

Annual Audit Letter

Amber Valley Borough Council

Audit 2008/09

November 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

- 1** You can take assurance from the fact that I have been able to give an unqualified opinion on the financial statements. The draft financial statements were changed to correct a few errors but officers have agreed to address the issues identified by our audit. This should improve the quality of next year's financial statements.
- 2** I have also given an unqualified value for money conclusion as you have adequate processes in place to manage and use your resources to deliver value for money. The next step is for you to prove that these processes are actually helping you deliver priority services to the community.
- 3** At the start of the year you faced a big gap between spending plans and available resources. You dealt with this well by changing the way you deliver services and reducing the number of staff employed. In the current year, spending is being kept within the funds available. However, it remains a challenge to keep spending under control and you must continue to monitor this closely and take any necessary decisions promptly.
- 4** Our assessment of you as an organisation is that you are performing adequately overall. You have invested in parks and leisure centres to improve the quality of life for people in the area. You are supporting residents and businesses through the recession. Most people are happy living in Amber Valley. A recent place survey of local people found that eight out of ten people said it is a good place to live. However, the survey also found that one in three people are happy with the way the Council runs things and satisfaction with some Council services is low.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

Significant issues arising from the audit

- 5 I issued an audit report including an unqualified opinion on the financial statements on 29 September 2009. The financial statements presented to audit contained a few errors which were amended. We did not identify any significant weaknesses in your internal control arrangements.
- 6 Officers continue to demonstrate a commitment to improving the closedown process. Nevertheless, there is still scope for improvement and we will continue to work closely with your staff to assist them in this matter.

Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 7 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest.
- 8 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 9 The Council's use of resources theme scores are shown in Table 1. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1. These scores are now final having gone through the use of resources national quality assurance process.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	2
Managing resources	2

- 10** Although the overall theme scores under the revised use of resources framework are lower than the scores achieved in previous years, this does not reflect any deterioration in overall performance as the basis of the assessment has been revised. The overall theme judgement of 2 means that the Council has arrangements which are consistent with established professional practice and guidance, meet statutory requirements and operate effectively. The Council is performing particularly well in its arrangements for managing risk and maintaining a sound system of internal control. In order to move to the next level, the Council needs to demonstrate that these arrangements are not only effective but are having an impact on outcomes and the delivery of strategic priorities. We will agree an action plan with officers to enable them to identify opportunities to further improve performance.

VFM Conclusion

- 11** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 12** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial standing

- 13** The last year has seen the country enter a significant economic recession. The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 14** As we reported in last year's letter the Council held a £1 million investment with one of the Icelandic Banks hit by the banking crises. This is clearly an issue which has a potential impact on the Council's resources and its financial standing. However, we are satisfied that the Council clearly links its plans with its resources and manages its budget soundly.
- 15** The Council has managed to make significant savings over the last three years, to the point where it transformed a general fund budget deficit of £2m to a £760,000 surplus. However savings on this scale have not been easy and are the result of a substantial restructuring exercise following a review of its priorities. This included the formulation and implementation of a new management and organisational structure to transform the organisation to deliver local priorities. This involved 46 people being made redundant (via a mix of voluntary and compulsory redundancies). In addition a number of vacant posts were deleted from the establishment as part of the re-organisation.

Value for money and use of resources

- 16** In 2009/10 the Council is forecasting to keep spending within available resources with a £93,000 contribution towards reserves but a significant deficit of £760,000 is forecast in 2010/11. It is recognised that this forecast deficit includes one off costs associated with the impact of the Icelandic investment referred to above. However, the impact on general fund balances will need to be managed carefully.
- 17** The financial position of the Council therefore remains challenging. The Council will need to ensure that it monitors closely its financial position and takes appropriate action to enable it to remain within its budget. I will continue to monitor the Council's response and actions in this key area.

Managing performance and organisational assessment

The Comprehensive Area Assessment Lead has used my use of resources assessment along with an assessment of how well the Council manages its performance to come to an overall assessment for the Council. This is known as the organisational assessment.

Managing Performance

- 18 The Audit Commission assesses how well the Council manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The priorities have been drawn from what matters most to local people.
- 19 The Council scores 2 out of 4 for managing its performance (the scoring mechanism is as for Use of Resources).
- 20 Most services have improved. There are a good range of high quality leisure facilities in the borough. Through working in partnership it has three up to date leisure centres providing a range of activities to benefit the local community.
- 21 Local green areas are improving. Two parks have been awarded Green Flag status recognising their quality and the improvements that the Council has made to them. It also plans to achieve Green Flags for two other parks in the borough.
- 22 More waste is being recycled. Residents can pay to have their garden waste collected and this scheme now breaks even. The Council keeps the area clean and has reduced fly tipping. The Council is helping make the borough safer. A range of projects delivered through the Community Safety Partnership has helped reduce crime and anti-social behaviour.
- 23 The Council is responding to the economic situation and supporting both local business and the community well. It has continued to help new business start ups and provides free training to new and existing local businesses. The support given to the citizens advice bureau has been increased to help respond to the significant increase in demands made upon it. Belper and Alfreton town centres have been improved in recent years. However, much of the significant physical improvement planned for Heanor and Ripley town centres has not yet taken place.
- 24 Most people are happy living in Amber Valley – eight out of ten think it is a good place to live. However, the survey also found that one in three people are happy with the way the Council runs things and satisfaction with some council services is low.

