the Council. Having balanced its 2011/12 budget, the Council needs to find another £2 million of savings over the next five years to keep its finances in balance. The continuing economic downturn is likely to mean greater pressure on finances, particularly on income streams.

The main challenges for the Council over the next 12 months include:

- delivering cash savings set out in the Council's financial strategy;
- delivering development management services on behalf of South Downs National Park; and
- using freedoms to amend or drop national targets and to develop local, outcome focused, ones.

Other challenges the Council will face over the next few years, include:

- changes proposed in the government's Welfare Reform Bill, including new arrangements for housing and council tax benefits;
- changes proposed in the government's Localism Bill, including new arrangements for funding social housing and for enabling local groups to take over community facilities and services; and
- promoting local economic growth, including by opportunities created by the local government resource review and in partnership with the South Downs National Park Authority.

My work for the 2011/12 VFM conclusion will take account of how the Council is responding to these challenges

# Financial statements and annual governance statement

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The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

## Overall conclusion from the audit

In my opinion, your financial statements:

- gave a true and fair view of your financial position and spending and income for 2010/11; and
- had been prepared properly, following the relevant accounting rules.

The challenge of moving to financial statements based on International Financial Reporting Standards (IFRS) was a significant one. The extra work involved meant added pressures on finance staff during a period when the impact of the government financial settlement was first being considered and responded to.

Despite this pressure, the accounts that I audited were complete and of a good standard.

## Internal Control

I reported the outcomes of my assessment of your internal controls twice during the year, in June and September. There are no current weaknesses that should concern Members. I am also satisfied that your Annual Governance Statement is consistent with my understanding of your controls and procedures. My testing did not identify any exploitation of the issues reported and I am satisfied with your response so far.

# Value for money

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**I considered whether the Council is managing and using its money, time and people to deliver value for money.**

## **Overall conclusion**

My overall conclusion is the Council has proper arrangements to secure, economy, efficiency and effectiveness in its use of resources.

## **How I formed my conclusion**

To form my view on the Council's arrangements, I planned a programme of VFM audit work based on my risk assessment. This included the following.

- Capturing what I knew already from last year's work, the Audit Commission's VFM profiles, my continuing reviews of minutes and discussions with officers.
- Considering risks that are common to some or all local authorities, including:
  - the government's spending review;
  - preserving essential services and effectiveness with reduced funding;
  - the new public services transparency requirements; and
  - sector self-regulation and improvement.

I then assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission:

- the organisation has proper arrangements in place for securing financial resilience; and,
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

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>The Council has a track record of strong financial management. Its budget setting and budgetary control arrangements are effective and it is keeping its reserves at a prudent level to help deliver corporate priorities and meet unexpected demands.</p> <p>The Council has responded effectively and decisively to a reduction in government funding by reviewing structures and management arrangements to identify savings while seeking to preserve the level and standard of services. This early action delivered a balanced budget for 2011/12 but highlighted increasing risks to the delivery of a low or nil council tax increase for 2012/13. These risks include growing pressure on income and increasing demand for services.</p> <p>The Council's financial strategy recognises that more measures are needed to balance the Council's financial projections over the period until 2016/17. Arrangements to achieve this are well developed but rely heavily on continued progress being made on the Chichester service transformation agenda. There will also be a continuing need to evaluate alternative service delivery choices as well as 'in-house' provision.</p> <p>Despite these longer term challenges the Council has suitable arrangements in place to achieve financial resilience over the foreseeable future.</p>
<p><b>2. Securing economy efficiency and effectiveness</b></p> <p><b>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b></p> <p>Focus for 2010/11:</p> <p>The organisation is setting priorities within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>The Council continues to deliver services that are well regarded by residents.</p> <p>Decentralisation and localism are at the heart of the DCLG's activities and priorities. Following the increased freedoms from external Inspection and Comprehensive Area Assessment (CAA) the Council has made progress in developing its own internal service review processes. This is set out in the Council's service transformation agenda which has removed around £3.1 million of costs from the Council's budget since 2009. Work is continuing and, by next December, the Council plans to have a clear view of what it can afford to continue to do in the current financial climate, and what it cannot.</p>

## Criterion

## Key messages

During 2011 more freedom was also provided to review performance information collected and monitored by the Council. DCLG gave councils the freedom to amend or drop local area agreements, associated targets and many national performance indicators. The Council has recognised this is an opportunity to reduce bureaucracy. The challenge over the next 12 months is to develop outcome focused, strategic targets measuring what is important to the Council and to its Community.

The Council continues to work with partners where it will achieve more for less. The Local Strategic Partnership, 'Chichester in Partnership' continues to deliver projects to improve life in the district. Other key partnerships exist, covering areas including economic development, health, community safety, tourism and the environment. Although some councils use partnerships more extensively, Chichester's is a practical stance based on the benefits of each.

In my view your arrangements to challenge how you set priorities and deliver effective, economic and efficient services continue to be sound.

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# Closing remarks

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I have discussed and agreed this letter with the Director Treasurer and Director of Corporate Services. I will present this letter at the Corporate Governance and Audit Committee on 17 November 2011 and will provide copies to all Members.

More 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
2010/11 Initial fee letter	April 2010
2010/11 Audit – changes you can expect to see	December 2010
Audit Plan Update	July 2011
Annual Governance Report	September 2011
Annual Audit Letter	November 2011

The Council has taken a positive and helpful approach to our audit. I wish to thank the Council staff for their support and cooperation during the audit.

Patrick Jarvis  
District Auditor

November 2011

# Appendix 1 – Fees

	Actual	Proposed	Variance
Scale fee	113,250	113,250	-
Claims certification	14,095 *	30,000	* This figure represents the latest charges on a per-diem basis.
Non-audit work	-	-	-
<b>Total</b>	<b>127,345</b>	<b>143,250</b>	<b>Fees for grant work will not be finalised until December 2012.</b>

The Audit Commission has paid a separate rebate to you of part of the audit fees set out above. This adjustment is not part of my audit fee.

# 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 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 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 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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