

September 2012

Members  
Bromsgrove District Council  
The Council House  
Burcot Lane  
Bromsgrove  
B60 1AA  
Dear Member

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## **Bromsgrove District Council Annual Audit Letter 2011/12**

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Bromsgrove District Council.

### **The results of my audit**

Following the Audit Committee on 26 September I:

- issued an unqualified opinion on the Authority's 2011/12 financial statements; and
- concluded that you have made proper arrangements to secure economy efficiency and effectiveness in your use of resources; and

I expect to complete the Whole of Government Accounts audit shortly in line with the national timetable and plan to issue my certificate that the audit is complete by 30 September 2012.

### **The Council's financial statements**

On 26 September I will present my Annual Governance Report (AGR) to the Cabinet outlining the findings of my audit of the 11/12 financial statements. In this letter I summarise the main issues.

No material amendments were made to the accounts as a result of the audit. Some changes were made to disclosures and to accounting policies to improve their accuracy.

The audit trail to support the shared services was complicated. Some of the costs are apportioned in relation to the original business case, other costs are shared differently. This made it difficult for us to see whether all the costs had been apportioned on an agreed basis and in relation to accepted accounting principles. Overall we concluded shared services had not been materially misstated. I have recommended that the accounting arrangements should be improved, preferably based on an annual, detailed agreement for each shared service.

Risk management arrangements are in place for shared services but are not comprehensive enough to enable members to effectively manage all corporate risks.

I will provide officers with a detailed memorandum designed to help the closedown and audit next year.

### **Value for Money**

The Council reflected its corporate priorities when setting its budget, providing some investment in priority areas and disinvesting in areas that were considered less important. Overall savings of £1.1m were included in the 2011-12 budget along with use of £0.3m of balances. The outturn shows that the Council was able to make a contribution of £0.6m to the general fund at the year end. The Council therefore did well to manage its very challenging budget this year.

Savings in 2012/13 and beyond are equally challenging. The medium term financial plan depends on shared services and transformation achieving overall target savings and members need to manage this closely. Improved financial monitoring reports which provide more detail of planned and actual savings are needed to support members.

Our review of the benefits transformation highlighted that the process had lead to some changes in the way the service is delivered and this was recognised as successful in improving the service. However no savings have yet been attributed to the review.

The Council is taking significant steps to change the way services are provided, and how the Council operates to drive out savings. Fundamental changes have been made to its senior management structures and there is now a joint management team with Redditch. Other services are being shared, posts and costs have been removed. For these reasons and in view of the Council's current levels of balances, I have concluded that the Council has arrangements in place to remain financially resilient and is taking steps to achieve economy, efficiency and effectiveness in its use of resources.

### **Key issues for the Council in 2012/13**

I have identified the following key issues, from the audit perspective, that I believe the Council will need to focus upon in the coming year:

- identifying enough savings for a secure financial position remains a key challenge for the council in 2012/13 and beyond.
- Improving financial reporting and risk arrangements to support management in managing the risks around the budget.
- Delivering the Council's shared services and transformation agenda
- Implementing changes to the housing benefits regime and managing the impact on the budget
- Implementing the local government finance bill, with uncertainty over the financial implications of pooling arrangements.

**Closing remarks**

I have discussed and agreed this letter with the Chief Executive and the Executive Director of Finance and Corporate Resources. While this has been another challenging year for the Authority I wish to thank the finance staff for their positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit Committee for their support and co-operation during the audit.

Yours sincerely

Elizabeth Cave  
*District Auditor*