

Annual Audit Letter

Borough of Broxbourne

Audit 2008/09

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 accounts and the results of the work I have undertaken to assess the way in which you use your resources.

Accounts

- 1 The Council is required to prepare and approve its accounts by the 30 June 2009. The Council met that deadline. The accounts were complete and were supported by adequate working papers, which enabled me to complete my audit programme by the 30 September deadline.
- 2 Our audit did find some errors in the approved accounts. The Council agreed to correct a number of these but officers chose not to amend for a number of others. These errors were not so significant as to distort the overall financial position of the Council. However, I reported these to the Council's Finance and Personnel Committee (as those charged with the governance of the Council), who concurred with officers decision not to amend the accounts for those errors. The Finance and Personnel Committee formally provided me with their rationale for not adjusting the accounts for these errors.
- 3 As a result of my work, I concluded that the accounts 'presented fairly' the Council's financial position at the 31 March (an unqualified audit opinion) and its income and expenditure for that financial year.
- 4 An enhanced reporting framework (International Financial Reporting Standards) is to apply to all Councils accounts in 2010/11. The Council have developed a project plan to implement these standards and is progressing with the implementation of this plan.

Use of resources

- 5 We assess how the Council makes use of the resources at its disposal to provide local services. A national framework is applied to our assessment, with a score given between 1 (inadequate and below minimum standards) and 4 (performing strongly) in each of three key areas.
- 6 The Council is performing adequately overall (Level 2). It attained the following scores in our assessment:
 - Level 2 in respect of the way it manages its finances;
 - Level 2 in respect of the way it manages its people; and
 - Level 2 in respect of the way it manages and governs the business as a whole.

Managing finances

- 7 The Council has a clear financial vision. It aims to keep council tax low while providing good quality, value for money services. The Council has achieved this even though it did not have a formal forward-looking financial plan during 2008/09. The Council has the lowest council tax in the country. Resources have been directed towards priorities that matter to local people.
- 8 The Council monitors its finances and its service performance but it does this separately. The Council publishes a range of information on its services but could do more to make this accessible to the public, especially those who sight or hearing are impaired, or who use languages other than English.

Governing the business

- 9 The Council governs itself well and provides good value for money. It takes the needs of the local community into account in deciding what services to provide but does not always consider the impact on the environment when making decisions.
- 10 The Council has a good track record of using information about its performance to tackle areas where it does not perform so well, but this has not always been linked to priorities. The Council has good training and induction programmes and working relationships between members and officers are constructive. Risk management is effective, which has been recognised by a reduction in insurance premiums. Counter-fraud arrangements and internal controls are generally sound, although some aspects of this framework require review and updating.

Managing Resources

- 11 The Council has an effective and motivated workforce which is generally representative of the local community, though the proportion of staff with a disability is among the lowest nationally. Whilst workforce planning is broadly effective, the Council has not developed plans to manage its staff resource beyond the next year

Other supporting work

- 12 In order to support my use of resources judgements, we undertook reviews of partnership arrangements for public sector bodies across Hertfordshire and also looked specifically at how health inequalities are being managed. In both cases I found that arrangements are in place but more could be done by all public sector partners within Hertfordshire to address the issues and use the combined resources to better effect.

Managing performance

- 13 The Audit Commission also 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 the local people.

Key messages

- 14 The Council scores 3 out of 4 for managing its performance (same scoring mechanism as for Use of Resources above).
- 15 The Council works well with the police to help to reduce crime and improve community safety. It provides popular activities which keep young people engaged. It is redeveloping the area to provide local employment and improve areas of deprivation. The Council is improving the environment by increasing recycling and composting. It is working well with the health service to improve local healthcare services. Over 49 per cent of local people are satisfied with the Council's services, which is better than most councils.
- 16 There are some areas in which the Council could improve its performance. People had been waiting too long during the year for benefits claims and planning applications to be processed. And the Council needs to do more to ensure that it treats all its customers equally and to improve resident's satisfaction with the area.
- 17 Ambitious plans for the future have been agreed. Priorities are based on what local people want. There are clear links between the Council's plans and those of its partners. Leadership is good and performance management has improved.

Overall organisational assessment

- 18 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 Borough of Broxbourne is that it performs well.
- 19 The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Hertfordshire, Gary Hammersley.

