

Annual Audit Letter

Bolsover District Council

Audit 2008-2009

December 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. However, it wasn't possible to complete our work before the deadline of the end of September because we encountered difficulties in carrying out our work to support the fixed assets figures. We identified errors in the draft statements which had to be changed and ways in which the quality of the statements needs to be improved. We will be looking to see improvement next year.
- 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 demonstrate that these processes are actually helping you improve the delivery of priority services to the community.
- 3** In common with other councils, your financial position remains challenging. The Council will need to ensure that it continues to monitor closely its financial position in 2009/10 and future years and take appropriate action to enable it to remain within its budgets. It is likely that you will be required to make tough decisions on allocating resources for the foreseeable future because of the economic conditions. I will need to monitor your response and actions in this key area.
- 4** Our assessment of you as an organisation is that you are performing adequately overall. Most crime is reducing, although local people still worry about antisocial behaviour. Most people like living in the district, although this is still the lowest compared with the other districts in Derbyshire. Services for customers are getting better, and people think they have a good say in how these are run. Some areas of the district have improved a lot, such as homes and the environment in Creswell.
- 5** Recommendations are shown within the body of this report and have been agreed with you.

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

- 6 I issued an audit report including an unqualified opinion on the financial statements on 20 October 2009, after the 30 September deadline. The opinion was delayed because we encountered some difficulties in carrying out our work to support the fixed assets figures. We also identified a lot of errors throughout the statements including seven material errors to the main financial statements and a further three to the supporting notes to the statements of account, all of which were amended.
 - 7 In addition, we identified a number of other non trivial but non material errors, some but not all of which were amended. Members need to be aware that correction of all of these errors would have had the impact of reducing both Housing Revenue Account (HRA) and general fund balances by around £0.5m.
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Accounting Practice and financial reporting

- 8 I considered the qualitative aspects of your financial reporting. I reported a number of issues in my annual governance report to those charged with governance. These included:
 - The information provided by the Council's Senior Valuer to support the valuation of fixed assets did not fully comply with guidance in terms of the effective date of the valuation and the level of documentation provided.
 - The Council's arrangements to ensure income and expenditure are included in the correct headings in the accounts had not worked for all categories
 - We queried the basis of several of the Council's bad debt provisions. The Council needs to ensure each of its bad debt provisions are based upon an appropriate assessment of risk. We will follow this up in 2009/10.
 - The Council's arrangements for ensuring the correct allocation of expenditure between financial years did not work as expected in one area of the Council.
- 9 Overall, the quality of the draft financial statements was substantially poorer than previously and our annual governance report made a number of recommendations to assist officers in improving the quality for the future.

Recommendation

R1 The Council needs to monitor delivery of the recommendations made in our annual governance report to improve the quality of financial reporting through the statement of accounts.

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

- 10** 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.
- 11** 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.
- 12** The Council's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Table 1 Use of resources theme scores

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

- 13** Although the overall theme scores under the revised use of resources framework are lower than some of the scores achieved in previous years, this does not necessarily reflect a deterioration in overall performance as the basis of the assessment has been revised. An 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.

Value for money and use of resources

- 14** We concluded that the Council manages its finances soundly and has a good understanding of its costs. It understands how its costs compares with other councils and spending plans are in line with priorities. It delivers some services jointly with other councils where it can be confident of achieving a better or more efficient service. The Council is improving value for money by improving the quality of its services and saving money at the same time. This helps to keep council tax down. The number of local people who think the Council is running things well and giving value for money is the second highest in Derbyshire.
- 15** The Council is involved in many schemes and projects aimed to improve life for its residents, but it is not so good at being able to show that these projects are having the needed effect. This will be an important area for the Council to develop in over the next year.
- 16** The issues referred to earlier in relation to the financial statements were not identified in time to affect the use of resources assessment for the financial reporting KLOE. However, the earlier timing of our use of resources assessment in 2009/10 means that they will form the basis of the financial reporting KLOE in the current year.

VFM Conclusion

- 17** 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.
- 18** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy efficiency and effectiveness in the use of resources.

Financial position

- 19** 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.
- 20** In common with other councils, your financial position remains challenging. The half year monitoring report to the Executive in November identified general fund expenditure pressures of an estimated £270k (2.3 per cent of the original budget requirement) by the end of the financial year. However, it went on to conclude that the Council will be able to manage these pressures from within existing budgets to leave a general fund balance of £1.2m as originally planned.

