

1 October 2012

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Dear Member

Colchester Borough Council Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter, which summarises my 2011/12 audit of Colchester Borough Council.

Financial statements

On 25 September 2012, I presented my Annual Governance Report (AGR) to the Accounts and Regulatory Committee outlining the findings of my audit of the Authority's 2011/12 financial statements. I will not replicate those detailed findings in this letter, but have summarised the key messages.

The Council produced a good quality and timely set of accounts. The working papers supporting the accounts were also good quality, as in previous years. A small number of amendments were made to the accounts as a result of my audit. Management corrected the accounts for all the errors identified during the audit. There was no impact upon the level of general fund reserves as a result of these changes.

My assessment of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources was made against two criteria specified by the Commission. These are; whether the organisation has proper arrangements in place to secure financial resilience; and whether the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. I concluded that the Council's arrangements are sound.

The general fund balance at the end of 2011/12 was £300k above the minimum £1.5 million recommended by the Section 151 officer and a small underspend is currently projected on the 2012/13 budget. The Council continues to face significant financial pressures from cuts in government funding and the continuing difficult economic climate, and has continued to proactively manage its finances to address these risks. Work on the detail of the 2013/14 budget has already started with further potential savings identified. As part of this process, the Council has considered options to respond to the proposed welfare reform changes, including the localisation of council tax support, as well as changes in business rates, both of which could also impact on its future financial position.

The Council continually challenges spending on delivery of services, identifying areas where effective action can be taken and ensuring they provide best value for money, and has a good track record of delivering savings through Fundamental Service Reviews and other initiatives

Following the Accounts and Regulatory Committee on 25 September 2012, I:

- issued an unqualified opinion on the Authority's 2011/12 financial statements included in the Authority's Statement of Accounts;
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources; and
- certified completion of the audit.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Chief Finance Officer. I wish to thank the finance staff for their positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Accounts and Regulatory Committee / Finance and Scrutiny Panel for their support and co-operation during the audit.

Yours sincerely

Debbie Hanson
District Auditor