Financial standing

- 20 The last year has seen the Country enter a significant economic recession on the back of a global economic crisis triggered by the collapse of a number of high profile international banks.
- 21 The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these will provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 22 The Council is responding to this challenge. The implications of the recession are understood and the challenges faced are being acknowledged by the Council as a whole. The latest financial strategy actively considers the impact of the economic downturn and addresses the funding shortfalls and increased demand for services identified.
- 23 The impacts of the recession will continue to present a challenge to the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area.

Audit fees

- 24 I have not been able to deliver and conclude my audit programme within the fee that I planned. An additional fee of £6,000 will be charged in respect of the work required on the accounts. Further details are given in the audit fees section of this letter.
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Independence

- 25 As the External Auditor appointed to audit the Council, I have to maintain my independence. I confirm that this audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.
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Recommendations

- 26 I have identified some areas within my Annual Governance and Use of Resources reports, where the Council could further develop its arrangements.
- 27 The Council should monitor the action taken in these areas.

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.

- 28 I issued an unqualified opinion on the Council's accounts on 29 September 2009, thereby meeting the 30 September deadline set within the Accounts and Audit Regulations 2003. In my opinion the accounts present fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
- 29 Before giving my opinion, I reported to those charged with governance, in this case the Finance and Personnel Committee, on the issues arising from the 2008/09 audit. I issued my report on 28 September 2009.

Accounting issues

- 30 The draft accounts were approved on 23 June 2009, the deadline specified in the Accounts and Audit Regulations 2003.
- 31 In general, working papers supporting the accounts were to an adequate standard, and responses to queries and requests for additional information were helpfully and promptly dealt with by finance staff. There is still some scope for further improvements next year and these have already been discussed with officers.
- 32 Our audit work identified a material error in the financial statements which was outside the control of the council but which management agreed to amend. This related to the entries in the accounts for the pension scheme and was identified by work carried out on the pension fund accounts by the administering authority auditors. This work identified that the Actuary's estimate of the net assets of the pension fund as at 31 March 2009, as relied upon by your officers to prepare the accounts, was less than the actual outturn position in the pension fund financial statements. As a result, there was a material understatement of the pension fund assets (£1.006 million) at Borough of Broxbourne Council.
- 33 Further amendments were agreed by management to correct other non material errors identified and ensure that the disclosures meet the requirements of the Statement of Recommended Practice (SoRP).
- 34 I did not identify any significant weaknesses in your internal control arrangements and the Council's annual governance statement was in accordance with requirements. The Council's internal audit team comply with the requirements of the professional body Code. The financial systems underpinning the accounts continue to operate with generally sound controls in place. Internal audit have reviewed these systems and made a number of recommendations. I support the implementation of these recommendations as a way of strengthening the Council's control environment.

- 35** I presented my Annual Governance Report to the Finance and Personnel Committee on 22 September 2009 which included the full details of the issues arising from our audit of the accounts. I reported the adjusted and unadjusted errors that my audit had found. I requested that the Finance and Personnel Committee formally consider the audit errors, for which officers had chosen not to adjust the accounts.
- 36** This consideration was formally recorded in a Letter of Representation to me, which allowed me to conclude my audit procedures and issue my audit opinion as set out above.

Certification of claims and returns

- 37** We certify the Council's claims and returns on the following basis.
- Claims below £100,000 are not subject to certification.
 - Claims between £100,000 and £500,000 are subjected to a reduced, light-touch certification.
 - Claims over £500,000 are subjected to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment leads to a reduced certification approach for these claims.
- 38** The Council's housing benefits subsidy claim required minor audit amendments prior to certification and a qualification letter was issued in relation to the claim, although these Issues were not significant.

International Financial Reporting Standards

- 39** The national timetable for the implementation of International Financial Reporting Standards (IFRS) means that these will be first applied in the 2010/11 financial year. However, comparative figures for the 2009/10 financial year will be required.
- 40** Applying IFRS will have significant implications for the way in which local authorities prepare their annual financial statements. The Council is following the CIPFA timetable but does not yet have a detailed project plan in place, with clear roles and responsibilities. The intention is to restate the 2008/09 financial statements by the end of March 2010.

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

- 41 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. Level 1 represents a failure to meet the minimum requirements at level 2.
- 42 I have also taken into account, where appropriate, findings from previous use of resources assessments, the results of the Comprehensive Performance Assessment, and any other relevant audit work.
- 43 The Council's use of resources theme scores are shown in Table 1.

Table 1 Use of resources theme scores

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

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- 44 The key findings and conclusions for the three themes, and the underlying KLOE, are set out in my Annual Governance Report. I have provided a more detailed report of my findings to officers. The key theme findings are summarised as follows.