- 21** The current version of the Medium Term Financial Plan identified budget gaps of £625k in 20010/11 and £690k in 2011/12. It is likely that you will be required to make tough decisions on allocating resources for the foreseeable future because of the economic conditions. You will need to monitor progress in managing these budget pressures and identifying ways to close future gaps and I will continue to monitor your response and actions in this key area.
- 22** We have more concerns in relation to the HRA. During the year, the Council identified an error in the budget setting process used for housing rents which had affected the budget for 2009/10 and for future years. The effect for 2009/10 was that approximately £500k too much had been included in the budget for housing rents income. You can take assurance from the fact that remedial action has now been taken but this error should have been identified sooner as part of the Council's budget setting processes.
- 23** In relation to HRA expenditure, this is expected to be contained within existing budgets. However, the forecast year end balance of £537k is of concern when considered against the estimated under provision of £485k in respect of housing tenants bad debts identified as part of the 2008/09 financial statements audit.
- 24** There are plans to rebuild the level of the HRA balance to £1m over the period of the current Medium Term Financial Plan but the Council needs to review the level of HRA balances now, to ensure they are appropriate for the financial risks you face.
- 25** As reported in last year's letter, the Council is exposed to the potential loss of its £3 million investments in Icelandic Banks. This is clearly an issue which has a potential impact on the Council's accounts and its financial standing. We will continue to monitor developments closely in 2009/10. Using the latest CIPFA guidance, the Council plans to update its Treasury Management Framework in early 2010.

Recommendation

- R2** The Council needs to continue to monitor the financial position closely and ensure that levels of balances remain in line with identified financial risks. In particular, the Council needs to urgently review the adequacy of HRA balances and take action to ensure these are sufficient.

National Fraud Initiative

- 26** You are required to participate in the National Fraud Initiative (NFI) which is the Audit Commission's computerised data matching exercise designed to detect fraud perpetrated on public bodies. I have undertaken a review of your progress in investigating the data matches. At the time of my review whilst some progress had been made, further work remains to be done.

Recommendation

- R3** The Council needs to ensure arrangements for the review and investigation of NFI matches are in place and pursued.

Managing performance & 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.

- 27** 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.
- 28** The Council scores 2 out of 4 for managing its performance (the scoring mechanism is as for Use of Resources).
- 29** The Council is tackling issues that local people recognise as priorities. These are: reducing crime and antisocial behaviour, improving services for customers, making the area a cleaner and nicer place to live, improving people's health and living conditions, and helping people get jobs and children get better exam results.
- 30** Most crime is reducing, although local people still worry about antisocial behaviour. Most people like living in the district, although this is still the lowest compared with the other districts in Derbyshire. Services for customers are getting better, and people think they have a good say in how these are run. Some areas of the district have improved a lot, such as homes and the environment in Creswell.
- 31** The health of people in Bolsover district is not as good as elsewhere in Derbyshire or nationally. The Council and health services are working hard to make things better, and are starting to see some improvements. But there is still a long way to go. Some schemes have been hit by the recession. For example improving housing and the local environment has an impact of health and helps to improve people's wellbeing. But some building and improvement plans are on hold until the economy improves. And not all of the council houses in Bolsover meet the government's standard for decent homes.
- 32** Even without the recession unemployment was high in Bolsover district, with a growing number of young adults leaving school with few qualifications and no jobs. The Council and its partners are working to raise the ambitions of young people and have created 75 new apprenticeships and other training schemes. They hope this will help to break the cycle of unemployment that some families are stuck in. Citizens Advice Bureaus take place in doctor's surgeries. This helps local people get advice more easily, and it has enabled people to claim £500,000 more in benefits that they were entitled to but didn't know about.

Overall Organisational Assessment

- 33** 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.
- 34** The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Derbyshire, Beverley Parker.

Closing remarks

- 35** I have discussed and agreed this letter with the Chief Executive and Director of Resources. I will present this letter to the Council on 13 January 2010 and will provide copies to all members.
- 36** 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
Audit Plan	May 2008
Annual governance report (including use of resources assessment)	September 2009
Auditor's report giving an opinion on the financial statements	October 2009
Value for money conclusion	October 2009
Organisational Assessment	December 2009

Audit fees

- 37** We were unable to deliver the audit within the fee agreed at the start of the year because of the additional work required to conclude the audit of the financial statements. An additional invoice has been raised to cover the work and the full effect is summarised below

Table 3 Audit fees

	Proposed	Actual	Variance
Financial statements and annual governance statement	70,905	83,740	12,835
Value for money	26,650	26,650	0
Total audit fees	97,555	110,390	12,835

