

Annual Audit Letter

East Riding of Yorkshire Council and East Riding Pension Fund

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.

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

Audit opinion and financial statements

- I issued an unqualified audit opinion on 30 September 2011.
- The Council prepared the financial statements to a high standard without significant errors or omissions.
- Working papers provided in support of the accounts were good and officers responded quickly to requests for information.
- The financial statements complied with the requirements of international financial reporting accounting standards.

Value for money

- I also issued an unqualified value for money conclusion on 30 September 2011.
- Your arrangements aim to secure financial resilience while responding to significant cuts in government grant funding and meeting your priorities.
- Proper arrangements are in place for challenging economy, efficiency and effectiveness in your use of resources.

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 gave an unqualified audit opinion on your financial statements for the year ending 31 March 2011 on 30 September 2011.
- During the audit I found some numerical and text misstatements that have been amended by your managers. I had no uncorrected errors to report to the Audit Committee.

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements. I did however suggest that Audit Committee members satisfy themselves with the adequacy of management controls relating to the valuation of Unquoted Investments in the Pension Fund. I also suggested that they confirm that they are satisfied with the Internal investment Manager's preference not to seek an independent valuation of these assets.

Quality of your financial statements

Officers prepared the statements to a high standard without significant errors or omissions and excelled in dealing with the challenges presented by the need to apply the International Financial Reporting Standards for the first time.

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 assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. I am satisfied that you had proper arrangements to secure, economy, efficiency and effectiveness.

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

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</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>Achieved</p> <p>Officers and Members share a good understanding of the financial position through the budget setting process and then through regular budgetary monitoring.</p> <p>The Council has a good understanding of future financial pressures which are set out in the Medium Term Financial Plan (MTFP). Financial risks are monitored on a regular basis and as a result officers identified the need to make savings in advance of expected government spending cuts in 2011/12 and beyond.</p> <p>The Council approved a £30 million programme of savings required to be delivered across all directorates over a four-year period. Strong financial management enabled good progress to be made on achieving these savings resulting in your delivery of substantial underspend on the 2010/11 budget. This is to be used to cushion the impact of future grant reductions, so services are protected and the General Fund reserve balance is preserved.</p>

Criterion

Key messages

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 also tried to reduce its dependency on central government funding by developing a clear charging policy to increase revenue. This has resulted in higher than average levels of income generated across all services.

I also considered your early retirement, risk management and procurement arrangements and have no matters to raise with you following that work.

Achieved

There is significant involvement of the Corporate Management Team (CMT) and Members in deciding spending priorities. These priorities have been agreed with partners across the local area. Directorate budgets and savings plans are reviewed to ensure they meet your priorities. Members have challenged allocations and savings proposals at both macro and micro level for example Assumptions around inflation; developing Academy schools and the transfer of Public Health. This involvement is ongoing through the delivery of your transformation projects.

Spend per head is below average but high levels of service delivery are achieved. The challenge in the coming years is to preserve and improve services and continue to deliver your priorities in an environment of reduced funding.

Closing remarks

I have discussed this letter with the Chief Executive and the Head of Finance. I will present this letter at the Audit Committee in January 2012 and will provide copies to all members.

The Council continues to have taken a positive and constructive approach to our audit. I wish to thank the officers for their support and cooperation during the audit.

Mark Kirkham
District Auditor

October 2011

Appendix 1 – Fees

	Actual £	Proposed £	Variance £
Audit fee East Riding Council	£339,989	£339,989	0
Audit fee East Riding Pension Fund	£46,985	£46,985	0
Audit of Grant Claims	£72,100 (latest)	£72100	0 (anticipated)
Non-audit work	0	0	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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