

Annual Audit Letter

Worcestershire Shared Services Joint Committee

Audit 2010/11



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Traffic light explanation
Red ■ Amber ◆ Green ●

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.**

I have included only significant recommendations in this report. The Council has accepted these recommendations.

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

Audit opinion and financial statements

I issued an audit report including an unqualified opinion on the financial statements on 30 September 2011.

- Errors affecting the treatment of employee benefits and amounts refundable to participating bodies were identified during the audit that. The net impact of these was to understate total expenditure by £48k, overstate total income by £300k and net assets by £348k
- The 2011/12 budget shows that the Joint Committee is expected to operate at a level where it will be considered to be a smaller relevant body and as such will be subject to a limited assurance audit.

Value for money

I issued an unqualified conclusion stating that the council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources on 30 September 2011.

- Annual running costs are reimbursed by the participating councils
- There is evidence that progress has been made towards reducing the costs of operating regulatory services, the organisation has reduced staff numbers and costs since it came into being.

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 financial statements on 30 September 2011.

Smaller Relevant Body

- 1** Where a local government body that is not a local authority has income or expenditure of less than £6.5 million the body is classed as a Smaller Relevant Body (SRB). This has two results. SRBs are required to only prepare a simple Annual Return unless they elect to prepare a full Statement of Accounts. SRBs fall within the Audit Commission's limited assurance regime (unless they have elected to prepare a statement of Accounts). This audit work is carried out by a special unit established by the audit commission and not by local auditors.
- 2** The draft accounts presented to us on 30 June showed expenditure that was above the limit for the joint committee to be considered as a smaller relevant body. After amendments, the revised accounts reported income and expenditure below the limit. However, at that stage by changing the audit and accounts regime a completed audit could not be guaranteed by the statutory deadline of 30 September. The Executive Director (Finance and Resources) of Bromsgrove District Council authorised the continuation of the normal audit arrangements.
- 3** The 2011/12 budget shows that the Joint Committee is expected to operate at a level where it will be considered to be a smaller relevant body and as such will be subject to a limited assurance audit. I expect this to result in a lower audit fee.

Quality of your financial statements

- 4** This was the first year that accounts have had to be prepared for the Joint Committee.
- 5** There is no separate specific guidance as to the required format of joint committee accounts. However, there is a general requirement to comply with the code of Practice on Local Government Accounting and to include information appropriate to the organisation.

6 The draft accounts presented for audit on 30 June 2011 did not contain all the statements and notes that in my opinion were appropriate for WSS JC. There were also a number of significant errors in these accounts. I received revised accounts on 15 August 2011 which were used as the basis for my audit.

7 My main findings on the quality of the accounts process are as follows.

- The preparation of the accounts was allocated to one officer.
- We did not see a formal close down and accounts preparation plan.
- The reporting of assets/liabilities and refunds to partner bodies was fragmented. I would expect to see formal reporting and agreement of debtors and creditors balances.
- There were insufficient working papers supporting the financial statements.

Errors in the financial statements

21 A number of errors affecting the treatment of employee benefits and amounts refundable to participating bodies were identified during the audit that. The net impact of these was to understate total expenditure by £48k, overstate total income by £300k and net assets by £348k. I have reported separately on these to the Executive Director (Finance and Resources)

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements.

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.

8 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission.

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

10 The Joint Committee is financially resilient because its costs are reimbursed by the partners. The Joint Committee was set up to secure greater economy, efficiency and effectiveness in the delivery of regulatory services in Worcestershire. There is evidence that progress has been made towards this objective, the organisation has reduced staff numbers and costs since it came into being.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Executive Director (Finance and Resources) of Bromsgrove District Council. The letter will be presented to the Committee and will I provide copies to all committee members.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Committee during the year.

Report	Date issued
Audit Plan	May 2011
Audit opinion	September 2011
VFM Conclusion	September 2011
Annual Audit Letter	November 2011

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

Elizabeth Cave

District Auditor

November 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Scale fee	19,000	19,000	0
Non-audit work	0	0	0
Total	19,000	19,000	0

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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