

# Annual Audit Letter

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**Rossendale Borough Council**

**Audit 2009/10**

**The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.**

**Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.**

**As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.**

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# Key messages

**This report summarises my findings from the 2009/10 audit. My audit comprises two elements:**

- **the audit of your financial statements (pages 3 to 4); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 5 to 9).**

## **Audit opinion and financial statements**

**1** My 2009/10 audit is now complete and I concluded that the accounts give a true and fair view of the financial position of the audited body and its spending and income for the year in question. I issued an unqualified audit opinion on 28 September 2010.

## **Value for money**

**2** I am required to assess whether the Council has put in place adequate arrangements for securing economy, efficiency and effectiveness in its use of resources. I concluded that the Council has adequate arrangements in place and I issued an unqualified VFM conclusion on 28 September 2010.

## **Current and future challenges**

**3** Like all councils, Rossendale faces significant financial pressures. The full extent of necessary spending reductions resulting from the Autumn 2010 spending review and allocation of grant funding from 2011/12 and beyond needs to be assessed. The Council has already started to address the potential implications of the spending review and will need to continue to review priorities, service standards and how services are delivered as the extent of the spending reductions becomes clearer.

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement demonstrate how the Council accounts for its stewardship of public funds.**

**I gave an unqualified opinion on the Council's 2009/10 financial statements on 28 September 2010.**

## Overall conclusion from the audit

**4** The issues I identified from my review were primarily of a minor nature and involved mainly classification issues in the disclosure notes. The amendments made to the accounts had no impact on the overall financial position of the Council. I reported the results of my review to the Council's Audit and Accounts Committee on 27 September 2010.

**5** The financial statements were produced ahead of the target date of 30 June 2010. The working papers supporting the financial statements were comprehensive and of a good standard.

**6** I reviewed the annual governance statement and concluded that the disclosures met the requirements of proper practices specified by the Chartered Institute of Public Finance and Accountancy and were consistent with the information I was aware of from my work on the financial statements and my other work.

**7** Following the completion of my audit I issued an unqualified opinion on 28 September 2010.

## Internal control

**8** I did not identify any significant weaknesses in your internal control arrangements.

## IFRS in local government

**9** The 2008 Budget included an announcement that all public bodies would follow international financial reporting standards (IFRS). Local authorities will prepare financial statements based on IFRS for 2010/11.

**10** A failure to achieve successful transition to IFRS would cause significant reputational damage to individual local authorities and the local government sector as a whole. Poor preparation will heighten the risk that accounts will not meet requirements and so attract a qualified auditor's opinion or be published late. At a practical level, there is a risk that extra and unnecessary costs will be incurred.

**11** I have liaised with key finance staff on the key changes required and the plans in place to address them. I have also undertaken a number of surveys on the Council's progress towards IFRS. I assessed the Council as making adequate progress and broadly on track to deliver against its timetable.

## National Fraud Initiative

**12** The Audit Commission plays an important role in the fight against fraud. It runs a data matching exercise every two years to help detect and prevent fraud: the National Fraud Initiative (NFI). The total fraud, overpayments and errors detected across the country in the latest completed exercise covering 2008/2009 amount to £215 million. Since the exercise began in 1996, cumulative national savings total £614 million.

**13** The NFI is a data matching exercise comparing information held by different organisations, including some from the private sector, to identify potentially fraudulent claims and overpayments. Examples of data matching undertaken include pension payments being checked to records of deceased persons and council tax records being matched to the electoral register. The Council participates in this bi-annual exercise. The gross savings to date identified at Rossendale across all agencies as part of this NFI exercise, including projected savings, are summarised in Table 1 below.

Table 1: **NFI savings**

Type	Actual £	Projected £	Total £
Housing Benefit	2,324	723	3,047
Single Persons Discount	40,438	94,089	134,527
CTAX: Rising 18s	3,573	14,000	17,573
<b>Total</b>	<b>46,335</b>	<b>108,812</b>	<b>155,147</b>

Source: NFI report 2008/09 - Audit Commission

# Value for money

**I considered whether the Council is managing and using its money, time and people to deliver value for money.**

**I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

## **2009/10 use of resources assessments**

**14** At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on CAA would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

**15** However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May 2010 to inform my 2009/10 vfm conclusion.

**16** I report the significant findings from the work I have carried out to support the vfm conclusion.

## **VFM conclusion**

**17** I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

18 This is a summary of my findings:

Criteria	Adequate arrangements?
<b>Managing finances</b>	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
<b>Governing the business</b>	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
<b>Managing resources</b>	
Natural Resources	Yes
Workforce	Yes

19 I issued an unqualified conclusion stating the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. I reported the findings of my work in relation to the VFM conclusion to members of the Audit and Accounts Committee in my Annual Governance Report on 27 September 2010 and this is set out below.

## Managing Finances

20 The Council has good arrangements in place for planning the use of its finances. It effectively integrates its financial and corporate planning processes. The Medium Term Financial Strategy (MFTS) links to the three-year Corporate Plan and is underpinned by robust budget setting and monitoring process.

21 The Council has revised its Treasury Management Strategy in the light of the recent CIPFA guidance and the revisions to CIPFA Prudential Code. The current MFTS outlines the financial strategy to facilitate the delivery of the Council's policy objectives over the three years to 2011/12 and includes an estimate of potential financial risks exposure. Savings made during 2009/10 are £340,000 plus a further £411,000 identified during the 2010/11 budget setting process. These relate to savings achieved through efficiencies rather than service reductions.



