



PUBLIC SECTOR

Runnymede Borough Council

Annual Audit Letter 2009/10

30 November 2010

AUDIT

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 Runnymede Borough Council (the Council). Although this letter is addressed to the Members of the Council, 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 website at oneplace.audit-commission.gov.uk. It is the responsibility of the Council to publish the letter on the Council's website at www.runnymede.gov.uk. 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 A.

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 for 2009/10 was £95,000 excluding VAT (2008/09: £77,800). Our fee for the certification of grants and returns was £35,392.50 excluding VAT (2008/09: £39,263). These fees are in line with those set out in our Audit Plan.

This report is addressed to Runnymede Council (the Council) and has been prepared for the sole use of the Council. 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 Andy Sayers who is the engagement lead to the Council 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	<ul style="list-style-type: none"> ● 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 fieldwork that we had carried out prior to the cessation of the assessment indicated to us that overall the Authority had maintained the level of performance we had seen in the prior year when it was judged to be performing well.
	Our conclusion	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● Our audit identified a number of non significant presentational adjustments. There was no impact on the general fund, income and expenditure account or net worth of the authority. All adjustments were processed by the Authority. ● There were no significant matters which we were required to report to ‘those charged with governance’. ● The quality of the accounts and the supporting working papers provided was good. Officers dealt efficiently with audit queries and the audit process was completed within the planned timescales.
	Annual Governance Statement	<ul style="list-style-type: none"> ● No significant adjustments were required to the Annual Governance Statement.
	Our conclusion	<ul style="list-style-type: none"> ● We issued an unqualified opinion on your accounts on 29 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.
Recommendations	High risk recommendations	<ul style="list-style-type: none"> ● We are pleased to report that there are no new high risk recommendations arising from our 2009/10 audit work.

High profile issues

Economic Downturn and pressure on the public sector

- Following the Comprehensive 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 representing 26% reductions over the next four years. Although this is less than many commentators had predicted, this 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 and organisations have a chance to digest the Chancellor's messages.
- The Authority has been preparing for cuts of this magnitude for some time. 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.
- The Authority will need to review and gain assurance over:
 - resilience in medium term financial strategies;
 - delivery of efficiencies and future plans;
 - treasury management strategies;
 - funding capital programmes;
 - income streams;
 - patterns of demand and shifting priorities; and
 - potential development of shared services

International Financial Reporting Standards (IFRS)

- The Authority has started work on a number of IFRS transition issues. However, the Authority is still waiting for some valuation work and a software upgrade to your capital accounting system.
- The Authority is planning to produce IFRS balance sheets at April 2009 and 2010 and restated 2009/10 IFRS financial statements by March 2011.
- We will be undertaking a full review of the Authority's progress in implementing IFRS in Spring 2010.

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: Summary of Reports issued

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

