

Government and Public Sector

North Norfolk District Council

2009/10 Annual Audit Letter

October 2010

The Members
North Norfolk District Council
Holt Road
Cromer
Norfolk, NR27 9EN

October 2010

Ladies and Gentlemen

Annual Audit Letter

We are pleased to present our Annual Audit Letter summarising the results of our 2009/10 audit. We look forward to presenting it to the Audit Committee in due course.

We hope that the information contained in this report provides a useful source of reference for the members.

Yours faithfully

PricewaterhouseCoopers LLP
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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

The 'Statement of responsibilities of auditors and of audited bodies' issued by the Audit Commission in April 2008 applies to our 2009/10 audit of North Norfolk District Council under the Code of Audit Practice for Local Government Bodies issued by the Audit Commission in July 2008. A copy of the statement is available from the Chief Executive of North Norfolk District Council. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement and the Code of Audit Practice. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

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Introduction

The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2009/10 audit work we have undertaken at North Norfolk District Council (“the Council”) that is accessible for the Council Members and other interested stakeholders.

We have already reported the detailed findings from our audit work to the Audit Committee in the following reports:

- Report to Management – Review of internal financial controls 2009/10 (September 2010); and
- Report to those charged with governance 2009/10 (September 2010).

In addition to the above, we have issued the following reports which will be presented to the Audit Committee in December 2010:

- Audit of the Statement of Accounts for the year ended 31 March 2010 (October 2010); and
- Summary of Recommendations 2009/10 (October 2010).

The most significant matters arising from the above reports are summarised in this Audit Letter.

Scope of work

Our audit work is conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its financial statements, including the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements;
- reviewing the Council’s Annual Governance Statement;
- forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources; and undertaking any other work specified by the Audit Commission.

Audit findings

Accounts

We audited the Council's accounts in line with International Standards on Auditing (UK & Ireland) and issued an unqualified audit report on 29 September 2010.

The Council approved a draft set of accounts prior to the deadline date of 30 June 2010 and provided an auditable set of accounts to us in accordance with the agreed audit timetable. The Council supplied us with high quality working papers which matched the requirements as per our deliverables listing and officers were extremely helpful in assisting our audit team with our audit queries. This helped contribute to a smoothly running audit.

There were a small number changes to the draft accounts approved by the Council in June 2010. Most of these changes related to the presentation of the accounts or disclosures and did not change the reported financial position for the year.

We are required to report any uncorrected misstatements to the Audit Committee except for any items that are clearly trivial (under £10,000). The only item that we identified was in respect of an unrecorded liability for Non Domestic Rates amounting to £45,000 which the Audit Committee decided not to correct on the grounds of its immateriality.

Next year, the accounts for local government will be prepared under a new accounting framework (International Financial Reporting Standards – IFRS) which has already been adopted by Central Government and the Health Service. The Council faces some specific challenges to implement the changes within resource constraints, particularly in dealing with the more complex requirements for accounting for fixed assets and capital expenditure. The Council will need to assess its resource requirements and monitor the implementation plan carefully over the coming months to avoid missing the June 2011 deadline for the approval of accounts.

Use of Resources

We were required to issue a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

We issued an unqualified conclusion on the Council's arrangements for its Use of Resources on 29 September 2010.

Following the Government's announcement that the Comprehensive Area Assessment ("CAA") was to be abolished, all work on Use of Resources ceased at the end of May. Therefore, we have not completed this work as planned but provide an update of significant findings from the Use of Resources work completed before the Government's announcement.

- In overall terms, our view is that the Council continues to make good progress in implementing the recommendations arising from the previous year's Use of Resources exercise against the three themes assessed;
- 'Managing Finances' remains an area of strength;
- We noted developments in 'Governing the Business'. In particular, arrangements for producing accurate data and our data quality spot checks did not identify any significant concerns; and
- On the third theme of 'Managing Resources', we undertook more detailed work on whether the Council is making effective use of natural resources for the first time. The arrangements were assessed as adequate.

We have provided a more detailed briefing to officers on the results of our assessment to assist in the future.

Audit findings

The Audit Commission has reviewed its work programme for 2010/11 onwards and has been discussing possible options for a new approach to local Value for Money (“VFM”) audit work with key national stakeholders. From 2010/11 we will therefore apply a new and more targeted approach to our local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Audit Commission, concentrating on:

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

We will determine a local programme of VFM audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. We will no longer make annual scored judgements relating to our local VFM audit work. Instead we will report the results of all the local VFM audit work and the key messages in our report to the Audit Committee and in a clear and accessible annual audit letter.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (“AGS”) which is consistent with guidance issued by CIPFA / SOLACE. The AGS was included in the financial statements.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE ‘Delivering Good Governance in Local Government’ framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Future challenges

In common with other local authorities, given the current economic climate, the Council is likely to face significant spending pressures in 2010/11 and beyond. The impact of spending reductions announced in the Government's Spending Review on 20 October 2010 has resulted in the requirement for delivery of a substantial cost saving programme and the Council must continue its close scrutiny of all categories of expenditure over the remainder of the current financial year and make certain that all cost saving initiatives are delivered. In addition, the effectiveness of management's financial monitoring and in-year financial forecasting processes will need to be maintained.

Meeting these challenges will place considerable additional pressures on the Council's management capacity and in these circumstances, strong leadership and management skills will be needed to mitigate the financial and operational risks that may emerge. It will be particularly important to ensure that the Council's risk management processes remain robust, so that new or increased risks across the authority can be immediately identified and acted upon.

We will consider these issues in more detail with senior management in determining our audit risk assessment and the scope of our audit work for 2010/11.

In the event that, pursuant to a request which North Norfolk District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this document, it will notify PwC promptly and consult with PwC prior to disclosing such information. Fenland District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and North Norfolk District Council shall apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, North Norfolk District Council discloses any such information, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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