**22** The Council has a good understanding of its costs, including transaction and unit costs, whole life costs and comparative position through benchmarking. For example, over the past two years, it has taken specific actions to reduce costs associated with benefits administration and housing services. Performance and financial information are now routinely reported together to management, Cabinet and Council. Monthly budget reports are prepared for Budget and Portfolio holders within ten days of the month end.

**23** The Council considers the total resources available from partnerships when considering efficiency savings. For example partnership working is being used effectively to drive forward savings in procurement and transactions such as use of payment cards.

**24** Arrangements supporting the compilation of the Council's annual accounts have improved consistently in recent years. The project plan supporting the production of the 2009/10 accounts demonstrates a greater emphasis on building quality assurance into the closedown process and starting the planning earlier in order to provide sufficient time to resolve problems. The Council has identified the key issues relating to the introduction of International Financial Reporting Standards (IFRS), and there is a comprehensive project plan in place to address them.

## **Governing the Business**

**25** The majority of procurement is done in partnership with other East Lancashire councils and through the Lancashire Hub, helping ensure efficiencies and economies of scale. Service redesign and reconfiguration, including changes to service commissioning are based on a joint approach supported by detailed analysis, strong consultation and good business planning, including environmental analysis, option appraisals and whole life costings.

**26** The Council has made improvements in several areas relating to data quality in the past 12 months. Its use of the electronic performance management system has been extended to better encompass partnership data. The Council uses this performance data as part of its monitoring arrangements to focus attention on under-performing and/or over-spending service areas.

**27** Overall the Council continues to perform well in relation to Governance. Particularly notable is the practice of preparing potential councillors for their role even before they are elected, the use of personal development plans for councillors, the use of role descriptions for key roles such as member champions, the use of national lead figures for some training and robust monitoring and evaluation of such training events.

**28** The Council has made progress in managing the risks from partnerships. Risk management is integrated into its business processes including strategic management, financial planning, policy making, performance management and project management. However there are still some areas of activity where partnership risk management could be improved, such as with the Leisure Trust and by developing a shared risk register across the Rossendale Partnership. The closer working relationship forged with the Leisure Trust during 2009/10 through the drafting of the business case for leisure facility improvements provides an ideal platform for this.

## Managing Resources

**29** The Council has a good understanding of its energy consumption, use of natural resources and carbon footprint, and is taking steps to reduce the impact on the environment of its operations. It is doing this in partnership with other local authorities and public bodies and with its LSP partners. It has reasonable baseline information on carbon footprint and energy consumption. It has a series of plans and strategies to help it improve its performance, which contain many actions and areas of focus, but few precise and quantifiable targets. Its actions are targeted at those areas where most carbon emissions are produced and these are resulting in reduced emissions. This is quantified through the national indicator reporting, but each initiative does not have a specific target set or an outcome assessed. Corporate plans such as finance and procurement support these actions.

**30** Measures to reduce the impact on the environment are in place, including parks and open spaces as well as buildings and vehicles. However, there is limited information on car usage and mileage/CO2 emissions from the car fleet. Reduced waste, reduced CO2 emissions from IT systems and positive biodiversity actions are all evident, but again no specific targets are set and there is limited evaluation of precise impact. Assessment of environmental risks and incorporation into the risk register is still work in progress. Major projects have an evaluation of environmental impact but a more comprehensive system of environmental impact appraisals is still being developed. Partnership arrangements are in place to help address many of these issues. To further improve the Council should adopt a more comprehensive approach including the baseline position for each element, setting targets for reductions and evaluating the impact of each initiative.

## Approach to local value for money work from 2010/11

**31** Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

**32** My work will be based on a number of reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

**33** I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

## Current and future challenges

**34** The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. There are implications for treasury management strategies and there are likely to be wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, in particular, pressures on income streams.

**35** The Council faces one of its toughest ever periods financially. In order to meet increasing demand from your local population, drive up quality and respond to rising expectations the Council will have to do more with its money. It is, therefore, inevitable the shape of some services will have to change.

**36** As the Council moves forward it will need to continue to develop robust arrangements to;

- ensure the resilience in Medium term financial strategies;
- deliver efficiencies and future plans;
- update treasury management strategies;
- assess the funding requirements and re-prioritise capital programmes;
- review income streams; and
- identify patterns of changing demand profiles and shift priorities accordingly.

## Closing remarks

**37** I have discussed and agreed this letter with the Chief Executive and the Head of Finance. I will present this letter at the Audit and Accounts Committee on 30 November 2010 and will provide copies to all members.

**38** Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued
Audit Opinion Plan	March 2010
Certification of Grant Claims 2008/09	March 2010
Annual Governance Report	September 2010
Opinion on the Financial Statements	September 2010
Value for Money conclusion	September 2010
Audit Letter	November 2010

**39** The Council has taken a positive and helpful approach to our audit. I wish to thank the staff of Rossendale Borough Council for their support and cooperation during the audit.

Clive Portman  
District Auditor

November 2010

## Appendix 1 Glossary

### **Annual governance statement**

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

### **Audit opinion**

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

### **Financial statements**

The annual accounts and accompanying notes.

### **Qualified**

The auditor has some reservations or concerns.

### **Unqualified**

The auditor does not have any reservations.

### **Value for money conclusion**

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

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