

Annual Audit Letter

Suffolk County Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Contents

Summary	2
Audit opinion and financial statements	2
Value for money.....	2
Audit fees.....	2
Current and future challenges	2
Financial systems and annual governance statement	3
Overall conclusion from the audit	3
Significant weaknesses in internal control	3
International Financial Reporting Standards.....	3
Value for money	5
2009/10 use of resources assessments	5
VFM conclusion	5
Approach to local value for money work from 2010/11.....	6
Current and future challenges	8
Economic downturn and pressure on the public sector	8
Future developments	8
Closing remarks	9
Appendix 1 Audit fees	10
Appendix 2 Glossary	11

Summary

This report summarises my findings from the 2009/10 audit. My audit covers two parts: the audit of your financial statements (pages 3 to 4) and my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 7).

Audit opinion and financial statements

1 I gave an unqualified opinion on the Council's financial statements. In addition, I gave unqualified opinions on the Local Government Pension Fund accounts; Pension Fund Annual Report; and the fire-fighters' pension fund accounts. I did not identify any significant issues.

Value for money

2 I assessed the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. I issued an unqualified value for money conclusion.

Audit fees

3 My opinion audit plan report in June 2010 set out my 2009/10 audit fees. I have looked at my costs and fees at the end of this audit. There is no need to change my 2009/10 fee.

Current and future challenges

4 The economic environment continues to have a significant impact on councils, with significant spending cuts announced in the governments spending review.

5 The Council recognise the impact on Suffolk and Suffolk County Council of the current challenging economic environment, and in response have developed the New Strategic Direction programme. The strategic model has three key themes.

- Supporting and strengthening local democracy.
- Enabling and encouraging more responsive and cost effective services, by putting budgets in the hands of individuals and communities.
- Working with communities, so they are more able to look after their own needs and to take more control over their lives.

Financial systems 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. I gave an unqualified opinion on the Council's 2009/10 financial statements on 30 September 2010.

Overall conclusion from the audit

6 I did not identify any significant issues from the audit. I gave unqualified opinions on the Council's financial statements; the Local Government Pension Fund accounts; Pension Fund Annual Report; and the fire-fighters' pension fund accounts. All these opinions were issued on 30 September 2010. I presented my findings in my Annual Governance Report to the Council's Audit Committee.

7 The Council has robust arrangements for financial reporting, accountability, closing accounts and producing financial statements. Officers have addressed all our past recommendations and continue to improve disclosures in the financial statements. Council financial statements remain of good quality, with improved user clarity.

8 I received a complete set of financial statements before the audit. Although the financial statements contained some errors, none of those identified by our work are either material or significant. The Council's management agreed to amend the financial statements and address recommendations to correct these errors.

Significant weaknesses in internal control

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

International Financial Reporting Standards

10 As reported in my last audit letter, local government will introduce International Financial Reporting Standards (IFRS) in the 2010/11 financial statements.

11 Successful implementation of IFRS will testify to the ability of local government to manage a major change in its arrangements for financial reporting and accountability. Failure, on the other hand, could result in late or qualified opinions on accounts and will reflect badly on the reputation of individual authorities and, potentially, the sector as a whole.

12 I have checked the Council's progress in implementing IFRS and currently it is well on track to prepare IFRS-compliant accounts. The restatement work the Council has recently completed will help them to identify the areas they need to address as they move closer to the final stages of IFRS implementation.

13 The Council's Audit Committee has a key role to play to challenge the progress of IFRS implementation. I would encourage the Council to continue to discuss with us emerging IFRS issues.

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.

2009/10 use of resources assessments

14 At the end of May 2010, the Audit Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would stop. The Audit Commission would no longer issue scores for its use of resources assessments.

15 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion. Below, I report the significant findings from the work I have carried out to support the VFM conclusion.

VFM conclusion

16 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

17 This is a summary of my findings.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural resources ⁱ	Yes
Strategic asset management	Yes
Workforce	Yes

18 I issued an unqualified conclusion stating the Council has satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources. A summary of my key findings and conclusions for the three themes is provided in my Annual Governance Report which was presented to the Audit Committee on 30 September 2010.

Approach to local value for money work from 2010/11

19 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

20 My work will be on a reduced number reporting criteria, specified by the Audit Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

ⁱ SFRS assessed in 2009/10. SCC assessment brought forward from 2008/09

21 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer provide an annual scored judgement about my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual governance report and my annual audit letter.

Current and future challenges

Economic downturn and pressure on the public sector

22 The economic downturn and the international banking crisis have had a significant impact on public finances over the last two years.

23 The government's spending review aims to achieve efficiency and value for money and challenge local authorities to fundamentally change the delivery of services so more power lies in the hands of individuals and frontline professionals. Recent policy announcements include:

- the end of ring-fencing to many local government grants from 2011/12;
- changes in financing rules which will allow local authorities to borrow against future increases in business rates;
- reforms to the planning system, with a New Homes Bonus introduced to promote housing supply;
- proposals for elected mayors being subject to local referendums; and
- replacing public Service Agreements by a Transparency Framework

24 Significant cuts in government grant of 7.1 per cent for each year up to 2014/15 and rising demand pressure on local services could lead to a funding gap. I will review, as part of my value for money work, how the Council will secure financial resilience and prioritise its resources during this challenging period.

Future developments

25 The Council recognise the impact on Suffolk and Suffolk County Council of the current challenging economic environment, and in response have developed the New Strategic Direction programme. The strategic model has three key themes.

- Supporting and strengthening local democracy.
- Enabling and encouraging more responsive and cost effective services, by putting budgets in the hands of individuals and communities.
- Working with communities, so they are more able to look after their own needs and to take more control over their lives.

26 During my audit, I will work closely with officers and members on the Council's response to the tighter fiscal environment it faces. I will monitor the implementation of the new strategic direction programme and assess how the new arrangements still ensure effective governance and value for money.

Closing remarks

27 I discussed and agreed this letter with the Chief Executive and the Head of Strategic Finance. I will present this letter at the Audit Committee on 25 January 2011 and will provide copies to all Members.

28 I issued some reports this year which contain more detailed findings, conclusions and recommendations in the areas covered by our audit.

Report	Date issued
Audit Opinion Plan	June 2010
Annual Governance Report	September 2010
Auditor's report including the value for money conclusion	September 2010
Annual audit letter	November 2010

29 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.

Neil Harris
District Auditor
November 2010

Appendix 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£138,200	£138,200	£0
Value for money	£78,250	£78,250	£0
Whole of government accounts	£7,050	£7,050	£0
Total audit fees	£223,500	£223,500	£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 accounts, auditors must give their 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;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

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 money, people and time.

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