



Calderdale Metropolitan Borough Council

Annual Audit Letter 2008-09

14 December 2009

Purpose of this Letter

The purpose of this Annual Audit Letter ('letter') is to summarise the key issues arising from our 2008-09 audit of Calderdale Metropolitan Borough Council ('the Council'). This letter is intended to communicate the significant issues we have identified to key external stakeholders, including members of the public.

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

What this letter covers

Our main responsibilities as external auditors are to:

- review and report on the Council's accounts
- assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources
- review the accuracy of grant claims and returns to various government departments and other agencies.

This letter summarises the significant issues arising from these areas of work and highlights the key recommendations that we consider should be addressed by the Council.

A list of all external audit reports issued in relation to the 2008-09 audit is provided at Appendix A. Appendix B sets out our budgeted and actual audit fees for 2008-09.

Key areas for Council action

We have highlighted below in Table One the key conclusions and areas for action arising from the three elements of our audit. Further details are provided in the remainder of the letter.

Table One: Audit conclusions and key areas for action

Audit conclusions	Key areas for action
The Council's accounts:	
We gave an unqualified opinion on the Council's accounts on 28 September 2009, confirming the financial statements 'present fairly' the financial position of the Council. The key area for action is preparation for the introduction of International Financial Reporting Standards (IFRS).	Preparation for IFRS The Council should continue its preparations for the introduction of accounting under IFRS, including ensuring that asset valuation procedures are sufficiently robust and accounting for fixed assets is further strengthened.

The Council's Use of Resources:	
<p>We concluded that the Council has adequate arrangements in place to deliver economy, efficiency and effectiveness in its use of resources.</p> <p>The key areas for action are to ensure performance management and management information are further developed to support delivery of the Council's objectives.</p>	<p>Performance monitoring & management information</p> <p>The Council should:</p> <ul style="list-style-type: none"> • monitor the performance of services subject to increased internal and external regulatory oversight to ensure planned service and performance improvements are being delivered • ensure that performance and management information is available to support the monitoring and delivery of key Council objectives.
The Council's grant claims and returns:	
<p>We have concluded that the Council has adequate overall arrangements in place for grant claims and returns, but needs to significantly improve the quality of the Housing Benefit subsidy claim.</p>	<p>Housing Benefit subsidy claim</p> <p>The Council should continue to focus on improving housing benefit subsidy claim arrangements by implementing the agreed recommendations in our April 2009 report and action points arising from the 2008-09 subsidy claim audit.</p>

The Council's Accounts

We issued an unqualified audit opinion on the Council's accounts on 28 September 2009, in advance of the statutory deadline. Our audit work and opinion confirmed:

- the financial statements 'present fairly' the financial position of the Council
- the Annual Governance Statement was consistent with our knowledge of the Council
- no control issues were identified that presented a material risk to the accuracy of the financial statements
- the scope and conduct of internal audit work was appropriate to support our audit work
- the working papers provided were of a good standard and this helped the audit progress smoothly
- appropriate controls are in place in the high profile areas of Members' allowances and treasury management
- the Council holds general fund balances of £7.7m in excess of its recommended minimum required amount (£5m) and is therefore well placed to deal with future unforeseen circumstances.

Our audit identified a number of misstatements to the financial statements which were processed by the Council. The overall effect of these adjustments was to increase the general fund balance by £0.8m, principally as a result of errors in the 2008-09 housing subsidy claim, to which we refer later in this letter.

The most significant future challenge relating to the Council's accounts is preparing for the introduction of International Financial Reporting Standards (IFRS).

The Council has already carried out a lot of work in starting to address IFRS and is therefore well placed to address successful implementation, although there are some significant challenges relating to PFI and fixed asset accounting and valuation.

We will be issuing a 2009-10 accounts audit plan to the Audit Committee on 4 January 2010 and will continue to work closely with the Council to support the transition to IFRS.

The Council's Use of Resources

We concluded that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 and therefore issued a positive Value for Money (VFM) conclusion on 28 September 2009.

Our VFM conclusion is informed by our use of resources work which is based on the Audit Commission's new assessment framework which emphasises achievement of outcomes and includes new areas of assessment this year such as environmental management. The new framework is more challenging and based on different scoring criteria and is therefore not directly comparable to previous years. We also carried out a local risk based review of partnership arrangements.

Our use of resources assessment concluded that the Council has at least adequate arrangements in all areas, as summarised in Table Two:

Table Two: The Council's 2009 use of resources scores

Use of Resources Theme	Assessment
Managing finances	3
Financial planning	3
Understanding costs	2
Financial reporting	3
Governing the business	2
Commissioning and procurement	2
Use of data	2
Good governance	2
Internal control	3
Managing resources	2
Managing natural resources	2
Asset management	2
Workforce management	N/A*
Overall Council score	2

* workforce management was not assessed in 2009. It will be subject to audit in 2010.

Assessment scale:

- 1 - Below minimum requirements - inadequate performance
- 2 - Only at minimum requirements – adequate performance
- 3 - Consistently above minimum requirements – performing well
- 4 - Well above minimum requirements – performing strongly

We assessed the Council as performing well (level 3) in the theme of 'managing finances', reflecting particular strengths in the areas of integrated financial and service planning, financial reporting, delivering on key Council financial objectives and stakeholder consultation.

