

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	26 NOVEMBER 2013
TITLE OF REPORT:	ANNUAL AUDIT LETTER 2012/13
REPORT BY:	CHIEF FINANCE OFFICER

Wards Affected

County-wide

Purpose

To consider and note the external auditor's statutory Annual Audit Letter for 2012/13 which sets out:

- a. auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two); and
- b. assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)

The Letter is intended to communicate key messages to the Council and external stakeholders.

Recommendation(s)

THAT: the Audit & Governance Committee discuss and take note of the content of the Annual Audit Letter (AAL) for 2012/13 attached to this report.

Key Points Summary

- The external auditors have highlighted four key issues for the council to focus on in the coming year; the financial position, adult social care, waste disposal and safeguarding children
- The external auditors issued an unqualified opinion on the statement of accounts for 2012/13
- A qualified 'except for' conclusion was issued in respect of the council's arrangements for securing economy, efficiency and effectiveness in its use of resources as a result of the Ofsted judgment on arrangements for safeguarding children
- An unqualified opinion has been given on the council's Whole of Government Accounts submission

Alternative Options

1. This is a report reflecting the statutory Annual Audit Letter process and therefore no alternative options are outlined.

Reasons for Recommendations

2. The Code of Audit Practice in Local Government Bodies requires the external auditor to make a report to those charged with governance that summarises the conclusions they have drawn from their audit work and their opinion on the financial statements and value for money.

Key Considerations

3. The external auditors have highlighted four key issues for the council to focus on in the coming year; the financial position, adult social care, waste disposal and safeguarding children.
4. The Letter highlights the financial risks faced by the council and the relatively low level of reserves and the need to address the forecast deficit in 2013/14. For future years the council needs to consider its future role.
5. The Letter sets out the budget issues within adult social care, including the failure to deliver ambitious savings targets. It acknowledges that the council has taken steps to strengthen its budget setting process, but further work needs to be done.
6. The Letter also sets out the issues that the council is considering in relation to the joint waste PFI contract with Worcestershire County Council.
7. The final key issue addressed in the report is the safeguarding assessment arising out of the Ofsted inspection in September 2012. It acknowledges that the council has made several significant changes to address the issues but there is still much to do.
8. The Committee is required to consider the external auditors findings before adopting the financial statement and its annual governance statement. The external auditor's Annual Audit Letter (AAL) confirms that the external auditor presented their report to the Audit and Governance Committee on 25th September 2013 and issued an unqualified opinion on 27th September 2013.
9. Another key part of the attached document is the external auditor's requirement to indicate if the council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the statutory 'value for money' conclusion. The external auditor concluded that in all significant respects the council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013 except for the arrangements to safeguard children.

Financial Implications

10. None arising directly from this report.

Legal Implications

11. This report has no legal implications.

Risk Management

12. The Audit & Governance Committee has responsibility for corporate governance and will monitor progress made by management in addressing any issues identified in the external auditor's Annual Audit Letter for 2012/13. Risk is mitigated by delivering the action plan's recommendations.

Consultees

13. None.

Appendices

14. Annual Audit Letter 2012/13.

Background Papers

15. None identified.