



PUBLIC SECTOR

Annual Audit Letter 2009/10

Telford and Wrekin Council

November 2010

AUDIT

Introduction

The contacts at KPMG in connection with this report are:

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Background

This Annual Audit Letter summarises the key issues arising from our 2009/10 audit of Telford and Wrekin Council ('the Authority'). Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public. The letter will also be published on the Audit Commission's website. It is the responsibility of the Authority to publish the letter on the Authority's website. In the letter we highlight areas of good performance and also provide recommendations to help you improve performance. A summary of our key recommendations is summarised in Appendix A. We have reported all the issues in this letter to you throughout the year and a list of all reports we have issued is provided in Appendix B.

Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Audit Commission Act 1998. Our main responsibility is to carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the code) which requires us to report on:

Use of Resources (UoR)

We conclude on the arrangements in place for securing economy, efficiency and effectiveness ('value for money') in your use of resources.

Financial Statements

We provide an opinion on your accounts.

Fees

Our fee to date for 2009/10 for the audit of the Authority is £255,000 excluding VAT (2008/09: £221,100). We received four questions/objections to the 2009/10 accounts from electors; our in relation to these questions is not yet finalised as our work is ongoing. Our fee to date for these queries is £17,330. Further details are provided in Appendix C.

This report is addressed to Telford and Wrekin Council and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Michael McDonagh who is the engagement lead to the Authority or Trevor Rees, the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. You can contact the Complaints Unit by phone (0844 798 3131), by email (complaints@audit-commission.gov.uk), through the audit commission website (www.audit-commission.gov.uk/aboutus/contactus), by textphone/minicom (020 7630 0421), or via post to Complaints Unit, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR.

Headlines

Use of Resources

Use of Resources assessment

- In May 2010 the Government announced that the Comprehensive Area Assessment (CAA) would be abolished. The Audit Commission subsequently confirmed that work related to CAA should cease with immediate effect. This included work for UoR scored assessments at local authorities. However, there is no change to the requirement in the statutory Code of Audit Practice for auditors to issue a VFM conclusion.
- At the time of the announcement, the vast majority of UoR work for 2010 had already been completed and this therefore informed our 2009/10 VFM conclusion.
- The Authority has improved in most areas of the assessment and there were no significant issues arising from our work on specific risks.

Our conclusion

- We issued an unqualified value for money conclusion for 2009/10. This means that we are satisfied that you have put into place proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

Financial Statements

Annual accounts

- The Authority again produced a good quality set of accounts. We identified one material adjustment as part of our audit work with a total value of £12.5m; this related to accounting for fixed assets and did not impact on the General Fund.
- We received two objections to the accounts from registered electors. We are currently undertaking work in response to these objections and are unable to issue our Certificate confirming completion of our work in relation to the Authority's accounts until this work is complete. We will report the results of our work as appropriate.
- We also received two questions from electors. We are currently undertaking work in relation to these questions and will report the results of our work as appropriate.

Annual Governance Statement

- We reviewed the Authority's Annual Governance Statement and concluded that it was consistent with our understanding of the Authority.

Our conclusion

- We issued an unqualified opinion on your accounts on 30 September 2010. This means that we believe the accounts give a true and fair view of the financial affairs of the Council and of the income and expenditure recorded during the year.

Headlines

Recommendations	High risk recommendations	<ul style="list-style-type: none"> ● We raised one high priority recommendation as a result of our 2009/10 audit work. The Authority is continuing to work towards implementation of Single Status having postponed its implementation date during the year. We recommended that key milestones in the implementation plan are appropriately monitored to ensure it achieves its new implementation date of June 2012. This recommendation is summarised in Appendix A.
High profile issues	Economic Downturn and pressure on the public sector	<ul style="list-style-type: none"> ● Following the Government’s Spending Review announcement in October 2010, there is now greater clarity on the spending cuts that will affect local government. Local authorities will face 7.1% annual cuts in grant income representing 26% reductions over the next four years. Although this is less than many commentators had predicted, it still represents one of the biggest cuts for any part of the public sector. Detailed analysis will be required as further details of these funding cuts are clarified - the real impact will not be known until the government departments produce their business plans in November and organisations have a chance to digest the Chancellor’s messages. ● The Authority has been preparing for cuts of this magnitude for some time, and its Medium Term Financial Strategy included sensitivity analysis for funding cuts of up to 7% prior to the Spending Review. Facing up to these challenges will require revolutionary transformation of public sector services, rather than tinkering. Strong leadership from Members and senior management will be essential.
	International Financial Reporting Standards (IFRS)	<ul style="list-style-type: none"> ● From 2010/11, local government bodies are required to prepare their financial statements under International Financial Reporting Standards (IFRS), which contain a number of significant differences from the current financial reporting regime. ● The Authority expects to have restated its opening balance sheet by the end of November 2010. We will provide advice to the Authority and review work undertaken as it becomes available.

