

Basingstoke & Deane Borough Council

2008/09 Annual Audit Letter



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02/12/09

Ladies and Gentlemen

We are pleased to present our Annual Audit Letter summarising the results of our 2008/09 audit. We look forward to presenting it to members on 19th January 2010.

Yours faithfully

PricewaterhouseCoopers LLP
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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2008 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.

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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 2008/09 audit work we have undertaken at Basingstoke & Deane Borough Council that is accessible for 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 2008/09 financial statements, incorporating the conclusion on Use of Resources
- Report to those charged with Governance (ISA (UK&I) 260)
- Interim audit report
- Use of Resources – Draft Assessment Results

The matters reported here are those that we consider are most significant for the Authority 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 Authority 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 Authority's 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 2008/09 audit work has been undertaken in accordance with the Audit Plan that we issued as a final document on 23/05/09.

Audit findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit report on 30th September 2009.

We identified the following key issues from our audit of accounts:

- There were no significant unadjusted or adjusted errors and the accounts and working papers were produced to an exemplary standard.
- Accounting practices have been correctly applied and are in line with the Statement of Recommended Practice
- The Council has a strong financial standing, however will face financial pressures as a result of the economic situation and will need to continue monitoring the impact on investment income, pension costs etc
- There were a number of accounting and data quality recommendations that have been detailed in the summary of recommendations below

Use of Resources

The Audit Commission requires us to assess the overall arrangements that the Authority has in place in the following three areas:

- Managing finances

- Governing the business.
- Managing Resources.

We evaluated the arrangements against criteria set by the Audit Commission in underlying Key Lines of Enquiry (KLoE) and reached a score for each based on the following:

- 1 Failure to meet minimum requirements – inadequate performance;
- 2 Meets only minimum requirements – performs adequately
- 3 Exceeds minimum requirements – performs well; or
- 4 Significantly exceeds requirements – performs excellently.

The scores for these KLoEs then determines the overall score for each area, using rules issued by the Commission. The Commission in turn then determines an overall score for the Authority.

Managing Finances

We have scored the KLoEs for managing finances reporting as follows:

Key Line of Enquiry		Score
1.1	The Authority plans its finances effectively to deliver its strategic priorities and to secure sound financial health	3
1.2	The Authority has a sound understanding of its costs and performance and achieves efficiencies in its activities	3
1.3	The Authority's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people	3

The Council is effective in managing its finances, it has good processes in place and outputs and outcomes have been achieved. The Council has a strong finance team who are experienced; financial plans are developed through consultation with members, management, officers and the community and are linked to the Council's strategic priorities. Efficiency savings have been achieved and the Council has a good performance compared to other authorities. Financial reporting processes and working papers are of a high quality and are produced on a timely basis. Further improvements could be made in relation to engaging more with stakeholders to develop the participatory budgeting process and reaching all areas of the community via different consultation ~~and collection~~ methods.

Governing the business

We have scored the KLoEs for governing the business as:

Key Line of Enquiry		Score
2.1	The Authority commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money.	3
2.2	The Authority produces relevant and reliable data and information to support decision making and manage performance	3

2.3	The Authority promotes and demonstrates the principles and values of good governance	3
2.4	The Authority manages its risks and maintains a sound system of internal control	2

The Council is effective in governing its business, it has good processes in place and outputs and outcomes have been achieved. Procurement arrangements have led to cost savings and there is a sound system of internal control. The Council has a strong management team and members actively ensure that the vision of the Council is being achieved. Further improvements are required in relation to further embedding risk management and enhancing outcomes from counter fraud and corruption arrangements. Also arrangements with partnerships could be further enhanced to clearly demonstrate outputs that have been achieved.

Managing resources

We have scored the KLoEs for managing resources as:

Key Line of Enquiry		Score
3.1	The Authority makes effective use of natural resources.	N/A
3.2	The Authority manages its assets effectively to help deliver its strategic priorities and service needs.	N/A
3.3	The Authority plans, organises and develops its workforce effectively to support the achievement of its strategic priorities	2

Note: KLoE 3.1/3.2 are not specified KLoEs for 2008/09 for District Councils

The Council's arrangements for managing its people resources are consistent with established professional practices and guidance and are operating effectively. The People Strategy was being redeveloped in 2008/09 to be in place for 2009/10 to 2011/12. Further improvements are required to ensure that the People Management Strategy and Performance Review Forms clearly link to the Council's corporate priorities and service plans and that there is

active monitoring of progress and achievements to further demonstrate the outcomes achieved.

Conclusion on Use of Resources

We were also required to issue a conclusion on the adequacy of the Authority's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

We issued an unqualified conclusion on the Authority's arrangements for its Use of Resources on 30th September 2009.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS) which is consistent with guidance issued by CIPFA / SOLACE. The AGS was included in the financial statements.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE 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.

