

Annual Audit Letter

Broadland District Council

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. I have then linked this through to our assessment of the way the Council manages its performance and our overall assessment of the Council.

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 supported by a good set of working papers, which enabled me to complete my audit programme by the 30 September deadline.
- 2** I found one material disclosure error in the accounts (i.e. an error that, if not corrected, would distort the Council's accounts), and a small number of non material but not trivial errors. These errors had no impact on the reported outturn and management amended the accounts for all except one of 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 has developed a project plan to meet these standards and is progressing with the implementation of this plan.

Use of resources

- 5** I 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 achieved the following scores in our assessment:
 - Level 2 for the way it manages its finances.
 - Level 2 for the way it manages and governs the business as a whole.
 - Level 3 (performing well) for the way it manages its people.
- 7** As a result of my assessment, I concluded that the Council had proper arrangements in place for the way it manages its use of resources.

Value for money conclusion

- 8 Based on the results of my use of resources assessments, I issued a conclusion on whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.
- 9 I concluded that the Council had put in place satisfactory arrangements and as a result issued an unqualified value for money conclusion for 2008/09.

Managing performance

- 10 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 local people.
- 11 The Council scores 3 out of 4 for managing its performance (using the same scoring method as for use of resources outlined above).
- 12 The Council is supportive of the local community, for example in helping individuals and businesses cope with the recession. It effectively protects the environment and keeps the district clean. Health and well being is promoted, with cultural and sporting opportunities for all ages. Good support is being provided to help people who are homeless or in danger of losing their homes. The Council is aware that it is not providing enough affordable homes for local people. It has increased capacity in this area and in others where performance is not as good as it wants it to be, such as in ensuring that people with disabilities get the adaptations to their homes that make life easier for them.
- 13 Partnership working has been effective in reducing anti-social behaviour, in helping older and more vulnerable people feel safer, and in helping to keep the district clean.
- 14 The Council's residents are very satisfied with Broadland as a place to live, and their level of satisfaction with the area has increased to over 93 per cent. This is the highest in Norfolk.

Overall organisational assessment

- 15 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 Broadland District Council is that it performs well. There is a difference between the scores for use of resources and for managing performance. The overall score was that the Council was performing well because it generally provides services that are as good as or better than those in other councils, without costing more.
- 16 The Council's managing performance and organisational assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Norfolk, Sue Jewkes.

Key messages

Financial standing

- 17** The last year has seen the Country enter a significant economic recession. The impact 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.
- 18** The Council is responding to this challenge and has built the effects into its medium term planning and budgeting processes. The impact 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 when assessing whether the Council makes effective use of resources during my 2009/10 audit.

Audit fees

- 19** I have been able to deliver and conclude my audit programme within the fee that I planned.

Independence

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

Recommendations

- 21** I have made a number of recommendations within this letter, to further develop the arrangements in place at the Council, with the purpose of delivering better outcomes for the Council's residents. The Council should monitor the implementation of these recommendations.

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.

- 22** I issued an unqualified opinion on the Council's accounts on 30 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.
- 23** Before giving my opinion, I reported to those charged with governance, in this case the Final Accounts Committee, on the issues arising from the 2008/09 audit. I issued my report on 23 September 2009.

Accounting issues

- 24** The draft accounts were approved on 25 June 2009, prior to the 30 June deadline specified in the Accounts and Audit Regulations 2003.
- 25** The financial statements submitted for audit were complete and supported by a good quality of working papers.
- 26** I found one material disclosure error in the accounts (ie an error that, if not corrected, would distort the Council's accounts), and a small number of non material but not trivial errors. These errors had no impact on the reported outturn and management amended the accounts for all except one of these errors.
- 27** I did not identify any significant weaknesses in the Council's internal control arrangements and the annual governance statement was prepared in accordance with requirements. The Council's internal audit team comply with the requirements of the CIPFA Code. The financial systems underpinning the accounts have 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.
- 28** I presented my Annual Governance Report to the Council on 30 September 2009. This included the full details of the issues arising from my audit of the accounts.

Certification of claims and returns

29 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; and
- 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.

30 I certified four of the Council's claims and returns. Small amendments were required to the housing benefits return. The reasons for the amendments are not significant and there are therefore no matters to report to those charged with governance.

International Financial Reporting Standards

31 International Financial Reporting Standards (IFRS) will be applied to the preparation of local government accounts for the first time in 2010/11. This will also require comparative figures for the 2009/10 financial year to be restated in the new IFRS format.