Managing finances

- 45 The Council manages its finances well to deliver value for money. Despite the lack of a Medium Term Financial Strategy in 2008/09, it has a strong financial vision which underpins its activities. This includes setting a low council tax level, maintaining strong reserves and providing good quality services. These aims are achieved. Financial health is sound and there is a good degree of understanding and challenge of financial matters by members and officers. The Council can demonstrate where it has directed resources towards priorities as determined through understanding its local communities and delivers these initiatives in partnership with others.
- 46 The Council has the lowest council tax (including parish precepts) of any English district, all the more notable given its proximity to London. This is due to its efficiency and to high levels of non-tax revenue. The Council has below average costs combined with high levels of performance. It has a good understanding of its costs and performance. It uses this information effectively for decision making.
- 47 Financial monitoring and reporting is timely and reliable. Budget monitoring is robust and well presented to senior officers and members. However, financial and performance management reporting streams are separate, which means that the Council does not report on an overall picture of its performance. The Council has a live budget monitoring system which has improved accuracy and access to budget information. A range of information is made public but the Council could do more to make this accessible.

Governing the business

- 48 The Council governs itself well, provides good value for money and delivers outcomes for local people. It has a vision of outcomes which shape its commissioning and procurement. The needs of the local community have been taken into account in commissioning services.
- 49 Good quality data and performance information support decision making. The Council has a good track record of using performance information to tackle underperformance and maintain good performance but this has not always been linked to priorities. The Council promotes the principles of good governance with good training and induction programmes. Working relationships between members and officers are constructive. Risk management is effective as recognised in a reduction in insurance premiums. Counter fraud arrangements and internal controls are generally sound, although some aspects of this framework require review and updating.

Value for money and use of resources

Managing resources

- 50 In general, the Council manages its workforce effectively but it does not have a forward looking workforce plan. As a small council it does not believe that it needs one. Workforce planning is broadly effective, though the numbers of staff with disabilities, expressed as a proportion of the working age local population, remains low. Workforce planning, especially in the service (trading) organisations, is effective. The record on sickness absence is strong and improving. The workforce is generally representative of the community at large, though the proportion of staff with a disability, expressed in relation to the local working age population, is among the lowest nationally. Notwithstanding this shortcoming, the Council's approaches to workforce planning have helped sustain an effective and motivated workforce

VFM conclusion

- 51 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.
- 52 Based on the Use of Resources assessment, which was linked to the criteria set out above, I was able to issue an unqualified conclusion, stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Specific risk-based work

- 53 I carried out the following specific pieces of work to provide me with assurance for my Use of Resources assessment in the following areas.
- A review of Partnership arrangements in Hertfordshire.
 - A follow up of my 2007/08 Health inequalities report and recommendations.

A review of Partnership arrangements in Hertfordshire

- 54 Hertfordshire Forward (the County wide Local Strategic Partnership) and the Audit Commission both identified the need to examine the approach to strategic partnership work in Hertfordshire. To avoid duplication, and ensure that the work reflects local issues, the Audit Commission and officers from Hertfordshire Forward (HF) have worked closely together to coordinate the project and deliver the findings. Government Office (East of England) has also actively supported the work.
- 55 The organisations participating in our audit were the County Council, the ten district or borough councils, the two Primary Care Trusts (PCTs), Hertfordshire Police, Hertfordshire Probation Service, the Hertfordshire Fire and Rescue Service and the Voluntary and Community Sector.

- 56 The purpose of this audit was to examine whether partnership working between strategic partners is achieving effective outcomes. In particular, looking at the culture of partnership working between tiers of local government and between sectors in Local Strategic Partnerships. This was structured around nine themes: membership; clarity of purpose; relationships; representation; engagement; commitment; performance management; ambition and thematic groups.
- 57 The review was completed over five stages and involved an online survey, telephone interviews and a participative workshop.
- 58 Key conclusions were as follows.
- There is evidence of strong commitment and willingness to work together with a range of examples of where partnership working has produced successful outcomes. However, there is a general lack of clarity about the roles and functions of partnership structures, how partnerships link together and their composition with impedes the ability to work across sectors and partnerships.
 - Whilst there are some examples of performance monitoring in partnerships, performance management is generally underdeveloped. There is an overall consensus that there is not a consistent performance management system across all partnerships, for example, priorities are generally not underpinned by targets which are specific, measurable, achievable, relevant and timely (SMART), except those expressed in the Local Area Agreement; and there is very little awareness of how other partnerships are performing. It is also not clear who the different partners are accountable to and how they could collectively demonstrate that they had achieved their priorities.
 - Many partners expressed concern about the capacity to resource partnership working. This suggests that tasks from partnerships are seen as additional workload rather than integral to their organisation's priorities. This in turn points to the need for greater correlation between partnership and organisational priorities and the need to ensure partnership priorities are resourced.
- 59 High level recommendations have been made to all partners to:
- improve the effectiveness of partnership working;
 - develop accountability and representation;
 - develop engagement and communication; and
 - enhance performance management arrangements.
- 60 It is expected that progress against these recommendations will be monitored by Hertfordshire Forward and we will be undertaking a formal follow up later this year.