Future audit work

Changes to next year's value for work programme

- Given the scale of the pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010/11 onwards. As part of this exercise, the Commission 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, more targeted and better value approach to our local VFM audit work. This will be based on a reduced number of reporting criteria specified by the 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 for the audited body in our annual report to those charged with governance and in a clear and accessible annual audit letter.

Future audit arrangements

- In August 2010 the Secretary of State for Communities and Local Government announced proposals to abolish the Audit Commission. The proposed abolition will be from 2012 and the government will seek legislation in this session of Parliament.
- There is no immediate change to the current audit arrangements. We will keep you informed about the future audit programme and any changes to audit arrangements.

Appendix A: Key Recommendations

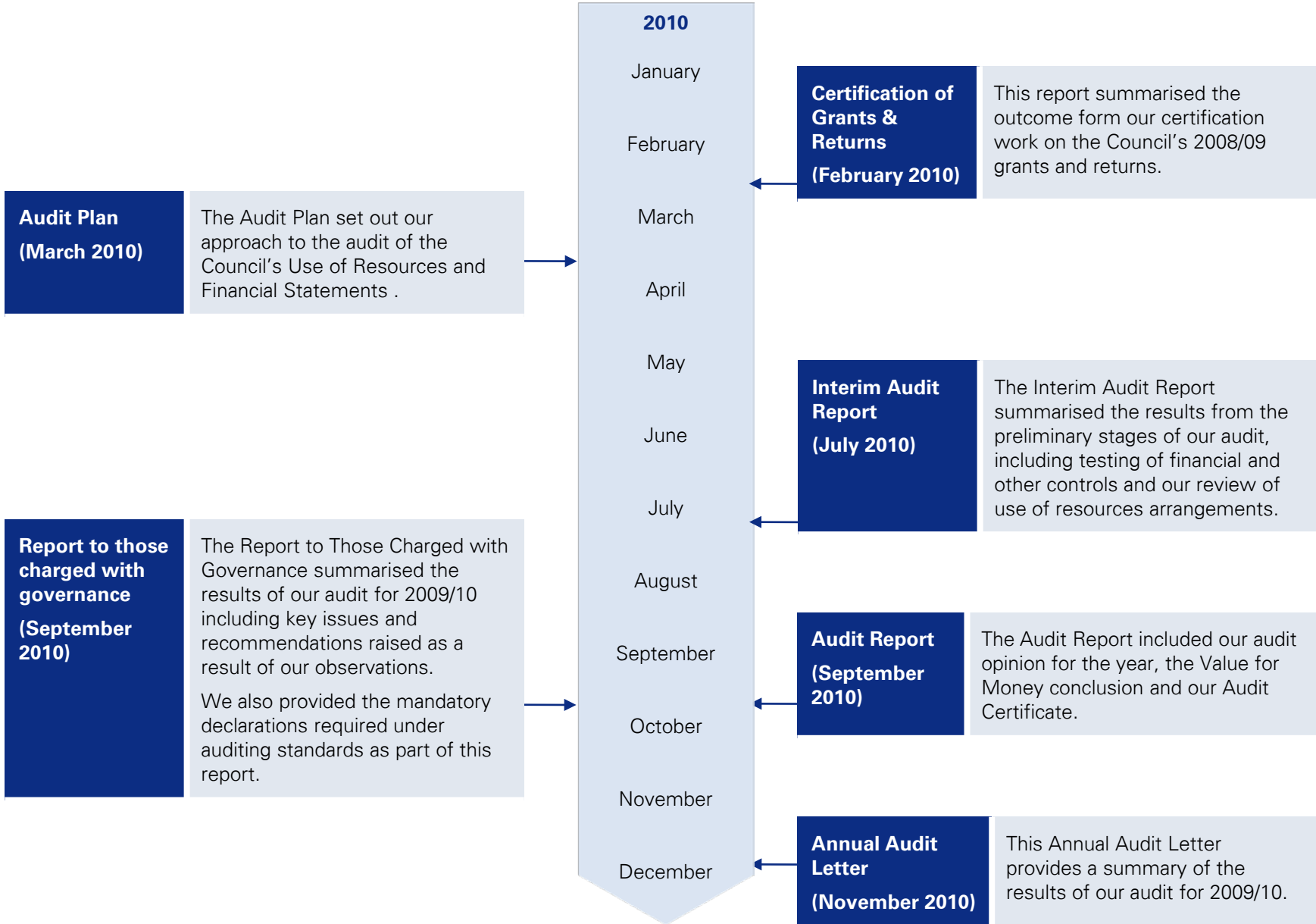
This appendix summarises all high risk recommendations raised in 2009/10.

