

Government and Public Sector

# Peterborough City Council

2009/10 Annual Audit Letter

November 2010

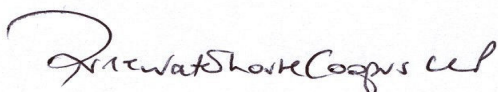
The Members  
Peterborough City Council  
Town Hall  
Bridge Street  
Peterborough  
PE1 1HQ

November 2010

Ladies and Gentlemen

We are pleased to present our Annual Audit Letter summarising the results of our 2009/10 audit.

Yours faithfully



PricewaterhouseCoopers LLP

**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 Peterborough City 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 Peterborough City 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 Peterborough that is accessible for Council Members and other interested stakeholders.

We have already reported the detailed findings from our audit work to those charged with governance in the following reports:

- Audit opinion for 2009/10 financial statements, incorporating the conclusion on Value for Money; and
- Report to those charged with Governance (ISA (UK&I) 260).

The matters reported here are those that we consider are most significant for the Council and a summary of the key recommendations that we have made can be found in Appendix A.

## 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 28 September 2010.

The Council has established a good track record of preparing quality draft accounts and working papers and we were pleased again with their quality this year. There were a small number changes to the draft accounts approved by the Council in June 2010. The most significant matter to bring to your attention, and which was included in our Report to those charged with governance (ISA UK&I) 260), concerns adjustments made in respect of the Council's Schools Private Finance Initiative ("PFI") scheme. Reductions of £8.1m and £7.6m were made to the balance of finance lease liabilities at 31 March 2009 and 31 March 2010 respectively. These were technical accounting adjustments and there is no impact on the General Fund Balance.

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, particularly in dealing with the more complex requirements for accounting for fixed assets, leases and capital expenditure. The Council will need to monitor its implementation plan carefully over the next eight months to avoid missing the June 2011 deadline for the approval of accounts.

## Use of Resources

We assess the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources based on criteria issued by the Audit Commission and issued an unqualified conclusion on the Council's arrangements for its Use of Resources on 28 September 2010.

Following the government announcement that the Audit Commission's process for comprehensive area assessment (CAA) is to be abolished, all work on Use of Resources for CAA ceased at the end of May. Therefore we cannot report Use of Resources scores, as this work was not completed. However, we had completed the majority of the work on the assessment prior to May and we have reported on the main issues arising on the work we had undertaken to the point work ceased.

In overall terms, our view was that the Council was making good progress in implementing the recommendations arising from the previous year's Use of Resources exercise against the three themes assessed under the Use of Resources Framework. 'Managing Finances' remained an area of strength, but we noted that the Council must ensure that the data supporting performance indicators is robust and supported by audit trails.

## Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement which is consistent with guidance on: 'Delivering Good Governance in Local Government'. We reviewed the Statement to consider whether it complied with the guidance 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.

## Summary of recommendations in this Annual Audit Letter

Page	Recommendation	Management Response	Target Implementation Date
5	The Council will need to monitor its IFRS implementation plan carefully over the next eight months to avoid missing the June 2011 deadline for the approval of accounts.	<p>Since February 2009, the Council has been reporting IFRS progress to the Audit Committee, with the most recent update report taken on the 6 September 2010.</p> <p>A detailed project plan is being followed, with the first key deadline of the end of December 2010 being the date when the balances pre 1 April 2010 will be restated by. These revised balances will then be audited by PwC in late January / early February.</p> <p>After the Christmas break, action will commence on closing the 2010/11 accounts on the new IFRS basis as part of the Council's closure routine.</p>	<p>31 December 2010 - Pre-1 April 2010 balances restated</p> <p>Late January 2011 to early February 2011 - PwC Audit of restated pre-1 April 2010 balances</p> <p>January 2011 to March 2011 – preparation for full 2010/11 IFRS based accounts closure</p> <p>30 June 2011 – completion of fully compliant IFRS based Statement of Accounts</p>
5	The Council must ensure that the data supporting performance indicators is robust and supported by audit trails.	<p>Building on previous year's work the data quality agenda is now actively governed by the Strategic Governance Board. However, due to the demise of the CAA and the national indicators, the annual data quality audit has been put on hold for this year until the partnership has finalised its outcome based indicators going forward. Some of these measures are likely to include national indicators where appropriate.</p> <p>The recent restructure of the Strategic Improvement team has included a Data Quality Manager post who will ensure that the data supporting performance indicators is robust and supported by audit trails.</p> <p>This will be done as the role will be the Data Quality lead and will embed the principles outlined in the Data Quality Strategy, ensure that all relevant stakeholders are engaged with the production of quality data and information and be responsible for maintaining the integrity of the performance information system ensuring that all information is recorded accurately and effectively by all users of the system across multiple departments and different locations.</p>	<p>Dates are determined upon how soon outcome based measures are developed and agreed. These should be completed by end of March 2011, ready for the new financial year and scrutiny.</p>

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