

---

*Government and Public Sector*  
***North Norfolk District  
Council***

Annual Audit Letter

2010/11 Audit

November 2011

**PricewaterhouseCoopers LLP**

The Atrium  
St Georges Street  
Norwich NR3 1AG  
Telephone +44 (0) 1603 615244  
Facsimile +44 (0) 1603 883327  
[www.pwc.com/uk](http://www.pwc.com/uk)

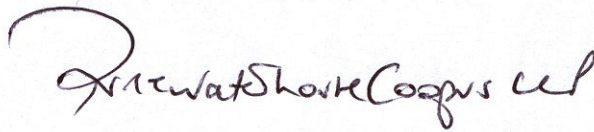
The Members of the Audit Committee  
North Norfolk District Council  
Council Offices  
Holt Road  
Cromer  
Norfolk. NR27 9EN

November 2011

Ladies and Gentleman

We are pleased to present our Annual Audit Letter summarising the results of our 2010/11 audit. We look forward to presenting it to Members on 6 December.

Yours faithfully

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP

**Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies**

*In March 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. 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 to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. 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*

# Introduction

## The purpose of this letter

The purpose of this letter is to provide a high level summary of the results of the 2010/11 audit work we have undertaken at North Norfolk District Council that is accessible for the Authority and other interested stakeholders.

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

<b>Audit opinions issued</b>	<b>Date issued</b>
Audit opinion for the 2010/10 financial statements, incorporating the value for money conclusion.	September 2011
<b>Reports to management</b>	
Report to those charged with Governance (ISA (UK&I) 260).	September 2011
Audit of the Statement of Accounts for the year ended 31 March 2011 / Summary of audit recommendations.	November 2011

The 2010/11 annual grants certification report will follow in February 2012.

The most significant matters in 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 Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by 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 Annual Governance Statement;
- forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission.

Our 2010/11 audit work has been undertaken in accordance with the Audit Plan that we issued on 8 March 2011.

# *Audit Findings*

## **Accounts**

We audited the Authority's Statement of Accounts in line with approved Auditing Standards and issued an unqualified audit report on 29 September 2011.

In our view, the underlying quality of the process for producing the accounts, including the supporting working papers was good subject to the following. Our audit work on the draft accounts identified that additional disclosures were required in order for the financial statements to be compliant with the International Financial Reporting Standards (IFRS). Some of the working papers produced by the Authority to support asset valuations were delayed and required enhancement. We discussed these issues with the Audit Committee in detail in September 2011 prior to signing our opinion on the accounts. We comment on each of these issues below.

### **Implementation of IFRS**

The 2010/11 financial statements represent the transitional year to reporting under IFRS. The transition to IFRS required the Authority to produce considerably revised financial statements from previous years. Our audit work identified several omissions and errors in the accounts directly related to the reporting requirements under IFRS. Most notably the Authority had included a Balance Sheet for 1 April 2009 in the draft financial statements however breakdowns of the significant financial line items were omitted from the relevant supporting notes. A disclosure note detailing material adjustments as a result of the transition to IFRS was also omitted. Issues were also noted in the application of IFRS accounting treatments for assets held for sale and finance leases.

### **Valuation of property, plant and equipment**

The Authority (using an internal property specialist) performed valuations on approximately 4.5% of its asset base as at 31 March 2011. The supporting working papers for the valuations were not available at the start of our audit and further enhancements were required prior to us being able to audit the balances. In addition, the calculations and valuations also required further work to properly recognise certain fixed assets in the financial statements.

We have debriefed with management following this year's audit to identify where enhancements to both our approach and also the working papers we receive at the start of audit can be made, designed to make the audit of next year's financial statements smoother.

### **Economy, efficiency and effectiveness**

Our Use of Resources Code responsibility required us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

In accordance with guidance issued by the Audit Commission, in 2010/11 our conclusion was based on two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Unlike in previous years, we were not required to reach a scored judgment in relation to these criteria and the Audit Commission has not developed 'key lines of enquiry' for each criteria. Instead, we have determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We issued an unqualified value for money conclusion. There are no matters that we wish to bring to your attention.

### **Annual Governance Statement**

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

### ***Annual summary of audit recommendations***

In accordance with the Audit Commission's Standing Guidance for Auditors, we have provided a Summary of Audit Recommendations to the Financial Services Manager, and will present this to the Audit Committee in December 2011. Our summary includes twenty recommendations relating to detailed internal financial control issues and opportunities for improving processes in the preparation of the annual accounts. These recommendations have been agreed by management and timetables are in place for their implementation.

### ***Acknowledgement***

We would like to record our thanks to the Committee and management for the co-operation and assistance we received during the course of our audit.

*In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

*©2011 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.*