Overall Organisational Assessment

- 25** The Use of Resources and Managing Performance assessments are combined to give an overall organisational assessment judgement for the Council. The Audit Commission has determined that the organisational assessment judgement for the Council is that it performs adequately.
- 26** The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment for Derbyshire, Beverley Parker.

Closing remarks

- 27** I have discussed and agreed this letter with the Chief Executive and the Executive Director (Financial Services). I will present this letter to Full Council on 16 December 2009 and will provide copies to all members.
- 28** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 2

Report	Date issued
Annual audit and inspection plan	May 2008
Opinion audit plan	April 2009
Review of Internal Audit	September 2009
Annual governance report (including use of resources assessment)	September 2009
Auditor's report giving an opinion on the financial statements	September 2009
Value for money conclusion	September 2009
Organisational Assessment	December 2009

Audit fees

- 29** We were able to deliver the audit within the fee agreed at the start of the year as summarised below

Table 3 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	80,159	80,159	0
Value for money	19,614	19,614	0
Total audit fees	99,773	99,773	0

Closing remarks

Independence

- 30** I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.
- 31** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Sue Sunderland

District Auditor

November 2009

Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Managing finances

Theme score - 2	
Key findings and conclusions	
The Council has adequate arrangements for managing its finances	
KLOE 1.1 (financial planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council integrates its financial and corporate planning processes with links to risk management and strategic planning for other resources. It has robust arrangements for setting and approving a comprehensive, balanced and realistic budget. Medium term financial planning and annual budgeting reflect the Council's strategic objectives and priorities. The MTFS links to and underpins key strategic objectives. The Council has identified what its priorities are but action in 2008/09 has of necessity focused on reducing costs. The Council has a good track record of identifying efficiencies and maintaining service standards whilst operating within its approved budget.</p>	

Appendix 1 – Use of resources key findings and conclusions

KLOE 1.2 (understanding costs and achieving efficiencies) Score VFM criterion met	2 Yes
Key findings and conclusions	
<p>The Council has a budget information and variance analysis system in place to monitor costs. The MTFS contains an analysis of the Council's costs, analysed over the type of spending. There is a robust process to allocate funding to capital projects, which considers links with Council priorities and the whole life costs of the project. Delivery of the capital programme is monitored regularly. The Council has a robust VfM strategy in place with clear policies and effective processes for ensuring value for money. It has achieved significant cash and non-cash efficiency savings over the last three years</p>	
KLOE 1.3 (financial reporting) Score VFM criterion met	2 Yes
Key findings and conclusions	
<p>Budget monitoring and forecasting information is reliable, relevant and understandable. It is produced regularly and on a timely basis throughout the year which leads to prompt action to address any variances or other issues. The Council has demonstrated its proactive approach to manage potential overspendings during 2008/09 through restructuring the Council and reducing the workforce to allow a balanced budget to be set for the next three years.</p>	

Table 4 Governing the business

Theme score	2
Key findings and conclusions	
The Council has adequate arrangements for governing the business	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
The Council ensures the needs of citizens and users are taken account of in the design and delivery of services. It has a community engagement strategy and engages with service users and partners to inform its service planning and delivery. The Council is exploring options for joint delivery of services in a number of areas and there is evidence of improvement in its procurement of energy. The Council is utilising the Derbyshire Transformational Partnership to ensure that services are procured having taken account of the different options available.	
KLOE 2.2 (data quality and use of information)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
The Council's corporate arrangements for data quality are established although our testing identified issues. The Council provides decision makers with fit for purpose data. The Council utilises a range of ways to ensure that it is effectively manages performance against its priorities but corporate performance management could be strengthened.	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.3 (good governance)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council has reviewed senior officer roles and responsibilities to ensure that they continue to focus on its purpose and priorities. It has identified a set of values that focus specifically on meeting the needs of the local communities. There are good working relationships between members and senior officers. Governance arrangements are appropriate. The Standards Committee has dealt with a number of allegations including assessments, investigations and hearings. There are constructive working relationships between the Council and its partnerships.</p>	
<p>KLOE 2.4 (risk management and internal control)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Governance and Audit Board ensures the Council identifies and effectively manages corporate business risks. A particularly good example of the impact of effective control was the use of a separate PFI risk register. This helped the Council to deliver an innovative and challenging project and proved effective in helping the Council identify, manage and resolve the impact of the construction company not meeting design specifications. There is a strong anti fraud culture. The Council provides an effective internal audit service.</p>	

Table 5 Managing resources

Theme score	2
KLOE 3.3 (workforce planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has recently completed a comprehensive restructure aimed at maintaining the delivery of key frontline services with minimal adverse impact on statutory services. As part of this restructuring it has assessed its staff level requirement and associated skills. The Fitness for Purpose restructuring required the Council to carry out a significant amount of workforce planning in 2008/09. However, the Council recognises that workforce planning still needs to be formalised to ensure that it systematically picks up the implications of emerging issues and legislation changes.</p> <p>The Council supports its staff through change well as illustrated by its approach to the recent restructure. Staff communication and support has been extensive and managers have been provided with change management training. Further training has been supplied to staff as part of a 'making the new structure work' programme. The Council has an established appraisal process with its employees appraised annually. There is a Management Development Programme and a Post-Entry Training Scheme. These help to both retain and develop for the future skills for any specific anticipated occupational shortage. The Council has also used 1-1 interviews with managers and heads of service and managers' forums have been held in 2008/09 to inform the corporate training plan.</p> <p>The Council has an established range of policies in place to support staff. The Council's policies also include a corporate equality policy and equality action plans and impact assessments.</p>	

The Audit Commission

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