

# Annual Audit Letter

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Crawley Borough Council

Audit 2008/09

November 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.**

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## Audit opinion

- 1 I have issued an unqualified opinion on the financial statements.
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## Financial Statements

- 2 The statements presented for audit were of good quality and showed a continued improvement on previous years. We identified a small number of errors in these statements and further details are provided in the Financial Statements section below. Working papers to support the financial statements were provided on a timely basis and were also of good quality.
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## Value for money

- 3 I have assessed how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people. My assessment considers how well the Council performs across three areas:
  - managing finances;
  - governing the business; and
  - managing resources.
- 4 The Council is performing adequately in the managing finances and managing resources themes and is performing well for governing the business.
- 5 Based on our work in this area I concluded that the Council has adequate arrangements in place to secure value for money and I issued an unqualified VFM conclusion.

**Table 1      Audit fees**

	<b>Actual</b>	<b>Proposed</b>	<b>Variance</b>
Financial statements and annual governance statement	£120,300	£120,300	£0
Value for money	£42,800	£42,800	£0
<b>Total audit fees</b>	<b>£163,100</b>	<b>£163,100</b>	<b>£0</b>
Non-audit work	£29,425	£0	£29,245
<b>Total</b>	<b>£192,525</b>	<b>£163,100</b>	<b>£29,245</b>

- 6 The non-audit work shown above comprises the VFM Culture and Housing Support advice and assistance work which was reported to members in the 2007/08 Annual Audit and Inspection Letter.

### Independence

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

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement are an important means by which the Council's accounts for its stewardship of public funds.**

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## Significant issues arising from the audit

- 8** We presented our audit findings in the Annual Governance Report to the Audit and Governance Committee on 23 September 2009. We noted a small number of errors in the financial statements provided for audit. The two key areas highlighted for the Committee to consider related to:
- the disclosure of a prior period adjustment relating to the change in valuation method for pension fund assets. The prior period adjustment did not meet the requirements of FRS 3 because it was not sufficiently large to fundamentally affect the view of a user of the statements. The Council included the prior period adjustment due to the sensitivities associated with the pension fund deficit and, as the adjustment was not fundamental or material, chose not to amend the financial statements; and
  - for 2008/09 capital expenditure funded from capital resources was replaced with 'Revenue Expenditure Funded from Capital under Statute' (REFCUS), which means this expenditure is now treated as revenue even though it remains funded from capital resources. The statements provided for audit disclosed REFCUS in the capital activities section of the cash flow statement in both the current and prior year figures. As the impact on comparatives was material, the accounts were amended to include REFCUS in the revenue activities section of the cash flow statement for both years.
- 9** I issued an unqualified opinion on the Council's Whole of Government Accounts return which was submitted for audit on a timely basis.
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## Material weaknesses in internal control

- 10** I did not identify any significant weaknesses in your internal control arrangements.
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## Accounting Practice and financial reporting

- 11** I considered the qualitative aspects of your financial reporting and do not have any issues to report.
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# 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

- 12** 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.
- 13** 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.
- 14** The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

**Table 2 Use of resources theme scores**

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

- 15** Our detailed findings were reported in the Annual Governance Report, and the key messages for each theme are shown below.
- 16** The Council provided us with a self-assessment using the Covalent performance management system which meant that evidence could be linked to the Council's commentary for each KLOE and could be easily accessed and reviewed by both officers and Audit Commission staff.

## Value for money and use of resources

### Managing finances

**17** The Council integrates its financial planning process with its corporate objectives. It is proactive in engaging with local people and other stakeholders both for financial planning and for identifying corporate priorities. The Council set a balanced budget for 2009/10 without the use of reserves which is a year ahead of the target set in the Medium Term Budget Strategy. The Council delivers quality services and total expenditure has decreased, although it remains high relative to other authorities. It has exceeded efficiency targets set for 2008/09. The Council has continued to make significant improvements in financial reporting and arrangements in this area are strong.

### Governing the business

- 18** We noted improvements in a number of areas including data quality. The Council has a robust framework to oversee data quality and has addressed the recommendations made in previous reports. The Council is now performing well in this area and the spot check testing for 2008/09 found the performance indicators tested to be fairly stated. We also identified that the Council has a strong, established approach to procurement.
- 19** The Council's Member Development Programme is well attended and the Council has achieved the Charter for Member Development.
- 20** The Council continues to develop its risk management processes and the risk management strategy was revised and updated in February 2009. The Council has developed a Partnership Protocol and although this is relatively new, it should form a good foundation for risk management of future partnerships.

### Managing resources

- 21** The focus of this theme for 2008/09 was on workforce planning.
- 22** The Council has managed skill and capacity gaps, with effective approaches to recruitment and retention. It promotes career pathways, trainee positions and has in place twenty one secondments. In 2008, the Council introduced a Talent Potential and Performance model to manage the talent of its top three tiers of managers. It also retained Investors in People in 2008.
- 23** Workforce planning is integrated with service planning. The workforce plan addresses current workforce needs but the Council now needs to develop a longer term plan covering the next three to five years.
- 24** There are sound policies in place with plans to develop schemes for religion and belief, sexual orientation and age in the coming years. In addition, the Council has invested resources to improve Equality Impact Assessments but further work on these is needed.

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### VFM conclusion

- 25** 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.
- 26** I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Health Inequalities

- 27** We have reviewed the action being taken to address health inequalities throughout West Sussex in two phases; the first phase was completed in early 2008, and phase two was concluded in September 2009. The work involved West Sussex PCT, West Sussex County Council, Sussex Police, Sussex Partnership Foundation Trust, Western Sussex Hospitals NHS Trust and all the district and borough councils in West Sussex. Phase one found that partners have a good understanding of the health of local people and good progress had been made to reduce health inequalities. Important building blocks had also been established, including the establishment of five Local Neighbourhood Improvement Areas (LNIAs) in the areas of most deprivation in the County. Partners were developing a clear strategic direction although there was no formal strategic framework in place. We agreed an action plan with the PCT to progress key issues arising from the review.
- 28** Phase two followed up on the progress made to deliver the action plan, and to answer the key question of 'how likely are partnership arrangements in West Sussex to reduce health inequalities across the local population?' We found that good progress has been made in most areas particularly in relation to the development of partnership working and the establishment of countywide structures to support work to reduce health inequalities. A lot of work is taking place across the county to address health inequalities, but a countywide health inequalities action framework, a recommendation from phase one of this work, has not yet been developed. We are agreeing an action plan and will continue to work with partners during 2009/10 to follow up progress.

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# Closing remarks

- 29** I have discussed and agreed this letter with the Chief Executive and the Head of Finance and Procurement. I will provide copies to all Audit and Governance Committee members.
- 30** 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.

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**Table 3**

Report	Date issued
Audit Plan	May 2008
Supplementary Opinion Plan	June 2009
Annual Governance Report	September 2009

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- 31** 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.

Helen Thompson  
District Auditor  
November 2009

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# 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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## Copies of this report

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