Overall, the Council was assessed as performing adequately (level 2) in the other two themes of 'governing the business' and 'managing resources'. However, the Council is performing well in some aspects of its arrangements such as internal control, due to improved performance in implementing internal audit recommendations and improved risk management, resulting in insurance premium savings.

The high priority recommendations arising from our use of resources work were for the Council to:

- monitor the performance of those services, such as looked after children, that have been subject to both internal and external review by consultants in order to ensure that planned service and performance improvements are being achieved
- ensure that comprehensive performance and data frameworks are put in place to support the delivery of key objectives, for example, the 'Narrowing the Gap' initiative, in order for the Council to monitor achievement against objectives
- ensure that the newly procured Integrated Care System (ICS) within Children & Young People directorate is operating as intended by producing the required management information on performance indicators
- finalise baseline environmental information and embed the Environmental Management System in order to provide a robust system to monitor the Council's environmental impact and track performance against reducing use of natural resources
- finalise the Sustainable Procurement strategy in order to help manage the environmental impact of its suppliers of goods and services. The Council should monitor performance outcomes from the introduction of the strategy
- further develop overall partnership management arrangements in place through more effective use of the partnerships register, development of performance monitoring and reporting arrangements and consideration of the appropriateness of challenge and scrutiny arrangements.

The findings of our work also contributed towards the Audit Commission's Organisational Assessment of the Council and the Comprehensive Area Assessment for Calderdale. The results of this work have been reported separately to the Council by the Audit Commission.

The Council's grant claims and returns

Each year we review and certify a number of grant claims and returns in accordance with arrangements put in place by the Audit Commission.

In 2008-09 we reviewed 17 claims and returns. Overall:

- the timeliness of receipt of claims could be improved. A number of claims were received after agreed deadlines, resulting in some Yorkshire Forward claims appearing on Audit Commission's 'stragglers list'
- the value of audit amendments to claims reduced
- the quality of working papers to support claim forms has improved and are generally of a good quality.

The exception to the above is the housing benefit subsidy claim. This is the most significant claim we certify in terms of value and complexity is the housing benefit subsidy claim form, representing annual income to the Council of around £60m.

Last year we highlighted a number of significant issues relating to the poor preparation of this claim which resulted in additional external audit work being required and audit adjustments resulting in £106k increase in subsidy.

We produced a detailed report for management in April 2009 which included a number of recommendations in order to prevent similar issues arising in 2008-09. The Council has taken some action to address issues but the 2008-09 draft claim was again of a poor quality and was submitted late which impacted on the accuracy of the Council's accounts, referred to earlier in the letter, and will again result in additional external audit work and the deadline being missed.

Following recent improvements in claim compilation and supporting working papers, and the recruitment of a specialist officer to oversee the subsidy claim, we are optimistic that the Council will produce a timely and accurate claim in 2009-10.

Responsibilities of the external auditors and the Council

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

As the Council's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas that involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

This letter is part of a continuing dialogue between the Council and ourselves and is not, therefore, intended to cover every matter which came to our attention. Our audit should not be relied upon to detect all errors, systems or control weaknesses or opportunities for improvements in management arrangements that might exist. For these reasons we do not accept responsibility for any reliance that third parties may place on it.

Next steps

This letter has been discussed with the Chief Executive and Chief Finance Officer. The letter will be presented to the Audit Committee on 4 January 2010.

We presented and agreed our indicative 2009-10 outline audit plan with the Audit Committee in June 2009. The audit fee letter set out our initial assessment of the local risk based use of resources work we plan to carry out to support our VFM conclusion. This comprised:

- an early review of the Council's workforce management arrangements, due to be reported to the Audit Committee in January 2010
- a review of the Council's procurement and contract management arrangements, including specifically a follow up of the Council's progress in implementing previous internal and external audit recommendations.

We confirm that these assumptions remain relevant and we will build these into our risk based 2009-10 work plan, along with specific follow up of our 2008-09 recommendations and any new risks emerging between now and when we conclude our 2009-10 audit in September 2010.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

Grant Thornton UK LLP
14 December 2009

Audit Reports issued in relation to the 2008-09 audit

Audit Report	Date
Audit Plan 2008-09	June 2008
Use of Resources and Data Quality 2008	December 2008
Report to Management on the Housing Benefit Claim 2007-08	April 2009
Interim Report to those Charged with Governance	June 2009
Annual Report to those Charged with Governance	September 2009
Review of Partnership Arrangements	October 2009
Use of Resources 2009	October 2009
Annual Audit Letter 2008-09	December 2009
Grants Report 2008-09	due January 2010

Audit Fees 2008-09

The table below summarises the planned and actual audit fees charged to the Council during 2008-09.

Audit Area	Plan 2008-09	Actual 2008-09
Financial statements, including WGA	142,000	142,000
Use of Resources & VFM conclusion	139,000	139,000
Total Code Fee	281,000	281,000
Certification of grant claims and returns*	88,225	TBC
Total Audit Fee	369,225	TBC

* The planned fee for certification of grant claims and returns was based on an estimated number of claims and agreed with the Council in April 2009. Actual fees are billed on a cost incurred basis and vary according to the number, complexity and quality of claims presented for audit.

Actual fees will be in excess of the original budget due to additional time spent auditing the Housing Benefit claim and unplanned receipt of project based claims, referred to earlier in this letter.

The actual grant fee will be confirmed in the Grants Report 2008-09 due to be presented to the Audit Committee in March 2010.



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