We raised one high priority recommendation.

Risk	Issue, Impact and Recommendation	Management Response / Responsible Officer / Due Date
<p>● High</p>	<p>The Authority must ensure it implements Single Status by June 2012 with appropriate monitoring of milestones through the year to ensure this achieved.</p> <p>In addition, as implementation progresses, the Authority should ensure that it uses the most up to date information and relevant case law precedents, whilst taking into account any other changing circumstances so that it more accurately reflects the likely financial cost within its Medium Term Financial Strategy.</p>	<p>Meredith Evans, Corporate Director has lead responsibility for the implementation of Single Status.</p> <p>The Council will monitor any financial implications of the implementation of Single Status and adjust medium term financial plans accordingly.</p> <p>Quarterly update meetings on Single Status will be arranged between the Lead Officer, Head of Finance and KPMG.</p> <p>Responsible officer: Meredith Evans Due date: June 2012</p>

Appendix B: Summary of Reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

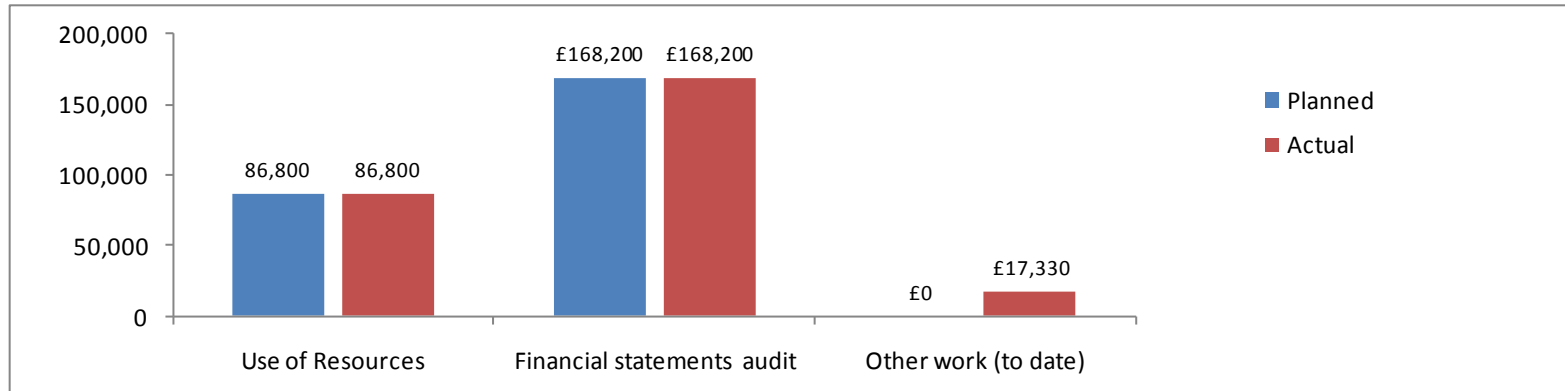


Appendix C: Audit Fee

This appendix provides information on our final fees for 2009/10

To make sure that there is openness between us and your Audit Committee about the extent of our fee relationship with you, we have summarised below the out-turn against the 2009/10 planned external audit fee:

External audit fee for 2009/10 (£)



Our final fee for the 2009/10 audit of the Council was £255,000 (2008/09:£221,100).

We have charged £17,330 to date for work in relation to four questions/objections received from local electors. Our work in relation to these is ongoing and the fee quoted is not final.