Value for money and use of resources

Health inequalities follow up

- 61 In 2007, we undertook a review across the East of England to examine how well partners in each county were tackling health inequalities. The aim of this work was to explore how well local authorities, PCTs and the voluntary sector were working in partnership to address health inequalities, what evidence there was of local partners reducing health inequalities and how partners were progressing action to achieve/improve on targets. Our review in Hertfordshire identified that a lot of effort was being made to tackle inequalities at a local level but that the impact of this work was not always effectively measured.
- 62 Our follow up work has identified that:
- although the building blocks are in place, partners have not yet implemented a cross-cutting and cross-sector approach to addressing health inequalities but it is acknowledged that health inequalities issues are recognised in other documents;
 - strategies and plans at County level are based on clear and comprehensive data about health needs, and there is a clear move to engage GPs in the health inequalities agenda; and
 - despite the strategies and plans, joint action to tackle health inequalities has not been developed at County level, including performance management systems.
- 63 We will continue to monitor progress in tackling this significant agenda.

Financial standing

- 64 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams.
- 65 There are further challenges for policy priorities where patterns of demand for services are changing. I have reflected on the wider environment, specific issues and risks and the Council's response.
- 66 The financial position of the Council is becoming increasingly challenging, in particular, for future financial periods (2009/10 onwards). The Medium Term Financial strategy for 2009/10 to 2011/12 shows increasing funding gaps with the need to make recurring annual savings of £1.1 million by 2011/12.
- 67 The Council is responding to this challenge; the medium term financial strategy actively considers the impact of the economic downturn and addresses the funding shortfalls identified. The implications of this are understood and the challenges faced are being acknowledged by the Council as a whole.
- 68 Though the economic downturn is presenting specific issues and risks to the Council, I am satisfied that it is taking appropriate steps to respond to this. However, this is an area I will continue to consider closely when assessing how the Council makes effective use of resources during my 2009/10 audit.

Audit fees

- 69 The actual audit fee is more than planned, as outlined in Table 2. We billed an additional fee of £6,000 in relation to work on the Council's financial statements (fixed assets and cashflow statement) and the debtors and creditors financial systems.
- 70 The fee for certification work on grant claims will be higher than originally estimated. Grant claim fees are charged as the work is carried out. As this was the first year of audit at the Council we did not have any prior experience on which to base our estimate of the time likely to be needed and hence the fee. In particular some issues were identified in relation to the benefits claim which resulted in additional work above our forecast being required.
- 71 We will work with you to identify any areas where grant claim arrangements could be strengthened in order to minimise future fees in this area.

Table 2 Audit fees

	Actual - £'s	Planned - £'s	Variance - £'s
Financial statements and annual governance statement	68,200	62,200	6,000
Use of resources 2007/08	24,945	24,945	0
Data quality 2007/08	18,200	18,200	0
Whole of government accounts	3,655	3,655	0
Total audit fees	115,000	109,000	6,000
Certification of claims and returns	36,000	29,000	7,000
Total	151,000	138,000	13,000

Closing remarks

- 72** I have discussed and agreed this letter with the Chief Executive and the Director of Resources. I will present this letter at the Finance and Personnel Committee in January 2010 and will provide copies to all Members.
- 73** 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 3

Report	Date issued
Audit and inspection plan	July 2008
Annual governance report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Annual audit letter	December 2009
Use of resources report	December 2009
Review of partnership arrangements in Hertfordshire	May 2009
Health inequalities follow up	July 2009
Comprehensive Performance Assessment	June 2009
Review of Internal Audit	December 2009
Managing Performance and Organisational Assessment	December 2009

- 74** 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.

Availability of this letter

- 75** This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website

Mark Hodgson
District Auditor
December 2009

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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