Independence

- 38** I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

- 39** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

Sue Sunderland
District Auditor
December 2009

Appendix 1 – Use of resources key findings and conclusions

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

Table 4 Managing finances

Theme score	
Key findings and conclusions	
The Council continues to get the basics right and exhibits some characteristics of well performing organisations in some focus areas but has not to date demonstrated how financial planning contributes to improved outcomes in relation to strategic priorities or of ownership of financial planning process by members, staff, partners and other stakeholders.	
KLOE 1.1 (financial planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
The Council gets the basics right and has some well performing characteristics but has not demonstrated how financial planning contributes to improved outcomes. The Council sets a comprehensive, balanced and realistic budget and identifies any savings required to balance the budget. The Council keeps its treasury management strategy under review and monitors performance against it. However, the treasury management function does not appear to be appropriately resourced.	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 1.2 (understanding costs and achieving efficiencies)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council understands its costs, and the factors that influence them. It uses benchmarking to highlight areas of cost that are higher than those of similar councils. Cost and performance information is used to help in planning processes to make decisions around priorities. To move to a higher level there is a need to be able to demonstrate the impact on strategic priorities.</p>	
<p>KLOE 1.3 (financial reporting)</p> <p>Score</p> <p>VFM criterion met</p>	<p>2</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council's financial reporting is adequate and meets basic requirements including relevant non financial information. However there is more to do to improve the accuracy of the financial statements presented for audit.</p>	

Appendix 1 – Use of resources key findings and conclusions

Table 5 Governing the business

Theme score	
Key findings and conclusions	
Overall the evidence demonstrates that it is getting the basics right and there are some characteristics of a Council that is performing well, particularly in the focus areas of promoting the principles of good governance, purpose and vision and the ethical framework. The Council is active around community engagement but it is not clear how systematic engagement is and the extent to which services have changed as a result of the engagement	
KLOE 2.1 (commissioning and procurement)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
The Council has detailed knowledge of its community, community groups, and hard to reach groups and understands the various needs of these sections of their population. This knowledge is being captured as part of the Joint Strategic Needs Assessment, which the council participates in as a partner. The Council is exploring options for joint delivery of services in a number of areas. There has also been extensive engagement with local people around health inequalities. However it is not clear how systematic engagement is and the extent to which services have changed as a result of the engagement. Business Process Improvement reviews are now planned to generate efficiencies.	

Appendix 1 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</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 adequate arrangements in place to ensure the quality of data and the use of that data within performance management. However, there is more to do around integrating partners into its approach to data quality. Members undertake scrutiny reviews each year but the impact of these needs to be better evidenced.</p>	
<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>Overall the Council is getting the basics right although it is stronger in areas of promoting the principles of good governance, purpose and vision and the ethical framework. Good governance is supported by clear roles set out in the Council's Constitution document and effective Scrutiny arrangements are in place. However, its whistleblowing arrangements do not fully comply with the good practice model provided by Public Concern at work. The Council could be more systematic in documenting the governance arrangements in place for each significant partnership.</p>	
<p>KLOE 2.4 (risk management and internal control)</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 arrangements in place to ensure that it has a sound system of internal financial control and a risk management strategy has been approved by members. The Council's risk management approach does not specifically link individual risks to corporate aims as the risks are frequently cross-cutting in nature. The Council has a counter fraud and corruption strategy approved by members and made available to staff. We have yet to see evidence of how delivery of this is monitored or of how counter fraud and corruption arrangements extend to and include partnerships.</p>	

Appendix 1 – Use of resources key findings and conclusions

Table 6 Managing resources

Theme score	
Key findings and conclusions	
KLOE 3.3 (workforce planning)	
Score	2
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council is getting the basics right in this area. Although there is clear evidence of policies and framework these are not being applied consistently and there is little evidence to date of outcomes and impact. Training needs are identified using service plans, the personal appraisal system and corporate priorities. There are effective policies and procedures in place to manage sickness levels. A workforce planning template has been introduced into the Service Plan and a qualifications matrix produced to identify future skills shortages and clear career paths to aid succession planning. The Council is currently at Equality Standard level 3.</p>	

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
5	R1 The Council needs to monitor delivery of the recommendations made in our annual governance report to improve the quality of financial reporting through the statement of accounts.	3	Director of Resources / Head of Finance and Revenues	Yes	Annual Governance Report and completed action plan presented to Audit Committee on 15th December. Progress to be reported to March Audit Committee. All points from AGR incorporated into closedown timetable. All points will be reviewed in Feb/Mar in preparation for year end and steps taken to resolve issues.	March 2010

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R2 The Council needs to monitor the financial position closely and ensure that action is taken quickly to stabilise the Council's financial standing by bringing spending plans into line with available resources. In particular, the Council needs to urgently review the adequacy of HRA balances and take action to ensure these are sufficient.	3	Director of Resources / Head of Finance and Revenues	Yes	HRA - Nov report detailed the review of budgets that reflected revised expenditure, efficiencies from mobile working & stores, review of charges. Overall financial monitoring <ul style="list-style-type: none"> Monthly budget meetings to be targeted at close monitoring and reporting of budget problems. Action plans to be developed and monitored at SMT. High level reporting of projected budget to be reported to SMT. 	March 2010
8	R3 The Council needs to ensure arrangements for the review and investigation of NFI matches are in place and pursued.	2	Director of Resources / Head of Finance and Revenues	Yes	Ongoing work will transfer to the Resources Directorate.	March 2010

The Audit Commission

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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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