32 Applying IFRS will have significant implications for the way in which local authorities prepare their annual financial statements, particularly in accounting for fixed assets and leases. Preparations for IFRS represent a significant workload which requires detailed project management and significant resources. A great deal of work will be required in the run up to preparing the 2010/11 accounts in order to establish and collect the information required and to account for it under the new accounting standards.

33 The Council has a project plan in place to address these new requirements. This will need to be closely monitored to ensure appropriate resources are in place and the new standards are implemented within the required timeline.

Recommendation	
R1	Ensure IFRS implementation is progressed and closely monitored in order to meet the required deadlines.

Financial standing

- 34** 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 position.
- 35** The Council has built the effects of the recession into its medium term planning process and taken account of these as part of its budgeting process.
- 36** 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.

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

- 37** 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.
- 38** 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.
- 39** The Council's use of resources theme scores are shown in Table 2 below.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	2
Managing resources	3
Overall score	2

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- 40** The main findings and conclusions for the three themes, and the underlying KLOE, are set out in my annual governance report, along with a number of recommendations. The key theme findings are summarised below.

Recommendation

R2 Address the use of resources recommendations in my annual governance report.
--

Managing finances

- 41** The Council has a sound Medium Term Financial Plan (MTFP) with clear links to its annual budgetary process. The MTFP clearly sets out the Council's assumptions and includes the key issues. The budget setting process is realistic and timely and based on a five year model. For 2008/09 however, the final general fund outturn was a surplus of £0.8 million compared to a budgeted deficit of £2 million. This reflected delays in the completion of a number of projects and initiatives which resulted in a revenue carry forward commitment of £2 million. The Council needs to improve control of its budget to prevent such commitments being carried forward in future.
- 42** Accounts closedown is an integrated operation across the Council. The timetable is clearly set out and has been met consistently. Audited and user friendly summary accounts are made available on the Council's website.

Governing the business

- 43** The Council's procurement processes follow good practice and include systematic engagement with stakeholders. Systems are in place to ensure that the data the Council collects, reports and uses to plan and manage its business is relevant and reliable. The constitution describes the roles and responsibilities of the Leader, members and senior officers and good arrangements are in place for member development. A risk management strategy is in place and risks are regularly monitored and reviewed through the corporate and service risk registers. There is a proactive anti fraud programme and in 2008/09 counter fraud arrangements were further improved by the appointment of a second fraud officer. Key systems operate properly with regular reconciliations and comprehensive procedure notes. The Council does not have an audit committee, with these functions being carried out by a combination of Cabinet, Scrutiny and the Final Accounts Committees. As a result, the functions of the audit committee are not totally independent of the Executive and Scrutiny. This is something the Council has agreed to review.

Managing resources

- 44** The Council has developed a productive and skilled workforce and is known nationally as a good employer. Workforce planning is well integrated with service planning and gaps in skills are identified and addressed. Poor performance is effectively managed and systems for staff support have led to a significant reduction in sickness absence. There is good engagement between managers and staff at all levels and senior management has sought to involve the workforce in discussing key issues affecting the Council. For example, the CEO has undertaken a series of briefings with staff about local government review. Policies and procedures are in place to support good practices in equality and diversity and training is provided to managers.

VFM conclusion

- 45** 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.

Value for money and use of resources

- 46** 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.

Managing performance and organisation assessment

- 47** The Council's Managing Performance and Organisational Assessment are being reported separately by the Comprehensive Area Assessment Lead for Norfolk, Sue Jewkes.

Audit fees

48 The actual audit fee is in line with the budget, as outlined in Table 3 below.

Table 2 Audit fees

	Actual	Planned	Variance
Financial statements and annual governance statement	£60,735	£60,735	£0
Use of resources 2007/08	£17,055	£17,055	£0
Data quality 2007/08	£8,271	£8,271	£0
Whole of government accounts	£2,708	£2,708	£0
Total audit fees	£88,769	£88,769	£0
Certification of claims and returns	£25,000*	£25,000	£0
Total	£113,769	£113,769	£0

* estimate

Closing remarks

- 49** I have discussed and agreed this letter with the Chief Executive and the Head of Finance. I will present this letter to the Cabinet on 19 January 2010 and will provide copies to all members.
- 50** 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 Audit reports issued

Report	Date issued
Audit and inspection plan	June 2008
Annual governance report	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Annual audit letter	December 2009
Managing Performance and Organisational Assessment	December 2009

- 51** 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.

Debbie Hanson
District Auditor
December 2009

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
7	R1 Ensure IFRS implementation is progressed and closely monitored to ensure the required deadlines are met.	3				
9	R2 Address the use of resources recommendations included in my annual governance report	3				

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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