Treasury Management

As part of our work on Use of Resources we carried out a programme of work on Treasury Management. This piece of work was mandated by the Audit Commission.

Our review of treasury management arrangements was based on a checklist provided by the Audit Commission and we did not identify any issues with the Council's policies, staff or investment strategy.

Matters affecting future accounting periods

Transition to International Financial Reporting Standards (IFRS)

CIPFA has issued the Exposure Draft and Invitation to Comment on the Code of Practice on Local Authority Accounting in the United Kingdom 2010. This will apply to accounting periods starting on or after 1 April 2010. The new Code is the first to be prepared under IFRS. Because of the need to have comparative information for the first set of full IFRS accounts the effective date of the transition is 1 April 2009. The authority will need to have values for assets and transactions as they should be recognised under IFRS from this date.

The Authority will need to ensure that it has a good grasp of the changes to accounting requirements under the new Code, and that it has robust plans in place to enable collection and processing of the information needed to comply with the new Code.

In our experience the key features of a successful IFRS conversion project have proven to be:

- Completed impact analysis and comprehensive conversion plans;
- The commitment of key stakeholders in the organisation;
- Operational steering and technical groups;
- Cabinet/audit committee oversight;
- Regular progress reporting against the plan;
- The necessary project management resources; and

- Appropriate and timely training for all members and officers with IFRS involvement.

Summary of recommendations

Recommendation	Management Response	Target Implementation Date
<p>Bad Debt Provision (Medium Priority)</p> <p>From our analysis, it appears that the policy for providing for 90% for debts outstanding appears over prudent. As such a review of the Council Tax Payers bad debt provision should be undertaken to ensure that it is an appropriate method, which results in less writing back of provisions.</p>	<p>Agreed, the provision will be reviewed.</p> <p>By Whom Kevin Jaquest</p>	<p>As part of 2009/10 close down of accounts.</p>
<p>Credit notes (Medium priority)</p> <p>During our audit testing, we identified that a debtor invoice had been raised for Barratt Southern Counties Limited for £7,775.33 prior to year end and after year end a credit note had been raised to cancel this debtor. As such a review should be undertaken prior to the accounts being approved, to identify, and adjust for, any credit notes which have an affect on the year end balances.</p>	<p>Agreed, credit note review will be undertaken.</p> <p>By Whom: Phillip Hood</p>	<p>As part of 2009/10 close down of accounts.</p>
<p>Data Quality (Medium Priority)</p> <p>Management should take the following action in relation to data quality issues:</p> <p>ai) The documented audit trail in relation to the start and end dates of tenants in Housing Association temporary accommodation should be consistent; detailed written confirmations should be obtained in all cases.</p> <p>aii) Spot checks on performance indicators should be undertaken by independent officers to ensure the accuracy of data.</p> <p>b) Hold discussions with the IBS software supplier to rectify the incorrect classification between new and change of circumstance housing and council tax benefit grant claims.</p>	<p>ai) Agreed. Will liaise with the Housing Advice – Assistant Manager to progress.</p> <p>By Whom: Paul Gundry.</p> <p>aii) Agreed. Spots checks will be carried out by the Governance & Data Protection Team.</p> <p>By Whom: Paul Gundry.</p> <p>b) Agreed.</p> <p>By Whom: Nadine McKenzie.</p>	<p>December 2009.</p> <p>December 2009.</p> <p>December 2009.</p>

<p>Use of resources (Medium Priority)</p> <p>Our assessment of the Council's use of resources identified the following key areas for improvement:</p> <ul style="list-style-type: none"> • Developing further the Council's participatory budgeting arrangement, engaging with the whole community, including the vulnerable, consulting at different times of day, different collection methods via community centres. • Strengthening the Council's IT approach in relation to data security and compliance, and improvements through service redesign. • Further developments in ensuring that the Council can demonstrate that it is proactive in raising standards of ethical conduct through training, guidance, audit and self assessment survey. • Updating fraud and corruption arrangements and further embedding of risk management to clearly demonstrate improved outcomes and outputs. • Arrangements with partnerships could be further enhanced to clearly demonstrate outputs that have been achieved. • Ensuring that the People Management Strategy and Performance Review Forms clearly link to the Council's corporate priorities and service plans and that there is active monitoring of progress and achievements to further demonstrate the outcomes and outcomes of the workforce. <p>Next year the assessment will include a review of natural resources, so the Council should ensure it is able to evidence outcomes in this area.</p>	<p>Agreed – an action plan has been prepared to improve the identified areas</p> <p>By Whom: David Robb.</p>	
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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.

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