

Annual Audit Letter

Swindon Borough Council

Audit 2010/11



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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.**

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

Audit opinion and financial statements

I issued an audit report, including an unqualified audit opinion on the Council's 2010/11 financial statements, on 23 September 2011.

The main points arising were that:

- this year for the first time the Council prepared its financial statements under the much more complex International Financial Reporting Standards (IFRS);
- as a result of the late production of re-stated accounts for 2009/10 there were a significant number of changes to the financial statements; and

- there were only a small number of material changes to the statements and no uncorrected material errors.

Value for money

I issued an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In summary:

- the Council has robust systems and processes to manage effectively financial risks and opportunities; and
- the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Current and future challenges

The Council faces several key challenges in 2012 and beyond, many of which also affect most or all other similar councils. These include the following.

Economic downturn and pressure on the public sector

The Council continues to recognise that it faces significant financial pressures in the next few years because of the continued economic downturn and the prospect of real cuts in funding and pressure on income streams. For example, the Government intends to reduce public spending by a total of 28 per cent in the four years from 2011/12.

In September 2011 the Director of Finance reported that, although the Council's balance Sheet as at 31 March 2011 continued to be strong, the level of General Fund Earmarked Reserves would fall in 2011/12. Unearmarked (general) Reserves have been held at £6 million for the last three years.

The Council's transformation agenda and the 'Stronger Together' initiative

The Council is currently restructuring internally to help support its 'Stronger Together' initiative, which focuses on:

- making sure that agencies and communities work together in the most cost effective way;
- efficient direct delivery and co-ordination of work by agencies; and
- putting local people and their representatives at the heart of decision making for their area.

It is expected that the changes in senior management appointments announced recently will help to reduce overall management costs.

Potential changes in service provision

The Council is currently consulting on options for housing in Swindon. If it is decided a tenants vote is required this will take place in December 2011. Any changes in provision will be implemented by 1 April 2012.

As from 1 October 2011 community health and social care services in Swindon are being provided by NHS Swindon and Swindon Borough Council via a new social enterprise.

Financial statements and annual governance statement

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

I issued an unqualified opinion on the Council's 2010/11 financial statements on 23 September 2011, stating that they gave a true and fair view of the Council's financial position and its income and expenditure for the year. My opinion was given ahead of the statutory deadline of 30 September.

Significant issues arising from the audit

This has been the first time that the Council was required to complete its 2010/11 financial statements under the much more complex International Financial Reporting Standards (IFRS). As with most authorities, this required a significant amount of extra time and effort by your officers. The Council produced a complete set of draft accounts by 30 June 2011 that were substantially compliant with the new requirements.

The only significant issue arising from the audit was the impact of the late completion of re-stated 2009/10 accounts, as required by International Financial Reporting Standards. This meant that there were some errors in the brought forward figures for 2009/10 in the draft 2010/11 financial statements which might otherwise have been avoided.

There were five material errors in the accounts. These consisted of three adjusted figures and two reclassifications within the accounts. The figures adjusted related to council house values, internal recharges to Group Accounts and recharging for adult social care. There were no material uncorrected errors.

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements. I did, however, identify three areas where control could be improved (in the SWIFT system, year-end journals and the SIMS system).

Certification of claims and returns

Local authorities make a number of annual grant claims and returns to national government departments. For the larger claims and returns I am required to certify that the Council has met the relevant requirements for the claim or return.

My work is not yet complete but I currently expect to certify all claims and returns without qualification except the Housing Subsidy Base Data Return for 2012/2013 where I pointed out to the grant paying department some anomalies in the classification of low and medium rise flats and the particular method used to calculate outstanding repayments of principal. These are relatively minor issues but I felt it was appropriate to report them in the context of the forthcoming changes to local authority housing finance, at which time the return will be used to calculate the self-financing entitlement under the new housing finance regime to be implemented on 1 April 2012.

Value for money

I considered whether the Council is managing and using its 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 assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against the two criteria specified by the Audit Commission for 2010/11. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
1. Financial resilience The organisation has proper arrangements in place to secure financial resilience. Focus for 2010/11: 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>The Council has proper arrangements in place to secure financial In particular:</p> <ul style="list-style-type: none">■ financial governance is robust, with sound systems, processes and controls in place;■ risks arising from the economic climate and predicted future government funding are understood and being managed effectively;■ the Council has a good record track record of managing its spending and robust arrangements are in place for medium term financial planning;■ the Council's overall financial position is healthy but challenging; and■ resources are prioritised within tight budgets and significant cost reductions and improvements in efficiency and productivity have been achieved.

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.

The Council has proper arrangements in place to challenge how it secures economy, efficiency and effectiveness. In particular:

- a good process exists to understand and to challenge costs;
- there is strong leadership from officers and members which has ensured a strategic approach to effectively challenge spending and investment decisions and ensuring these are focused on the priorities and needs of the local population;
- cost comparisons and benchmarking show that service costs compare favourably with other similar organisations and that corporate and democratic core costs as a proportion of total net spend have been reduced; and
- recent service inspections (eg Safeguarding and Looked After Children (2011) and Children’s Services 2010) have been positive about services in Swindon.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Audit Committee on 21 November 2011. The Council should subsequently ensure a copy is provided to each Council member.

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
Audit fee letter	April 2010
Audit opinion plan	February 2011
Annual governance report	20 September 2011
Audit Opinion	23 September 2011
Value for money conclusion	23 September 2011
Whole of government accounts audit opinion	30 September 2011
Annual audit letter	October 2011
Certification of grant claims and returns – annual summary	to follow

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

Martin Robinson (District Auditor)
November 2011

Appendix 1 - Fees

	Actual*	Proposed*	Variance*
Scale fee	£315,000	£315,000	0
Less fee rebates received during the year	(£29,925)	n/a	(29,925)
Total	£285,075	£315,000	(£29,925)

* all fees exclude VAT

There is a separate fee for the certification of grant claims and returns. This work is not complete but my estimate of the likely fee is £34,500 (actual fee for 2009/10 was £35,448)

Appendix 2 - Glossary

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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